Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-14895

AVI BIOPHARMA, INC.
(Exact name of registrant as specified in its charter)

Oregon	**93-0797222**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3450 Monte Villa Parkway, Suite 101, Bothell, Washington	**98021**
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: **(425) 354-5038**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock with $0.0001 par value	**111,959,610**
(Class)	(Outstanding as of August 6, 2010)

Table of Contents

AVI BIOPHARMA, INC.
FORM 10-Q
INDEX

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

AVI BIOPHARMA, INC.
(A Development Stage Company)
BALANCE SHEETS
(unaudited)
(in thousands, except per share data)

	June 30, 2010	December 31, 2009
Assets		
Current Assets:		
Cash and cash equivalents	$ 36,742	$ 48,275
Accounts receivable	2,153	2,085
Other current assets	1,037	950
Total Current Assets	39,932	51,310
Property held for sale	2,372	2,372
Property and Equipment, net of accumulated depreciation and amortization of $14,393 and $14,026	2,184	2,466
Patent Costs, net of accumulated amortization of $1,829 and $1,762	4,068	3,759
Other assets	111	120
Total Assets	$ 48,667	$ 60,027
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 2,369	$ 1,381
Accrued employee compensation	1,837	922
Long-term debt, current portion	79	77
Warrant valuation	29,540	27,609
Deferred revenue	3,366	3,428
Other liabilities	77	90
Total Current Liabilities	37,268	33,507
Commitments and Contingencies	—	—
Long-term debt, non-current portion	1,883	1,924
Other long-term liabilities	1,075	966
Shareholders' Equity:		
Preferred stock, $.0001 par value, 20,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $.0001 par value, 200,000,000 shares authorized; 110,339,777 and 110,495,587 issued and outstanding	11	11
Additional paid-in capital	301,139	299,088
Deficit accumulated during the development stage	(292,709)	(275,469)
Total Shareholders' Equity	8,441	23,630
Total Liabilities and Shareholders' Equity	$ 48,667	$ 60,027

See accompanying notes to financial statements.

AVI BIOPHARMA, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,		July 22, 1980 (Inception) through
	2010	2009	2010	2009	June 30, 2010
Revenues from license fees, grants and research contracts	$ 3,997	$ 2,945	$ 5,201	$ 6,095	$ 65,010
Operating expenses:					
Research and development	6,931	5,804	13,020	10,299	243,452
General and administrative	4,733	2,206	7,577	4,426	81,597
Acquired in-process research and development					29,461
Operating loss	(7,667)	(5,065)	(15,396)	(8,630)	(289,500)
Other non-operating (loss) income:					
Interest (expense) income and other, net	51	(31)	87	(15)	8,410
(Increase) decrease on warrant valuation	(9,040)	(14,572)	(1,931)	(11,950)	1,519
Realized gain on sale of short-term securities—available-for-sale	—	—	—	—	3,863
Write-down of short-term securities—available-for-sale	—	—	—	—	(17,001)
	(8,989)	(14,603)	(1,844)	(11,965)	(3,209)
Net loss and comprehensive loss	$ (16,656)	$ (19,668)	$ (17,240)	$ (20,595)	$ (292,709)
Net loss per share - basic and diluted	$ (0.15)	$ (0.23)	$ (0.16)	$ (0.25)	
Weighted average number of common shares outstanding for computing basic and diluted loss per share (in thousands)	110,383	85,664	110,404	83,235	

See accompanying notes to financial statements.

AVI BIOPHARMA, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Six months ended June 30,		For the Period July 22, 1980 (Inception) through
	2010	2009	June 30, 2010
Cash flows from operating activities:			
Net loss and comprehensive loss	$ (17,240)	$ (20,595)	$ (292,709)
Adjustments to reconcile net loss to net cash flows used in operating activities:			
Depreciation and amortization	698	723	18,380
Loss on disposal of assets	237	221	1,542
Realized gain on sale of short-term securities—available-for-sale	—	—	(3,863)
Write-down of short-term securities—available-for-sale	—	—	17,001
Impairment charge on real estate owned	—	—	928
Stock-based compensation	2,031	1,081	24,728
Conversion of interest accrued to common stock	—	—	8
Acquired in-process research and development	—	—	29,461
Increase (decrease) on warrant valuation	1,931	11,950	(1,519)
(Increase) decrease in:			
Accounts receivable and other current assets	(143)	1,446	(3,043)
Net increase in accounts payable, accrued employee compensation, and other liabilities	1,938	(831)	7,212
Net cash used in operating activities	(10,548)	(6,005)	(201,874)
Cash flows from investing activities:			
Purchase of property and equipment	(340)	(142)	(18,209)
Patent costs	(622)	(555)	(7,865)
Purchase of marketable securities	—	114	(112,986)
Sale of marketable securities	—	—	117,724
Acquisition costs	(3)	—	(2,392)
Net cash used in investing activities	(965)	(583)	(23,728)
Cash flows from financing activities:			
Proceeds from sale of common stock, warrants, and partnership units, net of offering costs, and exercise of options and warrants	19	15,513	262,956
Repayments of long-term debt	(39)	(37)	(226)
Buyback of common stock pursuant to rescission offering	—	—	(289)
Withdrawal of partnership net assets	—	(43)	(177)
Issuance of convertible debt	—	—	80
Net cash provided by (used in) financing activities	(20)	15,433	262,344
Increase (decrease) in cash and cash equivalents	(11,533)	8,845	36,742
Cash and cash equivalents:			
Beginning of period	48,275	11,192	—
End of period	$ 36,742	$ 20,037	$ 36,742
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for interest	$ 47	$ 48	$ 352
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES AND FINANCING ACTIVITIES:			
Short-term securities—available-for-sale received in connection with the private offering	$ —	$ —	$ 17,897
Issuance of common stock and warrants in satisfaction of liabilities	$ —	$ —	$ 545
Issuance of common stock for building purchase	$ —	$ —	$ 750
Assumption of long-term debt for building purchase	$ —	$ —	$ 2,200
Issuance of common stock for Ercole assets	$ —	$ —	$ 8,075
Assumption of liabilities for Ercole assets	$ —	$ —	$ 2,124

See accompanying notes to financial statements.

AVI BIOPHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements reflect the accounts of AVI BioPharma, Inc. (the "Company") and its consolidated subsidiaries. The accompanying unaudited condensed consolidated balance sheet data as of December 31, 2009 was derived from audited financial statements not included in this report. The accompanying unaudited condensed consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

Management has determined that the Company operates one segment: the development of pharmaceutical products on its own behalf or in collaboration with others.

The accompanying unaudited condensed consolidated financial statements reflect all adjustments consisting only of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2009. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

Estimates and Uncertainties

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Commitments and Contingencies

As of the date of this report, the Company is not a party to any material legal proceedings with respect to itself, its subsidiaries, or any of its material properties. In the normal course of business, the Company may from time to time be named as a party to various legal claims, actions and complaints, including matters involving employment, intellectual property, effects from the use of therapeutics utilizing its technology, or others. It is impossible to predict with certainty whether any resulting liability would have a material adverse effect on the Company's financial position, results of operations or cash flows.

Note 2. Fair Value Measurements

The Company measures at fair value certain financial assets and liabilities in accordance with a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. There are three levels of inputs that may be used to measure fair-value:

- Level 1 — quoted prices for identical instruments in active markets;
- Level 2 — quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 — valuations derived from valuation techniques in which one or more significant value drivers are unobservable.

The Company's assets and liabilities measured at fair value on a recurring basis consisted of the following as of the date indicated:

	Fair Value Measurement as of June 30, 2010			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Cash equivalents	$ 36,742	$ 36,742	—	—
Other current assets	457	—	$ 457	—
Total assets	$ 37,199	$ 36,742	$ 457	$ —

	Fair Value Measurement as of June 30, 2010			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Warrants	$ 29,540	—	—	$ 29,540
Total liabilities	$ 29,540	$ —	$ —	$ 29,540

	Fair Value Measurement as of December 31, 2009			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Cash equivalents	$ 48,275	$ 48,275	—	—
Other current assets	455	—	$ 455	—
Total assets	$ 48,730	$ 48,275	$ 455	$ —

	Fair Value Measurement as of December 31, 2009			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Warrants	$ 27,609	$ —	$ —	$ 27,609
Total liabilities	$ 27,609	$ —	$ —	$ 27,609

A reconciliation of the change in value of the Company's warrants for the three months ended June 30, 2010 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	(in thousands)
Balance at March 31, 2010	$ 20,500
Change in value of warrants	9,040
Balance at June 30, 2010	$ 29,540

A reconciliation of the change in value of the Company's warrants for the six months ended June 30, 2010 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	(in thousands)
Balance at December 31, 2009	$ 27,609
Change in value of warrants	1,931
Balance at June 30, 2010	$ 29,540

See Note 6 —"Warrants" for additional information related to the determination of fair value of the warrants. The carrying amounts reported in the balance sheets for cash, accounts receivable, accounts payable, and other current monetary assets and liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments.

Note 3. Property Held for Sale

The Company has decided to outsource its large scale manufacturing activities. As a result, the Company has listed for sale at a sales price of $2.5 million an industrial property located in Corvallis, Oregon where it had previously intended to manufacture its product candidates and products. Selling and closing expenses are estimated to be $0.1 million. The Company has used a Level 3 fair value measure with the use of an independent appraisal to value this property.

Note 4. U.S. Government Contracts

In the periods presented, substantially all of the revenue generated by the Company was derived from research contracts with the U.S. government. As of June 30, 2010, the Company had contracts with the U.S. government pursuant to which its is entitled to receive up to an aggregate of $83.7 million for development of its product candidates, of which $53.5 million had been billed to the U.S. government and $30.2 million of which relates to development that has not yet been completed and has not been billed. The following is a description of such contracts.

January 2006 Agreements (Ebola and Marburg Host Factors, Dengue, Anthrax and Ricin)

In January 2006, the final version of the 2006 defense appropriations act was enacted, which act included an allocation of $11.0 million to fund the Company's ongoing defense-related programs under certain executed contracts. Net of government administrative costs, it is anticipated that the Company will receive up to $9.8 million under this allocation. The Company's technology is expected to be used to continue developing RNA-based drugs against Ebola and Marburg viruses. As of June 30, 2010, the Company has recognized revenue of $9.7 million with respect to these contracts.

December 2006 Agreement (Ebola, Marburg and Junín Viruses)

In December 2006, the Company entered into a two-year research contract with Defense Threat Reduction Agency ("DTRA"), an agency of the U.S. Department of Defense (the "DoD"), pursuant to which the Company was entitled to $28.0 million to fund its development of antisense therapeutics to treat the effects of Ebola, Marburg and Junín hemorrhagic fever viruses. In May 2009, this contract was amended to extend the term of the contract until November 2009 and to increase funding by $5.9 million to an aggregate of $33.9 million. In June 2009, the contract was amended again to extend the term of the contract to February 2011 and to increase funding by an additional $11.5 million to an aggregate of $45.4 million. As of June 30, 2010, the Company has recognized revenue of $37.8 million with respect to this contract.

May 2009 Agreement (H1N1/Influenza)

In May 2009, the Company entered into a contract with DTRA to develop swine flu drugs. Under this contract, DTRA will pay up to $4.1 million to the Company for the work involving the application of the Company's proprietary PMO and PMO*plus*™ antisense chemistry and the Company plans to conduct preclinical development of at least one drug candidate and demonstrate it is effective by testing it on animals. In March 2010, the contract was amended to include testing against additional influenza strains including H5N1 (avian flu), Tamiflu®-resistant H1N1 (swine flu) and H3N2 (seasonal flu) and funding increased by $4.0 million to an aggregate of $8.1 million. As of June 30, 2010, the Company has recognized revenue of $3.2 million with respect to this contract.

June 2010 Agreement (H1N1/Influenza)

On June 4, 2010, the Company entered into a contract with the DTRA to advance the development of AVI-7100, which was previously designated AVI-7367 and which has been renumbered by the Company, as a medical countermeasure against the pandemic H1N1 influenza virus in cooperation with the Transformational Medical Technologies program ("TMT") of the DoD. The contract provides for funding of up to $18 million to advance the development of AVI-7100, including studies enabling an Investigational New Drug ("IND") application with the U.S. Food and Drug Administration ("FDA"), the development of an intranasal delivery formulation, and the funding of a Phase 1 clinical program to obtain human safety data to support potential use under an Emergency Use Authorization. As of June 30, 2010, the Company has recognized revenue of $0.4 million with respect to this contract.

The following table sets forth the impact on revenue of each of the contracts with the U.S. government on the Company's results of operations for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(in thousands)		(in thousands)	
January 2006 Agreements *(Ebola and Marburg host factor, Dengue, Anthrax and Ricin)*	$ 147	$ 243	$ 468	$ 1,623
December 2006 Agreement *(Ebola, Marburg and Junín Viruses)*	2,063	1,333	2,608	3,066
May 2009 Agreement *(H1N1)*	1,187	356	1,444	356
June 2010 Agreement *(H1N1)*	433	—	433	—
Other Agreements	167	1,013	248	1,050
Total	$ 3,997	$ 2,945	$ 5,201	$ 6,095

Note 5. Stock Compensation

Valuation Assumptions

Stock-based compensation costs are based on the fair value calculated from the Black-Scholes option-pricing model on the date of grant for stock options. The fair value of stock grants is amortized as compensation expense on a straight-line basis over the vesting period of the grants. Stock options granted to employees are service-based and typically vest over three years.

The fair market values of stock options granted during the periods presented were measured on the date of grant using the Black-Scholes option-pricing model, with the following assumptions:

	Three and Six Months Ended June 30,	
	2010	2009
Risk-free interest rate	1.9%-2.8%	1.2%-1.4%
Expected dividend yield	0%	0%
Expected lives	5.3-5.8 years	9.0 years
Expected volatility	83.3%-87.9%	92.0%-92.8%

The risk-free interest rate is estimated using an average of treasury bill interest rates that correlate to the prevailing interest rates at the time of grant. The expected dividend yield is zero as the Company has not paid any dividends to date and does not expect to pay dividends in the future. The expected lives are estimated using expected and historical exercise behavior. The expected volatility is estimated using historical calculated volatility of the Company's common stock. The amounts estimated according to the Black-Scholes option pricing model may not be indicative of the actual values realized upon the exercise of these options by the holders.

The Company is required to estimate potential forfeiture of stock grants and adjust compensation cost recorded accordingly. The estimate of forfeitures is adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up in the period of change and impact the amount of stock compensation expense to be recognized in future periods.

Stock Options

The Company sponsors a 2002 Equity Incentive Plan (the "Plan") pursuant to which it may issue options to purchase its common stock to the Company's employees, directors and service providers. In general, stock options granted under the Plan vest over a three year period, with one-third of the underlying shares vesting on each anniversary of grant, and have a ten year term. As of June 30, 2010, 2,425,755 shares of common stock remain available for future grant under the Plan.

A summary of the Company's stock option compensation activity with respect to the six months ended June 30, 2010 follows:

Stock Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2009	8,932,811	$ 2.79		
Granted	2,641,365	1.43		
Exercised	(16,955)	1.11		
Canceled or expired	(2,195,253)	4.52		
Outstanding at June 30, 2010	9,361,968	2.00	5.97	$ 2,394,171
Vested at June 30, 2010 and expected to vest	9,200,698	2.01	5.91	2,351,800
Exercisable at June 30, 2010	5,469,467	2.47	3.80	1,231,691

The weighted-average fair value per share of stock-based awards, including stock options and restricted stock grants, granted to employees during the six months ended June 30, 2010 and 2009 was $1.03 and $0.87, respectively. During the same periods, the total intrinsic value of stock options exercised was $4,278 and $1,991, respectively, and the total fair value of stock options that vested was $2,288,000 and $973,000, respectively. The total fair value of stock options vested for the three months ended June 30, 2010 and 2009 was $1,629,000 and $456,000, respectively.

Restricted Stock Awards

In the three period ended June 30, 2010, the Company granted a total of 20,000 shares of restricted stock to members of its Board of Directors. These shares vest over a period of approximately one year. During the three and six month periods ended June 30, 2010, the Company recognized compensation expense related to these shares of $3,000.

In the three months ended June 30, 2009, the Company granted 25,000 shares of restricted stock to members of its Board of Directors. These shares vest over a period of one year. During the three and six months ended June 30, 2009, the Company recognized compensation expense related to these shares of $0 and $3,000, respectively.

Also in the three months ended June 30, 2009, the Company granted 100,000 shares of restricted stock to its Chief Business Officer. These shares vest upon the achievement of certain performance milestones. During the three and six months ended June 30, 2009, the Company did not recognize any compensation expense related to these shares as the achievement of the performance milestones was not considered probable and the restricted stock was cancelled.

In the three months ended March 31, 2009, the Company granted 60,000 shares of restricted stock to its Chief Medical Officer. These shares vested over a period of 181 days. During the three and six months ended June 30, 2009 the Company recognized compensation expense related to these shares of $41,000 and $70,000, respectively.

In the three months ended March 31, 2008, the Company granted 333,000 shares of restricted stock to its former Chief Executive Officer. Of these shares, 100,000 vested immediately and the remaining 233,000 vest over a period of four years. In April 2010, the former Chief Executive Officer tendered his resignation at the request of the Board of Directors and pursuant to the terms of the related separation agreement, 116,500 shares of previously granted restricted stock immediately became fully vested and exercisable at the effective date of the separation agreement. During the three months ended June 30, 2010 and 2009, the Company recognized compensation expense related to these shares of $118,000 and $16,000, respectively. During the six month periods ended June 30, 2010 and 2009, the Company recognized compensation expense related to these shares $134,000 and $35,000, respectively.

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value
	(in thousands)	
Balance as of December 31, 2009	300	$ 1.09
Granted	20	1.30
Vested	(200)	1.09
Forfeited or canceled	(100)	1.10
Balance as of June 30, 2010	20	$ 1.30

The weighted-average grant-date fair value of restricted stock awards is based on the market price of the Company's common stock on the date of grant. The grant-date fair value of the restricted stock award made during the three and six months ended June 30, 2010 was $1.30. The grant-date fair value of the restricted stock awards made during the three and six month periods ended June 30, 2009 was $1.10 and $1.01, respectively. The total grant-date fair values of restricted stock awards that vested during the six months ended June 30, 2010 and June 30, 2009 were approximately $219,000 and $303,000, respectively.

Stock-based Compensation Expense

The amount of stock-based compensation expense recognized in the three months ended June 30, 2010 and 2009 related to stock options was $1,605,000 and $456,000, respectively. For the six months ended June 30, 2010 and 2009, stock-based compensation expense was $2,031,000 and $1,081,000, respectively. A summary of the stock based compensation expense recognized in the statement of operations is as follows:

	Three Months Ended	
	June 30, 2010	June 30, 2009
	(in thousands)	
Research and development	$ 216	$ 272
General and administrative	1,389	184
Total	$ 1,605	$ 456

The following are the stock-based compensation expense recognized in the Company's statements of operations for the six months ended June 30, 2010 and 2009:

	Six Months Ended	
	June 30, 2010	June 30, 2009
	(in thousands)	
Research and development	$ 415	$ 628
General and administrative	1,616	453
Total	$ 2,031	$ 1,081

As of June 30, 2010, there was $3,150,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements, including stock options and restricted stock, granted under the Plan. These costs are expected to be recognized over a weighted-average period of 2.02 years.

On April 20, 2010, the Company's Chief Executive Officer and President, Leslie Hudson, Ph.D., tendered his resignation at the request of the Board of Directors. Pursuant to the terms of the separation agreement between Dr. Hudson and the Company, unvested options previously granted to Dr. Hudson to purchase 1,166,833 shares of common stock and 116,500 shares of restricted stock immediately became fully vested and exercisable at the effective date of the separation agreement. The Company recorded a charge of stock compensation expense of $1,181,292 as a result of the accelerated vesting of these shares in the second quarter of 2010.

Note 6. Warrants

Warrants issued in connection with the Company's December 2007, January 2009, and August 2009 financings are classified as liabilities as opposed to equity due to their settlement terms. These warrants are non-cash liabilities; the Company is not required to expend any cash to settle these liabilities.

The fair market value of these warrants was recorded on the balance sheet at issuance and the warrants are marked to market at each financial reporting period, with changes in the fair value recorded as a gain or loss in the statement of operations. The fair value of the warrants is determined using the Black-Scholes option-pricing model, which requires the use of significant judgment and estimates for the inputs used in the model. The following reflects the weighted-average assumptions for each of the periods indicated:

	Three and Six Months Ended June 30,	
	2010	2009
Risk-free interest rate	0.1%-2.6%	0.2%-2.4%
Expected dividend yield	0%	0%
Expected lives	0.1-4.4 years	0.1-5.0 years
Expected volatility	62.3%-95.8%	83.2%-140.6%
Shares underlying warrants classified as liabilities	29,717,546	22,645,157

	Three and Six Months Ended June 30,	
	2010	2009
Market value of stock at beginning of year	$ 1.58	$ 0.66
Market value of stock at end of period	1.61	1.58
Weighted average exercise price	1.59	4.18

The risk-free interest rate is estimated using an average of treasury bill interest rates that correlate to the prevailing interest rates at the time of issuance. The expected dividend yield is zero as the Company has not paid any dividends to date and does not expect to pay dividends in the future. The expected lives are based on the remaining contractual lives of the related warrants. The expected volatility is estimated using historical volatility of the Company's common stock, taking into account factors such as future events or circumstances that could impact volatility. The amounts estimated according to the Black-Scholes option pricing model may not be indicative of the actual values realized upon the exercise of these warrants by the holders.

All other warrants issued by the Company other than the warrants issued in connection with its December 2007, January and August 2009 financings are classified as permanent equity in accordance with GAAP; the fair value of the warrants was recorded as additional paid-in capital and no further adjustments are made. For the three months ended June 30, 2010 and 2009, 255,895 and 2,129,530 shares, respectively, were underlying such warrants.

A summary of the Company's warrant activity with respect to the six months ended June 30, 2010 is as follows:

Warrants	Shares	Weighted Average Exercisable Price	Weighted Average Remaining Contractual Term
Outstanding at January 1, 2010	32,332,996	$ 3.40	
Granted	—	—	
Canceled or expired	(2,359,555)	26.50	
Outstanding at June 30, 2010	29,973,441	1.59	3.81

Note 7. Earnings Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding. Diluted net loss per share is computed by dividing net loss by the weighted-average number of common shares and dilutive common stock equivalent shares outstanding. Given that the Company was in a loss position for each of the periods presented, there is no difference between basic and diluted net loss per share since the effect of common stock equivalents would be anti-dilutive and are therefore excluded from the diluted net loss per share calculation.

	Three Months Ended June 30,	
	2010	2009
	(in thousands, except per-share data)	
Net loss	$ (16,656)	$ (19,668)
Weighted-average number of shares of common stock and common stock equivalents outstanding:		
Weighted-average number of common shares outstanding for computing basic earnings per share	110,383	85,664
Dilutive effect of warrants and stock options after application of the treasury stock method	*	*
Weighted-average number of common shares outstanding for computing diluted earnings per share	110,383	85,664
Net loss per share - basic and diluted	$ (0.15)	$ (0.23)

	Six Months Ended June 30,	
	2010	2009
	(in thousands, except per-share data)	
Net loss	$ (17,240)	$ (20,595)
Weighted-average number of shares of common stock and common stock equivalents outstanding:		
Weighted-average number of common shares outstanding for computing basic earnings per share	110,404	83,235
Dilutive effect of warrants and stock options after application of the treasury stock method	*	*
Weighted-average number of common shares outstanding for computing diluted earnings per share	110,404	83,235
Net loss per share - basic and diluted	$ (0.16)	$ (0.25)

* Warrants and stock options to purchase 39,335,409 and 33,838,997 shares of common stock as of June 30, 2010 and 2009, respectively, were excluded from the net loss per share calculation as their effect would have been anti-dilutive.

Note 8. Liquidity

Since its inception in 1980 through June 30, 2010 the Company has incurred losses of approximately $292.7 million, substantially all of which resulted from expenditures related to research and development, general and administrative charges and acquired in-process research and development resulting from two acquisitions. The Company has not generated any material revenue from product sales to date, and there can be no assurance that revenue from product sales will be achieved. Moreover, even if the Company does achieve revenue from product sales, the Company expects to incur operating losses over the next several years.

At June 30, 2010, cash, cash equivalents and short-term investments were $37.2 million, compared to $48.7 million at December 31, 2009. The Company's principal sources of liquidity have been revenue from its U.S. government research contracts and equity financings. The Company's principal uses of cash have been research and development expenses, general and administrative expenses and other working capital requirements.

In the periods presented, substantially all of the revenue generated by the Company was derived from research contracts with the U.S. government. As of June 30, 2010, the Company had contracts with the U.S. government pursuant to which its is entitled to receive up to an aggregate of $83.7 million for development of its product candidates, of which $53.5 million had been billed to the U.S. government and $30.2 million of which relates to development that has not yet been completed and has not been billed. See Note 4 — "U.S. Government Contracts" for additional information.

In January 2009, the Company sold approximately 14.2 million shares of its common stock and also issued warrants to purchase approximately 14.2 million shares of its common stock in an offering registered under the Securities Act of 1933 (the "Securities Act"). The offering generated net proceeds of approximately $15.5 million.

In August 2009, the Company sold approximately 24.3 million shares of its common stock and also issued warrants to purchase approximately 9.7 million shares of its common stock in an offering registered under the Securities Act. The offering generated net proceeds of approximately $32.3 million. The warrants issued to the investors in the offering have an exercise price of $1.78 per share and are exercisable at any time on or before August 25, 2014. See Note 9 — "Equity Financing" for more information.

Note 9. Equity Financing

In January 2009, the Company sold approximately 14.2 million shares of its common stock and also issued warrants to purchase approximately 14.2 million shares of its common stock in an offering registered under the Securities Act. The offering generated net proceeds of approximately $15.4 million. The warrants issued to the investors in the offering have an exercise price of $1.16 per share and are exercisable at any time on or before July 30, 2014. In connection with the offering, the Company also issued to the placement agent a warrant to purchase approximately 427,000 shares of the Company's common stock at an exercise price of $1.45 per share. The warrant issued to the placement agent is exercisable on or before January 30, 2014.

In August 2009, the Company sold approximately 24.3 million shares of its common stock and also issued warrants to purchase approximately 9.7 million shares of its common stock in an offering registered under the Securities Act. The offering generated net proceeds of approximately $32.3 million. The warrants issued to the investors in the offering have an exercise price of $1.78 per share and are exercisable at any time on or before August 25, 2014. The warrants issued in connection with the January and August 2009 offerings are classified as a liability due to their settlement terms. These warrants are non-cash liabilities; the Company is not required to expend any cash to settle these liabilities. Accordingly, the fair value of the warrants is recorded on the consolidated balance sheet as a liability, and such fair value is adjusted at each financial reporting period with the adjustment to fair value reflected in the consolidated statement of operations as described in greater detail in Note 6— "Warrants".

Note 10. Income Taxes

The Company has not recognized any liability for unrecognized tax benefits. There are no unrecognized tax benefits included in the balance sheet that would, if recognized, affect the effective tax rate.

The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accrual for interest or penalties on its balance sheet at June 30, 2010 or December 31, 2009, and has not recognized interest and/or penalties in the statement of operations for the three and six months ended June 30, 2010.

At December 31, 2009, the Company had net deferred tax assets of approximately $111 million. The deferred tax assets are primarily composed of U.S. federal and state tax net operating loss carryforwards, U.S. federal and state research and development credit carryforwards, share-based compensation expense and intangibles. Due to uncertainties surrounding its ability to generate future taxable income to realize these assets, a full valuation allowance has been established to offset its net deferred tax asset. Additionally, the Internal Revenue Code rules could limit the future use of its net operating loss and research and development credit carryforwards to offset future taxable income based on ownership changes and the value of the Company's stock.

Note 11. Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB"), issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. The guidance became effective for the Company with the reporting period beginning January 1, 2010, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which will become effective for the Company with the reporting period beginning July 1, 2011. Other than requiring additional disclosures, adoption of this new guidance did not have a material impact on the Company's financial statements.

In April 2010, the FASB issued guidance on applying the milestone method of revenue recognition for milestone payments for achieving specific performance measures when those payments are related to uncertain future events. The scope of this guidance is limited to transactions involving research or development. Under the guidance, the milestone method is a valid application of the proportional performance model for revenue recognition if the milestones are substantive and there is substantive uncertainty about whether the milestone will be achieved. The guidance is effective on a prospective basis to milestones achieved in fiscal years, and interim periods within those years, beginning after June 15, 2010, with early adoption permitted. The Company is still evaluating the impact of this guidance to determine the potential effects on the Company's financial statements.

Note 12. Subsequent Events

On July 14, 2010, the Company was awarded a new contract with the U.S. Department of Defense Chemical and Biological Defense Program through the U.S. Army Space and Missile Defense Command for the advanced development of the Company's hemorrhagic fever virus therapeutic candidates, AVI-6002 and AVI-6003, for Ebola and Marburg viruses, respectively. The contract is funded as part of the TMT program, which was instigated to develop innovative platform-based solutions countering biological threats. The contract is structured into four segments with potential funding of up to approximately $291 million. Activity under the first segment is to begin immediately and provides for funding to the Company of up to approximately $80 million. Activities under the first segment include Phase 1 studies in healthy volunteers as well as preclinical studies, and are scheduled over an 18-month period.

After completion of the first segment, and each successive segment, TMT has the option to proceed to the next segment for either or both AVI-6002 and AVI-6003. If TMT exercises its options for all four segments, contract activities would include all clinical and licensure activities necessary to obtain FDA regulatory approval of each therapeutic candidate and would provide for a total funding award to the Company of up to approximately $291 million over a period of approximately six years. The contract was granted in response to proposals the Company submitted to a request for proposal issued in November 2009 and initially submitted by the Company in January 2010. Under an earlier contract, the Company completed development activities that culminated in the opening of IND applications for both AVI-6002 and AVI-6003.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This section should be read in conjunction with our condensed consolidated financial statements and related notes included in Part I, Item 1 of this report and the section contained in our annual report on Form 10-K for the year ended December 31, 2009 under the caption "Part II-Item 7 —Management's Discussion and Analysis of Financial Condition and Results of Operations". This discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and

Section 21E of the Exchange Act. Forward-looking statements are identified by such words as "believe," "expect," "anticipate" and words of similar import and are based on current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. All statements other than historical or current facts, including, without limitation, statements about our business strategy, plans and objectives of management and our future prospects, are forward-looking statements. Such forward-looking statements involve risks and uncertainties, including, but not limited to, expectations regarding future expenses, funding from government and other sources, the results of research and development efforts, the adequacy of funds to support or future operations, the results of pre-clinical and clinical testing, the effect of regulation by FDA and other agencies, the impact of competitive products, product development, commercialization and technological difficulties. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this report in Part II, Item 1A — "Risk Factors," and elsewhere in this report. These statements, like all statements in this report, speak only as of their date, and we undertake no obligation to update or revise these statements in light of future developments.

In this report, "we," "our," "us," "AVI," and "Company" refers to AVI BioPharma, Inc.

Overview

We are a biopharmaceutical company focused on the discovery and development of novel RNA-based therapeutics for rare and infectious diseases, as well as other select disease targets. Applying pioneering technologies developed and optimized by AVI, we are able to target a broad range of diseases and disorders through distinct RNA-based mechanisms of action. Unlike other RNA-based approaches, our technologies can be used to directly target both messenger RNA (mRNA) and precursor messenger RNA (pre-mRNA) to either down-regulate (inhibit) or up-regulate (promote) the expression of targeted genes or proteins. We believe that these broad capabilities represent highly competitive RNA-based technology platforms and a strong intellectual property position, both of which are the result of advances across several areas of science, including over 20 years of research and development work in chemistry and biology. Our patent estate includes 205 patents (foreign and domestic) issued to or licensed by us and 184 patent applications (domestic and foreign).

We are leveraging our discovery and development capabilities to build a pipeline of RNA-based therapeutic drug candidates to develop independently and in collaboration with larger pharmaceutical and biotechnology partners. Current applications of our RNA technology platform include genetic diseases (Duchenne Muscular Dystrophy, or DMD), infectious diseases (including Ebola, Marburg and H1N1 Influenza viruses), and other early discovery targets. Several of our antiviral programs, including Ebola, Marburg, Junín and H1N1, have been or are currently funded by the U.S. government as described in greater detail below. Some of our other programs have received funding from non-government sources.

On June 4, 2010, we entered into a new contract with the U.S. Defense Threat Reduction Agency, or DTRA, and agency of the U.S. Department of Defense, or DoD, to advance the development of AVI-7100, as a medical countermeasure against the pandemic H1N1 influenza virus (swine flu) in cooperation with the Transformational Medical Technologies program, or TMT, of the DoD. The contract provides for funding of up to $18 million to advance the development of AVI-7100, including studies enabling an Investigational New Drug, or IND, application with the U.S. Food and Drug Administration, or FDA, the development of an intranasal delivery formulation, and the funding of a Phase 1 clinical program to obtain human safety data to support potential use under an Emergency Use Authorization.

On July 14, 2010, we were awarded a new contract with the U.S. Department of Defense Chemical and Biological Defense Program through the U.S. Army Space and Missile Defense Command for the advanced development of our hemorrhagic fever virus therapeutic candidates, AVI-6002 and AVI-6003, for Ebola and Marburg viruses, respectively. The contract is funded as part of the TMT program, which was instigated to develop innovative platform-based solutions countering biological threats. The contract is structured into four segments with potential funding of up to approximately $291 million. Activity under the first segment is to begin immediately and provides us funding of up to approximately $80 million. After completion of the first segment, and each successive segment, TMT has the option to proceed to the next segment for either or both AVI-6002 and AVI-6003. If TMT exercises its options for all four segments, contract activities would include all clinical and licensure activities necessary to obtain FDA regulatory approval of each therapeutic candidate and would provide for a total funding award to us of up to approximately $291 million. The contract was granted in response to proposals we submitted to a request for proposal, or RFP, issued in November 2009 and initially submitted by us in January 2010. Under an earlier contract, we completed development activities that culminated in the opening of IND applications for both AVI-6002 and AVI-6003.

On April 20, 2010, our chief executive officer and president, Leslie Hudson, Ph.D., tendered his resignation at the request of our Board of Directors. Pursuant to his separation agreement, Dr. Hudson will receive total cash severance payments of $1,412,170 (comprised of two times the sum of (i) his annual base salary in effect as of the Separation Date ($494,400), (ii) the average of his last two annual bonuses ($188,669), and (iii) the annual cost of Pfizer retiree healthcare coverage for him and his spouse ($23,016). The cash severance payments will be made to Dr. Hudson in 24 equal monthly installments, less required

deductions and withholdings following the effective date of the separation agreement. In addition, as of the effective date of the separation agreement, unvested options to purchase 1,166,833 shares of our common stock and 116,500 shares of restricted stock previously granted to Dr. Hudson became fully vested and exercisable, which resulted in a charge to stock compensation expense of $1,181,292 in the second quarter of 2010.

As previously disclosed, on April 20, 2010, we entered into a settlement agreement with a shareholder group that had sought a special meeting of our shareholders to replace certain members of our Board of Directors. Pursuant to such settlement agreement, among other things, (i) our Board of Directors sought Dr. Hudson's resignation and appointed J. David Boyle II, our Chief Financial Officer, as interim Chief Executive Officer and President, (ii) our bylaws were amended to reduce the size of our Board of Directors, (iii) Dr. Hudson and K. Michael Forrest resigned as directors to facilitate the reduction in the size of the Board of Directors, and (iv) Anthony R. Chase was appointed to fill the vacancy created by Dr. Hudson's resignation. In addition, for a period of one year, the shareholder group agreed not to engage in the solicitation of any proxy relating to the voting of our common stock and not to take certain actions relating to our Board of Directors or the management of our company. Furthermore, for a period of six months, members of the shareholder group also agreed not to acquire beneficial ownership of additional shares of our common stock if such acquisition would cause their beneficial ownership to exceed certain thresholds as set forth in the settlement agreement.

At our 2010 annual meeting of shareholders, Chris Garabedian and Hans Wigzell were elected to our Board of Directors, replacing Christopher Henney and Michael D. Casey who did not stand for reelection.

From our inception in 1980, we have devoted our resources primarily to fund our research and development efforts. As the result of recent new U.S. government research contracts for H1N1/ Influenza, Ebola and Marburg, we expect future revenues and research and development cost to increase. We have been unprofitable since inception and, other than limited interest, license fees, grants and research contracts, we have had no material revenue from the sale of products or other sources, other than from government grants and research contracts, and we do not expect material revenue for the foreseeable future. We expect to continue to incur losses for the foreseeable future as we continue our research and development efforts and enter additional collaborative efforts. As of June 30, 2010, our accumulated deficit was $292.7 million.

Government Contracts

In the periods presented, substantially all of the revenue generated by our company was derived from research contracts with the U.S. government. As of June 30, 2010, we had contracts with the U.S. government pursuant to which we are entitled to receive up to an aggregate of $83.7 million for development of its product candidates, of which $53.5 million had been billed to the U.S. government and $30.2 million of which relates to development that has not yet been completed and has not been billed. The following is a description of such contracts.

January 2006 Agreement (Ebola and Marburg Host Factors, Dengue, Anthrax and Ricin)

In January 2006, the final version of the 2006 defense appropriations act was enacted, which act included an allocation of $11.0 million to fund our ongoing defense-related programs under certain executed contracts. Net of government administrative costs, it is anticipated that we will receive up to $9.8 million under this allocation. Our technology is expected to be used to continue developing RNA based drugs against Ebola and Marburg viruses. We have received signed contracts for all of these projects. As of June 30, 2010, we have recognized revenue of $9.7 million with respect to these contracts and expect to receive the remaining funding under these contracts in 2010.

December 2006 Agreement (Ebola, Marburg and Junín Viruses)

In December 2006, we entered into a two-year research contract with the DTRA pursuant to which we were entitled to $28 million to fund our development of antisense therapeutics to treat the effects of Ebola, Marburg and Junín hemorrhagic viruses. In May 2009, this contract was amended to extend the term of the contract until November 2009 and to increase funding by $5.9 million to an aggregate of $33.9 million. In June 2009, the contract was amended again to extend the term of the contract to February 2011 and to increase funding by an additional $11.5 million to an aggregate of $45.4 million. As of June 30, 2010, we have recognized revenue of $37.8 million with respect to this contract and expect to receive the remaining funding under this contract in 2010 and 2011.

May 2009 Agreement (H1N1/Influenza)

In May 2009, we entered into a contract with the DTRA to develop swine flu drugs. Under this contract, DTRA will pay up to $4.1 million to our company for the work involving the application of our proprietary PMO and PMO*plus*™ antisense chemistry and we

plan to conduct preclinical development of at least one drug candidate and demonstrate it is effective by testing it on animals. In March 2010, the contract was amended to include testing against additional influenza strains including H5N1 (avian flu), Tamiflu® resistant H1N1 (swine flu) and H3N2 (seasonal flu) and funding increased by $4.0 million to an aggregate of $8.1 million. As of June 30, 2010, we have recognized revenue of $3.2 million with respect to this contract and expect to receive the remaining funding under this contract in 2010.

June 2010 Agreement (H1N1/Influenza)

On June 4, 2010, we entered into a contract with the DTRA to advance the development of AVI-7100, which was previously designated AVI-7367 and which has been renumbered by us, as a medical countermeasure against the pandemic H1N1 influenza virus in cooperation with the TMT. The contract provides for funding of up to $18 million to advance the development of AVI-7100, including studies enabling an IND application with the FDA, the study of an intranasal delivery formulation, and the funding of a Phase 1 clinical trial to obtain human safety data to support potential use under an Emergency Use Authorization. As of June 30, 2010, we have recognized revenue of $0.4 million with respect to this contract and expect to receive the remaining funding under this contract in 2010 and 2011.

The following table sets forth the impact on revenue of each of the contracts with the U.S. government on our results of operations for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(in thousands)		(in thousands)	
January 2006 Agreements *(Ebola and Marburg Host factors, Dengue, Anthrax and Ricin)*	$ 147	$ 243	$ 468	$ 1,623
December 2006 Agreement *(Ebola, Marburg and Junin Viruses)*	2,063	1,333	2,608	3,066
May 2009 Agreement *(H1N1)*	1,187	356	1,444	356
June 2010 Agreement *(H1N1)*	433	—	433	—
Other Agreements	167	1,013	248	1,050
Total	$ 3,997	$ 2,945	$ 5,201	$ 6,095

Key Financial Metrics

Revenue

Government Research Contract Revenue. In the periods presented, we have generated substantially all of our revenue from U.S. government research contracts. We recognize revenues from U.S. government research contracts during the period in which the related expenditures are incurred and present these revenues and related expenses gross in the consolidated financial statements.

License Arrangements. License arrangements may consist of non-refundable upfront license fees, data transfer fees, research reimbursement payments, exclusive licensed rights to patented or patent pending compounds, technology access fees, various performance or sales milestones and future product royalty payments. Some of these arrangements are multiple element arrangements.

We defer recognition of non-refundable upfront fees if we have continuing performance obligations without which the technology, right, product or service conveyed in conjunction with the non-refundable fee has no utility to the licensee that is separate and independent of our company performance under the other elements of the arrangement. In addition, if we have continuing involvement through research and development services that are required because our know-how and expertise related to the technology is proprietary to us, or can only be performed by us, then such up-front fees are deferred and recognized over the period of continuing involvement. As of June 30, 2010, we had deferred revenue of $3.4 million, which represents up-front fees received from third parties pursuant to certain contractual arrangements. We will recognize the revenue from these contracts upon the achievement of certain performance milestones, as specified in the agreements.

Payments related to substantive, performance-based milestones in a research and development arrangement are recognized as revenue upon the achievement of the milestones as specified in the underlying agreements when they represent the culmination of the earnings process.

As the result of recent new government research contracts for H1N1/Influenza, Ebola and Marburg, we expect future revenues to increase in the near term.

Expenses

Research and Development. Research and development expense consists of costs associated with research activities as well as costs associated with our product development efforts, conducting preclinical studies, and clinical trial and manufacturing costs.

Direct research and development expenses associated with our programs include clinical trial site costs, clinical manufacturing costs, costs incurred for consultants and other outside services, such as data management and statistical analysis support, and materials and supplies used in support of the clinical programs. Indirect costs of our clinical program include salaries, stock based compensation, and an allocation of our facility costs. As the result of recent new government research contracts for H1N1/Influenza, Ebola and Marburg, we expect future research and development cost to increase.

The amount and timing of future research and development expense will depend on our ability to obtain U.S. government awards to fund the advanced development of our antiviral therapeutic candidates. Without such funding, we would likely drastically reduce our spending in these areas. Future research and development expenses may also increase if our internal projects, such as DMD, enter later stage clinical development. Our research and development programs are at an early stage and may not result in any approved products. Product candidates that appear promising at early stages of development may not reach the market for a variety of reasons. Similarly, any of our product candidates may be found to be ineffective during clinical trials, may take longer to complete clinical trials than we have anticipated, may fail to receive necessary regulatory approvals, and may prove impracticable to manufacture in commercial quantities at reasonable cost and with acceptable quality.

As a result of these uncertainties and the other risks inherent in the drug development process, we cannot determine the duration and completion costs of current or future clinical stages of any of our product candidates. Similarly, we cannot determine when, if, or to what extent we may generate revenue from the commercialization and sale of any product candidate. The timeframe for development of any product candidate, associated development costs, and the probability of regulatory and commercial success vary widely.

General and Administrative. General and administrative expense consists principally of salaries, benefits, stock-based compensation expense, and related costs for personnel in our executive, finance, information technology, business development and human resource functions. Other general and administrative expenses include an allocation of our facility costs and professional fees for legal, consulting and accounting services.

Interest Income (Expense) and Other, Net. Interest income and other income or expense, net, consists of interest on our cash, cash equivalents and short-term investments and rental income and other income. Our cash equivalents consist of money market investments and our short term investments consist of certificates of deposit which are included in other current assets. Interest expense includes interest paid on our mortgage loan related to the Corvallis property held for sale. Other income includes rental income on sublease facilities.

Change in Fair Value of Warrants. Warrants issued in connection with our December 2007 and January and August 2009 financings are classified as liabilities as opposed to equity due to their settlement terms. These warrants are non-cash liabilities; we are not required to expend any cash to settle these liabilities. The fair market value of these warrants was recorded on the balance sheet at issuance and the warrants are marked to market each financial reporting period, with changes in the fair value recorded as a gain or loss in our statement of operations. The fair value of the warrants is determined using the Black-Scholes option-pricing model, which requires the use of significant judgment and estimates for the inputs used in the model. For more information, see Note 6—"Warrants" of the unaudited condensed consolidated financial statements included elsewhere in this report.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements included elsewhere in this report. The preparation of our financial statements in accordance with accounting principles generally accepted in the United States, or GAAP, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities for the periods presented. Some of these judgments can be subjective and complex, and, consequently, actual results may differ from these estimates. For any given individual estimate or assumption we make, there may also be other estimates or assumptions that are reasonable. We believe that the estimates and judgments upon which we rely are reasonable based upon historical experience and information available to us

at the time that we make these estimates and judgments. To the extent there are material differences between these estimates and actual results, our consolidated financial statements will be affected. Although we believe that our judgments and estimates are appropriate, actual results may differ from these estimates.

The policies that we believe are the most critical to aid the understanding of our financial results include:

- revenue recognition;
- impairment of long-lived assets;
- stock-based compensation; and
- change in fair value of warrants.

Our critical accounting policies and significant estimates are detailed in our annual report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on March 16, 2010 except as set forth below.

Warrant Liability

In December 2007 and January and August of 2009, we issued warrants to purchase an aggregate of 29.7 million shares of our common stock in connection with a registered direct offering of our common stock and warrants. These warrants are classified as a liability due to their settlement terms. These warrants are non-cash liabilities; we are not required to expend any cash to settle these liabilities.

Accordingly, the fair value of the warrants is recorded on our consolidated balance sheet as a liability, and such fair value is adjusted at each financial reporting period with the adjustment to fair value reflected in our consolidated statement of operations. The fair value of the warrants is determined using the Black-Scholes option pricing model. Fluctuations in the assumptions and factors used in the Black-Scholes model can result in adjustments to the fair value of the warrants reflected on our balance sheet and, therefore, our statement of operations. If, for example, the market value of our common stock or its volatility at December 31, 2009 were 10% higher or lower than used in the valuation of such warrants, our valuation of the warrants would have increased or decreased by up to $3.9 million or $2.1 million, respectively, with such difference reflected in our statement of operations.

Results of Operations for the Three and Six Months Ended June 30, 2010 and 2009

The following table sets forth selected consolidated statements of operations data for each of the periods indicated:

	Three Months Ended June 30,		%	Six Months Ended June 30,		%
	2010	2009	Change	2010	2009	Change
	(In thousands, except per share amounts)			(In thousands, except per share amounts)		
Revenue:	$ 3,997	$ 2,945	36%	$ 5,201	$ 6,095	(15)%
Expenses:						
Research and development	6,931	5,804	19%	13,020	10,299	26%
General and administrative	4,733	2,206	115%	7,577	4,426	71%
Operating loss	(7,667)	(5,065)		(15,396)	(8,630)	
Other income (loss):						
Interest(expense) income and other, net	51	(31)	+	87	(15)	+
(Increase) decrease on warrant valuation	(9,040)	(14,572)	+	(1,931)	(11,950)	+
Net loss	$ (16,656)	$ (19,668)		$ (17,240)	$ (20,595)	
Basic and diluted loss per share	$ (0.15)	$ (0.23)		$ (0.16)	$ (0.25)	

\+ Not meaningful

Revenue

Revenue for the three months ended June 30, 2010 increased by $1.1 million, or 36%, compared to the three months ended June 30, 2009 due to a $1.1 million increase in revenue from U.S. government research contracts as set forth in the table above, offset in part from lower revenue associated with the Children's National Medical Center contract related to DMD.

Revenue for the six months ended June 30, 2010 decreased by $0.9 million, or 15%, compared to the six months ended June 30, 2009 due to a $0.9 million overall decrease in revenue from government research contracts as set forth in the table above and our with the Children's National Medical Center contract.

Research and Development Expenses

Research and development expenses for the three months ended June 30, 2010 increased by $1.1 million, or 19%, compared to the three months ended June 30, 2009 due primarily to $0.7 million in additional costs for the Junin project, animal studies for Junin and H1N1 totaling $0.4 million, and $0.2 million in salaries for new research and development staff, offset in part by declines of $0.2 million in spending associated with professional consultants.

Research and development expenses for the six months ended June 30, 2010 increased by $2.7 million, or 26%, compared to the six months ended June 30, 2009 due to a $1.7 million increase in spending for patient medical treatment and clinical costs for our DMD project, $0.7 million in costs for the Junin project and animal studies for Junin and H1N1 totaling $0.4, offset in part by a reduction of $0.1 million in spending on lab supplies.

General and Administrative Expenses

General and administrative expenses for the three and six months ended June 30, 2010 increased by $2.5 million and $3.2 million compared to the three and six months ended June 30, 2009, respectively. The significant increase in both periods was primarily attributable to $2.6 million in severance costs and stock compensation related to the departure, in April 2010, of our former chief executive officer. In addition, legal costs associated with our settlement with a shareholder group (described above) and other matters increased by $0.2 million and $0.4 million, respectively in the comparative three and six month periods. In addition, relocation to our Bothell, Washington facility resulted in rent increases of $0.1 million and $0.4 million, respectively during the comparative three and six month periods, offset in part by a $0.3 million decline in consulting expenses during the second quarter of 2010.

Interest Income (Expense) and Other, Net

The small increase in interest income and other, net for the three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009 was attributable to increased rental income from the sublease of excess space in our Corvallis, Oregon facility.

Change in Fair Value of Warrant Liability

The significant changes in fair value of warrant liability for the three and six months ended June 30, 2010 compared to the three month and six month periods ended June 30, 2009 was attributable to changes in our stock price. See "—Key Financial Metrics—Change in Fair Value of Warrants," "—Critical Accounting Policies—Warrant Liability," and Note 6 to the financial statements included elsewhere in this report.

Net loss

The decrease in net loss for the three and six months ended June 30, 2010 compared to the prior year period was attributable to the change in warrant liability which more than offset the increase in operating expenses.

Liquidity and Capital Resources

At June 30, 2010, cash, cash equivalents and short-term investments were $37.2 million, compared to $48.7 million at December 31, 2009. Our principal sources of liquidity are revenue from our U.S. government research contracts and equity financings. Our principal uses of cash are research and development expenses, general and administrative expenses and other working capital requirements. Based on the factors described below, we believe that our currently available cash, cash equivalents and short-term investments, exclusive of receipt of future proceeds pursuant to our contracts with the U.S. government, are sufficient to finance our operations for at least the next 12 months

Sources of Funds

Our primary source of revenue is from development of product candidates pursuant to our contracts with the U.S. government. Government funding is subject to the U.S. government's appropriations process and the U.S. government has the right under our contracts with them to terminate such contracts for convenience. If U.S. government funding is not received or is delayed, our results of operations could be materially and adversely affected and we may need to seek additional sources of capital. We do not generate any revenue from non-government, commercial sale of our pharmaceutical product candidates.

In January 2009, we sold approximately 14.2 million shares of our common stock and also issued warrants to purchase approximately 14.2 million shares of our common stock in an offering registered under the Securities Act of 1933, or the Securities Act. The offering generated net proceeds of approximately $15.5 million. The warrants issued to the investors in the offering have an exercise price of $1.16 per share and are exercisable at any time on or before July 30, 2014. In connection with the offering, we also issued to the placement agent a warrant to purchase approximately 427,000 shares of our common stock at an exercise price of $1.45 per share. The warrant issued to the placement agent is exercisable on or before January 30, 2014.

In August 2009, we sold approximately 24.3 million shares of our common stock and also issued warrants to purchase approximately 9.7 million shares of our common stock in an offering registered under the Securities Act. The offering generated net proceeds of approximately $32.3 million. The warrants issued to the investors in the offering have an exercise price of $1.78 per share and are exercisable at any time on or before August 25, 2014.

We will require additional capital from time to time in the future in order to continue the development of products and to expand our product portfolio. We expect to seek additional financing primarily from, but not limited to, the sale and issuance of equity or debt securities. We cannot assure you that financing will be available when and as needed or that, if available, the financings will be on favorable or acceptable terms. If we are unable to obtain additional financing when and if we require, it would have a material adverse effect on our business and results of operations. To the extent we issue additional equity securities, our existing shareholders could experience substantial dilution.

We have never generated material commercial revenue from the sale of our non-governmental products and cannot offer any assurances that we will be able to do so in the future.

Uses of Funds

From inception in 1980 through the date of this report, our accumulated deficit is $292.7 million. Our principal uses of cash have been research and development expenses, general and administrative expenses, costs associated with the acquisition of in-process research and development and other working capital requirements.

Historical Trends

	Six Months Ended June 30,	
	2010	2009
	(in thousands)	
Cash provided by (used in):		
Operating activities	$ (10,548)	$ (6,005)
Investing activities	(965)	(583)
Financing activities	(20)	15,433
Increase (decrease) in cash and equivalents	$ (11,533)	$ 8,845

Operating Activities. We used $10.5 million of cash in operating activities for the six months ended June 30, 2010, an increase of $4.5 million compared to $6.0 million of cash used in operating activities for the six months ended June 30, 2009. The increase net cash used in operating activities during the comparative periods was primarily attributable to increased research and development costs and higher general and administrative expenses.

Investing Activities. We used $1.0 million of cash in investing activities for the six months ended June 30, 2010, an increase of $0.4 million compared to $0.6 million of cash used in investing activities for the six months ended June 30, 2009. The increase of cash used for investing activities was attributable to an increased spending on patents and fixed assets, offset by the 2009 liquidation of a certificate of deposit.

Financing Activities. We had financing activities that consisted of stock option exercises and debt repayment for the six months ended June 30, 2010. The $15.5 million of cash generated by financing activities for the six months ended June 30, 2009 was attributable to our January 2009 equity financing.

Our future expenditures and capital requirements depend on numerous factors, most of which are difficult to project beyond the short term. These requirements include the progress of our research and development programs and our pre-clinical and clinical trials, the time and costs involved in obtaining regulatory approvals, the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, competing technological and market developments, our ability to establish collaborative arrangements and the terms of any such arrangements, and the costs associated with commercialization of our products. Our cash requirements are expected to continue to increase as we advance our research, development and commercialization programs.

Contractual Obligations and Contingencies

In our continuing operations, we have entered into long-term contractual arrangements from time to time for our facilities, the provision of goods and services, and acquisition of technology access rights, among others. The following table presents contractual obligations arising from these arrangements as of June 30, 2010:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(in thousands)				
Operating leases — premises	$ 17,765	$ 1,868	$ 3,895	$ 3,698	$ 8,304
Royalty payments	800	80	240	160	320

Off Balance Sheet Arrangements

During the periods presented, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or for another contractually narrow or limited purpose.

Recent Accounting Pronouncements

See Note 11 to the unaudited condensed consolidated financial statements contained in Part I, Item 1 of this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Interest Rate Sensitivity

We had cash, cash equivalents, and short-term investments of $37.2 million and $48.7 million at June 30, 2010 and December 31, 2009, respectively. We do not enter into investments for trading or speculative purposes; our cash equivalents are invested in money market accounts and our short-term investments consisted of short-term certificates of deposit. We believe that we do not have any material exposure to changes in the fair value of these assets in the near term due extremely low rates of investment interest and to the short term nature of our cash, cash equivalents, and short-term investments. Future declines in interest rates, however, would reduce investment income, but are not likely to be a material source of revenue to our company in the foreseeable future.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation as of the end of period covered by this report, under the supervision and with the participation of our management, including our interim chief executive officer and our chief accounting officer, of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. The purpose of this evaluation was to determine whether as of the evaluation date our disclosure controls and procedures were effective to provide reasonable assurance that the information we are required to disclose in our filings with the Securities and Exchange Commission, or SEC, under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our interim chief executive officer and principal financial and accounting officer, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, management has concluded that as of June 30, 2010, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

As of the date of this report, we are not a party to any material legal proceedings with respect to us, our subsidiaries, or any of our material properties. In the normal course of business, we may from time to time be named as a party to various legal claims, actions and complaints, including matters involving employment, intellectual property, effects from the use of drugs utilizing our technology, or others. It is impossible to predict with certainty whether any resulting liability would have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors.

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. Because of the following factors, as well as other variables affecting our operating results, past financial performance should not be considered a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods. The risks and uncertainties described below are not the only ones facing us. Other events that we do not currently anticipate or that we currently deem immaterial also affect our results of operations and financial condition.

Risks Relating to Our Business

Our product candidates are at an early stage of development, and it is possible that none of our product candidates will ever become commercial products.

Our product candidates are in relatively early stages of development. These product candidates will require significant further development, financial resources and personnel to obtain regulatory approval and develop into commercially viable products, if at all. Currently, only AVI-4658 is in clinical trials, and the rest of our product candidates are in preclinical development. We expect that much of our effort and many of our expenditures over the next few years will be devoted to development activities associated with AVI-4658 in Duchenne Muscular Dystrophy, or DMD, AVI-6002 in Ebola, AVI-6003 in Marburg and AVI-7100 in influenza, which may restrict or delay our ability to develop our other clinical and preclinical product candidates.

Our ability to commercialize any of our product candidates, including AVI-4658, depends on first receiving required regulatory approvals, and it is possible that we may never receive regulatory approval for any of our product candidates. However we recently received notification from the U.S. Food and Drug Administration, or FDA, that our Investigational New Drug, or IND, application, required to start clinical testing in the United States, had been allowed. Even if a product candidate receives regulatory approval, the resulting product may not gain market acceptance among physicians, patients, healthcare payors and the medical community. Assuming that any of our product candidates receives the required regulatory approvals, commercial success will depend on a number of factors, including:

- establishment and demonstration of clinical efficacy and safety;
- cost-effectiveness of the product;
- the product's potential advantage over alternative treatment methods;
- whether the product can be produced in commercial quantities at acceptable costs; and
- marketing and distribution support for the product.

If we are unable to develop and commercialize any of our product candidates, if development is delayed or if sales revenue from any product candidate that receives marketing approval is insufficient, we may never reach sustained profitability.

If we are not able to obtain or maintain required regulatory approvals, we will not be able to commercialize our product candidates, our ability to generate revenue will be materially impaired and our business will not be successful.

The research, testing, manufacturing, labeling, approval, selling, marketing and distribution of drug products are subject to extensive regulation by the FDA, and other regulatory authorities in the United States and other countries, which regulations differ

from country to country. Marketing of our product candidates in the United States or foreign countries is not permitted until we obtain marketing approval from the FDA or other foreign regulatory authorities, and we may never receive regulatory approval for the commercial sale of any of our product candidates. Obtaining marketing approval is a lengthy, expensive and uncertain process and approval is never assured, and we have only limited experience in preparing and filing the applications necessary to gain regulatory approvals, although we do now have three open INDs in the United States for AVI-4658, AVI-6002 and AVI-6003. Further, the FDA and other foreign regulatory agencies have substantial discretion in the approval process, and determining when or whether regulatory approval will be obtained for any product candidate we develop. In this regard, even if we believe the data collected from clinical trials of our product candidates are promising, such data may not be sufficient to support approval by the FDA or any other foreign regulatory authority. In addition, the FDA or their advisors may disagree with our interpretations of data from preclinical studies and clinical trials. Regulatory agencies also may approve a product candidate for fewer conditions than requested or may grant approval subject to the performance of post-approval studies for a product candidate. Similarly, regulatory agencies may not approve the labeling claims that are necessary or desirable for the successful commercialization of our product candidates.

In addition, changes in regulatory requirements and guidance may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to institutional review boards, or IRBs, for reexamination, which may impact the costs, timing or successful completion of a clinical trial. Due to these and other factors, our current product candidates or any of our other future product candidates could take a significantly longer time to gain regulatory approval than we expect or may never gain regulatory approval, which could delay or eliminate any potential product revenue by delaying or terminating the potential commercialization of our product candidates.

If we receive regulatory approval for our product candidates, we will also be subject to ongoing FDA obligations and oversight, including adverse event reporting requirements, marketing restrictions and potential other post-marketing obligations, all of which may result in significant expense and limit our ability to commercialize such products. The FDA's policies may also change and additional government regulations may be enacted that could prevent or delay regulatory approval of our product candidates or further restrict or regulate post-approval activities. We cannot predict the likelihood, nature or extent of adverse government regulation that may arise from future legislation or administrative action, either in the United States, or abroad. If we are not able to maintain regulatory compliance, we may be subject to civil and criminal penalties, we may not be permitted to market our products and our business could suffer. Any delay in or failure to receive or maintain regulatory approval for any of our product candidates could harm our business and prevent us from ever generating meaningful revenues or achieving profitability. We will need to obtain regulatory approval from authorities in foreign countries to market our product candidates in those countries. We have not filed for regulatory approval to market our product candidates in any foreign jurisdiction. Approval by one regulatory authority does not ensure approval by regulatory authorities in other jurisdictions. If we fail to obtain approvals from foreign jurisdictions, the geographic market for our product candidates would be limited.

Our clinical trials may fail to demonstrate acceptable levels of safety and efficacy of our product candidates, which could prevent or significantly delay their regulatory approval.

To obtain the requisite regulatory approvals to market and sell any of our product candidates, we must demonstrate, through extensive preclinical and clinical studies, that the product candidate is safe and effective in humans. Ongoing and future clinical trials of our product candidates may not show sufficient safety or efficacy to obtain requisite regulatory approvals. We expect to develop the therapeutic product candidates to treat Ebola and Marburg viruses under defined regulatory pathways using the Animal Rule mechanism. This mechanism has become available only relatively recently and has been infrequently used. This process has yet to be well tested and is currently under evaluation by the FDA generally which may present challenges for gaining final regulatory approval for these product candidates.

Phase 1 clinical trials generally are not designed to test the efficacy of a product candidate but rather are designed to test safety, to study pharmacokinetics and pharmacodynamics and to understand the product candidate's side effects at various doses and dosing schedules. Delays in establishing the appropriate dosage levels can lead to delays in the overall clinical development of a product candidate. At this point in time we do not believe that we have identified a consistently effective dose in DMD patients for AVI-4658, although final results of the recently completed study 28 in the United Kingdom are still awaited. This may prevent us from proceeding with an extension study in the United Kingdom to our Phase 1b/2 trial this year. We are expeditiously moving to start a U.S.-based clinical trial for AVI-4658 to further explore and identify a dose that may be more consistently effective and thus more appropriate for future clinical trials and that can serve as a basis for approval by governmental regulatory authorities; however, we can not assure you that these efforts will be successful.

Furthermore, success in preclinical and early clinical trials does not ensure that later large-scale trials will be successful nor does it predict final results. Acceptable results in early trials may not be repeated in later trials. For example, pivotal trials for AVI-4658 and AVI-7100 will likely involve a larger number of patients to achieve statistical significance, will be expensive and will take a substantial amount of time to complete. As a result, we may conduct lengthy and expensive clinical trials of our product candidates, only to learn that the product candidate is not an effective treatment or is not superior to existing approved therapies, or has an unacceptable safety profile, which could prevent or significantly delay regulatory approval for such product candidate.

Clinical trials for our product candidates are expensive and time consuming, may take longer than we expect or may not be completed at all, and their outcome is uncertain.

We recently completed a Phase1b/2 clinical trial for AVI-4658 in the UK and are currently completing the collection and analysis of data from this study. We expect to commence additional trials of AVI-4658 and other product candidates in the future. Each of our clinical trials requires the investment of substantial expense and time and the timing of the commencement, continuation and completion of these clinical trials may be subject to significant delays relating to various causes, including scheduling conflicts with participating clinicians and clinical institutions, difficulties in identifying and enrolling patients who meet trial eligibility criteria, failure of patients to complete the clinical trial, delay or failure to obtain independent review board, or IRB, approval to conduct a clinical trial at a prospective site, unexpected adverse events and shortages of available drug supply. Patient enrollment is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the existence of competing clinical trials and the availability of alternative or new treatments. We depend on medical institutions and clinical research organizations, or CROs, to conduct our clinical trials in compliance with Good Clinical Practice, or GCP, and to the extent they fail to enroll patients for our clinical trials, fail to conduct the study to GCP standards or are delayed for a significant time in achieving full enrollment, we may be affected by increased costs, program delays or both, which may harm our business. In addition, we conduct clinical trials in foreign countries which may subject us to further delays and expenses as a result of increased drug shipment costs, additional regulatory requirements and the engagement of foreign CROs, as well as expose us to risks associated with less experienced clinical investigators who are unknown to the FDA, different standards of medical care, and foreign currency transactions insofar as changes in the relative value of the U.S. dollar to the foreign currency where the trial is being conducted may impact our actual costs. In addition, for most of our programs (in DMD, Ebola and Marburg infections) there are currently no approved drugs to compare against and agreement about how to measure efficacy has yet to be reached with the FDA and then demonstrated.

Clinical trials must be conducted in accordance with FDA or other applicable foreign government guidelines and are subject to oversight by the FDA, other foreign governmental agencies and IRBs at the medical institutions where the clinical trials are conducted. In addition, clinical trials must be conducted with supplies of our product candidates produced under GMP and other requirements in foreign countries, and may require large numbers of test patients. We, the FDA or other foreign governmental agencies could delay, suspend or halt our clinical trials of a product candidate for numerous reasons, including:

- deficiencies in the conduct of the clinical trial, including failure to conduct the clinical trial in accordance with regulatory requirements or clinical protocols;
- deficiencies in the clinical trial operations or trial sites resulting in the imposition of a clinical hold;
- the product candidate may have unforeseen adverse side effects, including fatalities, or a determination may be made that a clinical trial presents unacceptable health risks;
- the time required to determine whether the product candidate is effective may be longer than expected;
- fatalities or other adverse events arising during a clinical trial that may not be related to clinical trial treatments;
- the product candidate may not appear to be more effective than current therapies;
- the quality or stability of the product candidate may fall below acceptable standards;
- our inability to produce or obtain sufficient quantities of the product candidate to complete the trials;
- our inability to reach agreement on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- our inability to obtain IRB approval to conduct a clinical trial at a prospective site;
- lack of adequate funding to continue the clinical trial, including the occurrence of unforeseen costs due to enrollment delays, requirements to conduct additional trials and studies and increased expenses associated with the services of our CROs and other third parties;
- our inability to recruit and enroll patients to participate in clinical trials for reasons including competition from other clinical trial programs for the same or similar indications; or
- our inability to retain patients who have initiated a clinical trial but may be prone to withdraw due to side effects from the therapy, lack of efficacy or personal issues, or who are lost to further follow-up.

In addition, we may experience significant setbacks in advanced clinical trials, even after promising results in earlier trials, such as unexpected adverse events that occur when our product candidates are combined with other therapies, which often occur in later-stage clinical trials. In addition, clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. Negative or inconclusive results or adverse medical events, including patient fatalities that may be attributable to our product candidates, during a clinical trial may necessitate it to be redesigned, repeated or terminated. Further, some of our clinical

trials may be overseen by an independent data safety monitoring board, (DSMB), and the DSMB may determine to delay or suspend one or more of these trials due to safety or futility findings based on events occurring during a clinical trial.

We have incurred net losses since our inception and we may not achieve or sustain profitability.

We incurred a net loss of $17.2 million for the six months ended June 30, 2010 and $25.2 million for the year ended December 31, 2009. As of June 30, 2010, our accumulated deficit was $292.7 million. Our losses have resulted principally from expenses incurred in research and development of our technology and products and from general and administrative expenses that we have incurred while building our business infrastructure. We expect to continue to incur significant operating losses in the future as we continue our research and development efforts and seek to obtain regulatory approval of our products. Our ability to achieve profitability depends on our ability to raise additional capital, partner one or more programs, complete development of our products, obtain regulatory approvals and market our products. It is uncertain when, if ever, we will become profitable.

We will need additional funds to conduct our planned research and development efforts. If we fail to continue to attract significant capital or enter into strategic relationships, we may be unable to continue to successfully develop our products.

We expect that we will require additional capital from time to time in the future in order to continue the development of products in our pipeline and to expand our product portfolio. The actual amount of funds that we will need will be determined by many factors, some of which are beyond our control. These factors include the success of our research and development efforts, the status of our pre-clinical and clinical testing, costs relating to securing regulatory approvals and the costs and timing of obtaining new patent rights, regulatory changes, competitive and technological developments in the market. An unforeseen change in these factors, or others, might increase our need for additional capital. We may need funds sooner than currently anticipated.

We would expect to seek additional financing from the sale and issuance of equity or debt securities or the entry into strategic relationships, and we cannot predict that financing will be available when and as we need financing or that, if available, the financing terms will be commercially reasonable. If we are unable to obtain additional financing when and if we require, or on commercially reasonable terms, it would have a material adverse effect on our business and results of operations. To the extent we issue additional equity securities, our existing shareholders could experience substantial dilution.

Further, we plan to enter into relationships with pharmaceutical or biotechnology companies to conduct clinical trials and to market our products. We currently do not have a strategic relationship with a third party to assist us in funding the continued development and commercialization of AVI-4658. If we are unable to enter into partnerships or strategic relationships with respect to AVI-4658 or our other product candidates on favorable terms it may impede our ability to develop and commercialize our product candidates.

We currently rely on third-party manufacturers and other third parties for production of our drug products and our dependence on these manufacturers may impair the development of our product candidates.

We do not currently have the internal ability to manufacture the drug products that we need to conduct our clinical trials and we rely upon a limited number of manufacturers to supply our drug products. In addition, we rely on other third parties to perform additional steps in the manufacturing process, including filling and labeling of vials and storage of our product candidates. For the foreseeable future, we expect to continue to rely on contract manufacturers and other third parties to produce, fill vials and store sufficient quantities of our product candidates for use in our clinical trials. If our contract manufacturers or other third parties fail to deliver our product candidates for clinical use on a timely basis, with sufficient quality, and at commercially reasonable prices, and we fail to find replacement manufacturers or to develop our own manufacturing capabilities, we may be required to delay or suspend clinical trials or otherwise discontinue development and production of our product candidates. In addition, we depend on outside vendors for the supply of raw materials used to produce our product candidates. If the third-party suppliers were to cease production or otherwise fail to supply us with quality raw materials and we are unable to contract on acceptable terms for these raw materials with alternative suppliers, our ability to have our product candidates manufactured and to conduct preclinical testing and clinical trials of our product candidates would be adversely affected.

We do not yet have all of the agreements necessary for the supply of our product candidates in quantities sufficient for commercial sale and we may not be able to establish or maintain sufficient commercial manufacturing arrangements on commercially reasonable terms. Securing commercial quantities of our product candidates from contract manufacturers will require us to commit significant capital and resources. We may also be required to enter into long-term manufacturing agreements that contain exclusivity provisions and/or substantial termination penalties. In addition, contract manufacturers have a limited number of facilities in which our product candidates can be produced and any interruption of the operation of those facilities due to events such as equipment malfunction or failure or damage to the facility by natural disasters could result in the cancellation of shipments, loss of product in the manufacturing process or a shortfall in available product candidates.

Our contract manufacturers are required to produce our clinical product candidates under current Good Manufacturing Practice, or cGMP, conditions in order to meet acceptable standards for our clinical trials. If such standards change, the ability of contract manufacturers to produce our product candidates on the schedule we require for our clinical trials may be affected. In addition, contract manufacturers may not perform their obligations under their agreements with us or may discontinue their business before the time required by us to successfully produce and market our product candidates. We and our contract manufacturers are subject to

periodic unannounced inspection by the FDA and corresponding state and foreign authorities to ensure strict compliance with GMP and other applicable government regulations and corresponding foreign standards. We do not have control over a third-party manufacturer's compliance with these regulations and standards. Any difficulties or delays in our contractors' manufacturing and supply of product candidates or any failure of our contractors to maintain compliance with the applicable regulations and standards could increase our costs, cause us to lose revenue, make us postpone or cancel clinical trials, prevent or delay regulatory approval by the FDA and corresponding state and foreign authorities, prevent the import and/or export of our product candidates, or cause our products to be recalled or withdrawn.

We rely on third parties to provide services in connection with our preclinical and clinical development programs. The inadequate performance by or loss of any of these service providers could affect our product candidate development.

Several third parties provide services in connection with our preclinical and clinical development programs, including *in vitro* and *in vivo* studies, assay and reagent development, immunohistochemistry, toxicology, pharmacokinetics, clinical assessments, data monitoring and management and statistical analysis and other outsourced activities. If these service providers do not adequately perform the services for which we have contracted or cease to continue operations and we are not able to quickly find a replacement provider or we lose information or items associated with our product candidates, our development programs may be delayed.

Our RNA-based, or antisense, technology has not been incorporated into a commercial product and is still at a relatively early stage of development.

Our RNA-based platform, utilizing proprietary antisense technology, has not been incorporated into a commercial product and is still at a relatively early stage of development. This antisense technology is used in all of our therapeutic candidates, including AVI-4658. We are conducting toxicology, pharmacology, pharmacokinetics and other preclinical studies and, although we have initiated clinical trials for AVI-4658, additional studies may be required before other similar product candidates enter human clinical trials. For example, we noted unexpected toxicology findings in the kidney as part of our series of preclinical studies for AVI-5038, our lead preclinical PPMO drug candidate for DMD that is based on a different chemistry, derived from the PMO chemistry used in AVI-4658. Based on those findings, we are conducting additional preclinical work to help clarify the therapeutic index of AVI-5038, which will guide decision making on continued development of this candidate. In addition, preclinical models to study patient toxicity and activity of compounds are not necessarily predictive of toxicity or efficacy of these compounds in the treatment of human disease and there may be substantially different results in clinical trials from the results obtained in preclinical studies. Any failures or setbacks utilizing our antisense technology, including adverse effects resulting from the use of this technology in humans, could have a detrimental impact on our internal product candidate pipeline and our ability to maintain and/or enter into new corporate collaborations regarding these technologies, which would negatively affect our business and financial position.

We rely on U.S. government contracts to support several important research and development programs and substantially all of our revenue. If the U.S. government fails to fund such programs on a timely basis or at all, or such contracts are terminated, the results of our operations would be materially and adversely affected.

We rely on U.S. government contracts and awards to fund several of our development programs, including those for the Ebola, Marburg, Junín and H1N1 viruses and for all of our current revenue.

The funding of U.S. government programs is subject to Congressional appropriations. Congress generally appropriates funds on a fiscal year basis even though a program may extend over several fiscal years. Consequently, programs are often only partially funded initially and additional funds are committed only as Congress makes further appropriations. If appropriations for one of our programs become unavailable, or are reduced or delayed our contracts may be terminated or adjusted by the government, which could have a negative impact on our future sales under such a contract or subcontract. From time to time, when a formal appropriation bill has not been signed into law before the end of the U.S. government's fiscal year, Congress may pass a continuing resolution that authorizes agencies of the U.S. government to continue to operate, generally at the same funding levels from the prior year, but does not authorize new spending initiatives, during a certain period. During such a period, or until the regular appropriation bills are passed, delays can occur in government procurement due to lack of funding and such delays can affect our operations during the period of delay.

In addition, U.S. government contracts generally also permit the government to terminate the contract, in whole or in part, without prior notice, at the government's convenience or for default based on performance. If one of our contracts is terminated for convenience, we would generally be entitled to payments for our allowable costs and would receive some allowance for profit on the work performed. If one of our contracts is terminated for default, we would generally be entitled to payments for our work that has been completed to that point. A termination arising out of our default could expose us to liability and have a negative impact on our ability to obtain future contracts.

The termination of one or more of these contracts, whether due to lack of funding, for convenience, or otherwise, or the occurrence of delays or product failures in connection with one or more of these contracts, could negatively impact our financial condition. Furthermore, we can give no assurance that we would be able to procure new U.S. government contracts to offset the revenue lost as a result of termination of any of our contracts.

Our U.S. government contracts may be terminated and we may be liable for penalties under a variety of procurement rules and regulations and changes in government regulations or practices could adversely affect our profitability, cash balances or growth prospects.

We must comply with laws and regulations relating to the formation, administration and performance of U.S. government contracts, which affect how we do business with our customers. Such laws and regulations may potentially impose added costs on our business and our failure to comply with them may lead to penalties and the termination of our U.S. government contracts. Some significant regulations that affect us include:

- the Federal Acquisition Regulation and supplements, which regulate the formation, administration and performance of U.S. Government contracts;
- the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with contract negotiations; and
- the Cost Accounting Standards, which impose accounting requirements that govern our right to reimbursement under certain cost-based government contracts.

Our contracts with the U.S. government are subject to periodic review and investigation. If such a review or investigation identifies improper or illegal activities, we may be subject to civil or criminal penalties or administrative sanctions, including the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, suspension of payments, fines and suspension or debarment from doing business with U.S. government agencies. We could also suffer harm to our reputation if allegations of impropriety were made against us, which would impair our ability to win awards of contracts in the future or receive renewals of existing contracts.

In addition, U.S. government agencies routinely audit and review their contractors' performance on contracts, cost structure, pricing practices and compliance with applicable laws, regulations and standards. They also review the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's purchasing, property, estimating, compensation and management information systems. Such audits may result in adjustments to our contract costs, and any costs found to be improperly allocated will not be reimbursed. We have recorded contract revenues for the periods presented in this report based upon costs we expect to realize upon final audit; however, we do not know the outcome of any future audits and adjustments and, if future audit adjustments exceed our estimates, our results of operations could be adversely affected.

We intend to increase the size of our workforce and if we fail to manage our growth effectively, our growth prospects and operating results could be adversely affected.

Our ability to perform our U.S. government contracts, growth prospects and operating results depend on highly-skilled personnel to conduct product development and we intend to recruit, hire and retain significant numbers of additional personnel in the near term. Competition for qualified personnel in our industry, particularly those with experience with the infectious diseases we are target, is intense. In addition, we expect to meet some of our short-term personnel needs by engaging contractors who may be difficult to retain if they are offered permanent positions with other companies that guarantee a wider range of employee benefits not typically offered to contractors. If we are unable to attract, assimilate or retain such personnel or manage our growth effectively, our continued growth, expansion and ability to perform our U.S. government contracts would be adversely affected.

We rely on highly skilled personnel, and if we are unable to retain or motivate key personnel or hire qualified personnel, our operations may be adversely affected.

Our operations and our ability to execute our business strategy are highly dependent on the efforts of our executive management team. In April 2010, our chief executive officer and president resigned in connection with the settlement with a group of our shareholders. Following his departure, our board of directors appointed J. David Boyle II, our chief financial officer, to serve as interim chief executive officer and president, and we have hired an executive to assist Mr. Boyle with his responsibilities as chief financial officer. We are conducting a nationwide search for a new chief executive officer, but the departure of our chief executive officer and president and the circumstances surrounding his departure could have a disruptive effect on our ability to attract and retain qualified team members and execute our strategic plan. An extended period of time without a permanent chief executive officer could materially and adversely affect our business, financial condition or operating results. In the event we are unable to effect a smooth transition from our interim chief executive officer to a permanent chief executive officer, or if a new chief executive officer should

unexpectedly prove to be unsuitable, the resulting disruption could negatively affect our operations and impede our ability to execute our strategic plan. In addition, although the members of our senior management team have employment agreements with us, these agreements may not provide sufficient incentives for these officers to continue employment with us. The loss of one or more of the members of our senior management team could adversely affect our operations.

Recent changes in our executive leadership and board of directors and any similar changes in the future my serve as a significant distraction for our management.

As previously disclosed on April 20, 2010, we entered into a settlement agreement with a shareholder group that had sought a special meeting of our shareholders to replace certain members of our board of directors. In connection with such settlement agreement, among other things, we experienced the change in our executive leadership described above and our board of directors underwent significant change. Such changes may disrupt our operations as our company adjusts to the reallocation of responsibilities and assimilate new leadership and, potentially, differing perspectives on our strategic direction. The dispute with the shareholder group required the expenditure of significant time and resources by us and if we are involved in a similar dispute in the future, we may incur significant additional expenditures and it may be a significant distraction for our management and employees.

Asserting, defending and maintaining our intellectual property rights could be challenging and costly, and our failure to do so could harm our ability to compete and impair the outcome of our operations. The pharmaceutical, biotechnology and academic environments are highly competitive and competing intellectual property could limit our ability to protect our products.

Our success will depend in significant part on our existing patents and licenses (205 patents (domestic and foreign) issued or licensed to us and 184 (domestic and foreign) pending patent applications) and our ability to obtain additional patents in the future. We license patents from other parties for certain complementary technologies.

We cannot be certain that pending patent applications will result in patents being issued in the United States or foreign countries. In addition, the patents that have been or will be issued may not afford meaningful protection for our technology and products. Competitors may develop products similar to ours that do not conflict with our patents. Pharmaceutical research and development is highly competitive; others may file patents first that cover our products or technology. We are aware of a patent that was issued to Prosensa in Europe that may provide the basis for Prosensa to assert that our drug AVI-4658 infringes on such patent. We are currently opposing this patent in the Opposition Division of the European Patent Office and believe that we may be able to invalidate some or all of the claims covered by this patent and non-U.S. foreign equivalents. Final resolution of this opposition proceeding may take a number of years. In any case, we have freedom to operate with respect to our ongoing clinical trials for this drug candidate.

Our success will also depend partly on our ability to operate without infringing upon the proprietary rights of others as well as our ability to prevent others from infringing on our proprietary rights. We may be required at times to take legal action to protect our proprietary rights and, despite our best efforts, we may be sued for infringing on the patent rights of others. We have not received any communications or other indications from owners of related patents or others that such persons believe our products or technology may infringe on their patents. Patent litigation is costly and, even if we prevail, the cost of such litigation could adversely affect our financial condition. If we do not prevail, in addition to any damages we might have to pay, we could be required to stop the infringing activity or obtain a license. If any patent related to our products or technology issues, and if our activities are determined to be covered by such a patent, we cannot assure you that we will be able to obtain or maintain a license, which could have a material adverse effect on our business, financial condition, operating results and ability to obtain and/or maintain our strategic business relationships.

Others may challenge our patents and, as a result, our patents could be narrowed or invalidated. The patent position of pharmaceutical and biotechnology firms, as well as academia, is generally highly uncertain, involves complex legal and factual questions, and has recently been the subject of much litigation. No consistent policy has emerged from the U.S. Patent and Trademark Office, or USPTO, or the courts regarding the breadth of claims allowed or the degree of protection afforded under biotechnology patents. In addition, there is a substantial backlog of pharmaceutical and biotechnology patent applications at the USPTO and the approval or rejection of patents may take several years.

To help protect our proprietary rights in unpatented trade secrets, we require our employees, consultants and advisors to execute confidentiality agreements and invention assignment agreements. However, such agreements may not provide us with adequate protection if confidential information is used or disclosed improperly. In addition, in some situations these agreements may conflict with, or be subject to, the rights of third parties with whom our employees, consultants or advisors have prior employment or consulting relationships. Further, others may independently develop substantially equivalent proprietary information and techniques, or otherwise gain access to our trade secrets.

Our research collaborators may publish data and information to which we have rights. If we cannot maintain the confidentiality of our technology and other confidential information in connection with our collaborations, then our ability to receive patent protection or protect our proprietary information may be impaired.

We face intense competition and rapid technological change, which may result in others discovering, developing or commercializing competing products before or more successfully than we do.

The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change. We are aware of many pharmaceutical and biotechnology companies that are actively engaged in research and development in areas related to antisense technology or that are developing alternative approaches to or therapeutics for the disease indications on which we are focused. Some of these competitors are developing or testing product candidates that do, or may in the future, compete directly with our product candidates. For example, we believe that companies including Alnylam Pharmaceuticals, Isis Pharmaceuticals, and Santaris share a focus on RNA-based drug discovery and development. Competitors with respect to our DMD program, or AVI-4658, include Prosensa and GlaxoSmithKline, or GSK, and BioMarin Pharmaceuticals. A European based clinical trial evaluating the systemic administration of the Prosensa/GSK lead DMD drug candidate started several months before the start of our similar clinical trial, although the results from this trial have yet to be made publically available. The Prosensa/GSK drug candidate may, or may not, prove to be safer or more efficacious than our product candidate and it could gain marketing approval before our product candidate. We also face significant competition with respect to our influenza program from many different companies, including large biopharmaceutical companies, that have both marketed products like Tamiflu® and other products in various stages of development,

Other potential competitors include large, fully integrated pharmaceutical companies and more established biotechnology companies that have significant resources and expertise in research and development, manufacturing, testing, obtaining regulatory approvals and marketing. Also, academic institutions, government agencies and other public and private research organizations conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and marketing. It is possible that these competitors will succeed in developing technologies that are more effective than our product candidates or that would render our technology obsolete or noncompetitive. Our competitors may, among other things:

- develop safer or more effective products;
- implement more effective approaches to sales and marketing;
- develop less costly products;
- obtain quicker regulatory approval;
- have access to more manufacturing capacity;
- form more advantageous strategic alliances; or
- establish superior proprietary positions.

We may be subject to clinical trial claims and our insurance may not be adequate to cover damages.

We currently have no products that have been approved for commercial sale; however, the current and future use of our product candidates by us and our corporate collaborators in clinical trials, and the sale of any approved products in the future, may expose us to liability claims. These claims might be made directly by consumers or healthcare providers or indirectly by pharmaceutical companies, our corporate collaborators or others selling such products. We may experience financial losses in the future due to product liability claims. We have obtained limited general commercial liability insurance coverage for our clinical trials. We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval for any of our product candidates. However, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against all losses. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired.

Our operations involve the use of hazardous materials, and we must comply with environmental laws, which can be expensive, and may affect our business and operating results.

Our research and development activities involve the use of hazardous materials, including organic and inorganic solvents and reagents. Accordingly, we are subject to federal, state, and local laws and regulations governing the use, storage, handling,

manufacturing, exposure to, and disposal of these hazardous materials. In addition, we are subject to environmental, health and workplace safety laws and regulations, including those governing laboratory procedures, exposure to blood-borne pathogens, and the handling of biohazardous materials. Although we believe that our activities conform in all material respects with such environmental laws, there can be no assurance that violations of these laws will not occur in the future as a result of human error, accident, equipment failure, or other causes. Liability under environmental, health and safety laws can be joint and several and without regard to fault or negligence. The failure to comply with past, present, or future laws could result in the imposition of substantial fines and penalties, remediation costs, property damage and personal injury claims, loss of permits or a cessation of operations, and any of these events could harm our business and financial conditions. We expect that our operations will be affected by other new environmental and health and workplace safety laws on an ongoing basis, and although we cannot predict the ultimate impact of any such new laws, they may impose greater compliance costs or result in increased risks or penalties, which could harm our business.

Risks Related to Our Common Stock

Provisions of our articles of incorporation, bylaws and Oregon corporate law might deter acquisition bids for us that might be considered favorable and prevent or frustrate any attempt to replace or remove the then current management and board of directors.

Certain provisions of our articles of incorporation and bylaws may make it more difficult for a third party to acquire control of us or effect a change in our board of directors and management. These provisions include:

- classification of our board of directors into two classes, with one class elected each year;
- prohibit cumulative voting of shares in the election of directors;
- prohibit shareholder actions by less than unanimous written consent;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws;
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by shareholders at shareholder meetings; and
- the ability of our board of directors to authorize the issuance of undesignated preferred stock, the terms and rights of which may be established and shares of which may be issued without shareholder approval, including rights superior to the rights of the holders of common stock.

In addition, the Oregon Control Share Act and Business Combination Act may limit parties that acquire a significant amount of voting shares from exercising control over us for specific periods of time. These provisions could discourage, delay or prevent a transaction involving a change of control, even if doing so would benefit our shareholders. These provisions also could discourage proxy contests and make it more difficult for shareholders to elect directors of their choosing or cause us to take other corporate actions, such as replacing or removing management or members of our board of directors.

Our stock price is volatile and may fluctuate due to factors beyond our control.

The market prices for, and trading volumes of, securities of biotechnology companies, including our securities, have been historically volatile. The market has from time to time experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. The market price of our common stock may fluctuate significantly due to a variety of factors, including:

- positive or negative results of testing and clinical trials by ourselves, strategic partners, or competitors;
- delays in entering into strategic relationships with respect to development and/or commercialization of our product candidates;
- technological innovations or commercial product introductions by ourselves or competitors;
- changes in government regulations;

- developments concerning proprietary rights, including patents and litigation matters;
- public concern relating to the commercial value or safety of any of our products;
- financing or other corporate transactions;
- comments by securities analysts;
- the perception that shares of our common stock may be delisted from The NASDAQ Stock Market; or
- general market conditions in our industry or in the economy as a whole.

In addition, the stock market has recently experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of individual companies. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instigated against these companies. This litigation, if instigated against us, could result in substantial costs and a diversion of our management's attention and resources.

Our common stock is listed on The NASDAQ Global Market and we may not be able to maintain that listing, which may make it more difficult for investors to sell shares of our common stock.

Our common stock is listed on The NASDAQ Global Market. The NASDAQ Global Market has several quantitative and qualitative requirements with which companies must comply in order to maintain this listing, including a $1.00 minimum bid price per share and $50 million minimum value of listed securities. In the past our stock price has traded near, and at times below, the $1.00 minimum bid price required for continued listing on NASDAQ. For example, the trading price for our common stock was $0.99 as recently as May 11, 2009. Although NASDAQ in the past has provided relief from the $1.00 minimum bid price requirement as a result of the recent weakness in the stock market, it may not do so in the future. If we fail to maintain compliance with NASDAQ's listing standards, and our common stock becomes ineligible for listing on The NASDAQ Stock Market the liquidity and price of our common stock would be adversely affected.

If our common stock was delisted, the price of our stock and the ability of our shareholders to trade in our stock would be adversely affected. In addition, we would be subject to a number of restrictions regarding the registration of our stock under U.S. federal securities laws, and we would not be able to allow our employees to exercise their outstanding options, which could adversely affect our business and results of operations. If we are delisted in the future from The NASDAQ Global Market, there may be other negative implications, including the potential loss of confidence by actual or potential collaboration partners, suppliers and employees and the loss of institutional investor interest in our company.

We expect that we will seek to raise additional capital in the future; however, such capital may not be available to us on reasonable terms, if at all, when or as we require additional funding. If we issue additional shares of our common stock or other securities that may be convertible into, or exercisable or exchangeable for, our common stock, our existing shareholders would experience further dilution.

We expect that we will seek to raise additional capital from time to time in the future. For example, in connection with our December 2007, January 2009 and August 2009 financings, we sold an aggregate of 29.7 million shares of our common stock and issued warrants to purchase an additional 29.7 million shares of our common stock. Future financings may involve the issuance of debt, equity and/or securities convertible into or exercisable or exchangeable for our equity securities. These financings may not be available to us on reasonable terms or at all when and as we require funding. If we are able to consummate such financings, the trading price of our common stock could be adversely affected and/or the terms of such financings may adversely affect the interests of our existing shareholders. Any failure to obtain additional working capital when required would have a material adverse effect on our business and financial condition and would be expected to result in a decline in our stock price. Any issuances of our common stock, preferred stock, or securities such as warrants or notes that are convertible into, exercisable or exchangeable for, our capital stock, would have a dilutive effect on the voting and economic interest of our existing shareholders.

Because we do not expect to pay dividends on our common stock, shareholders will benefit from an investment in our common stock only if it appreciates in value.

We have never paid dividends on our shares of common stock and do not intend to pay dividends in the foreseeable future. We are not profitable and do not expect to earn any material revenues for at least several years, if at all. As a result, we intend to use all

available cash and liquid assets in the development of our business. Any future determination about the payment of dividends will be made at the discretion of our board of directors and will depend upon our earnings, if any, capital requirements, operating and financial conditions and on such other factors as our board of directors deems relevant. Therefore, you should only invest in our common stock with the expectation of realizing a return through capital appreciation on your investment. There is no guarantee that our common stock will appreciate in value or even maintain the price at which shareholders have purchased their shares. You should not invest in our common stock if you are seeking dividend income.

We expect our quarterly operating results to fluctuate in future periods, which may cause our stock price to fluctuate or decline.

Our quarterly operating results have fluctuated in the past, and we believe they will continue to do so in the future. Some of these fluctuations may be more pronounced than they were in the past as a result of the issuance of warrants to purchase 29.7 million shares of our common stock by us in December 2007 and January and August 2009. These warrants are classified as a derivative liability. Accordingly, the fair value of the warrants is recorded on our consolidated balance sheet as a liability, and such fair value is adjusted at each financial reporting date with the adjustment to fair value reflected in our consolidated statement of operations. The fair value of the warrants is determined using the Black-Scholes option valuation model. Fluctuations in the assumptions and factors used in the Black-Scholes model can result in adjustments to the fair value of the warrants reflected on our balance sheet and, therefore, our statement of operations. Due to the classification of such warrants and other factors, quarterly results of operations are difficult to forecast, and period-to-period comparisons of our operating results may not be predictive of future performance. In one or more future quarters, our results of operations may fall below the expectations of securities analysts and investors. In that event, the market price of our common stock could decline. In addition, the market price of our common stock may fluctuate or decline regardless of our operating performance.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved).

Item 5. Other Information.

None.

Item 6. Exhibits.

		Incorporated by Reference to Filings Indicated				
Exhibit No	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.2	First Restated Bylaws of AVI BioPharma, Inc., as amended					X
10.82	Settlement Agreement dated April 20, 2010 among the Company and the Shareholder Group	8-K	1-14895	10.1	4/22/10	
10.83	Separation Agreement dated April 20, 2010 between Leslie Hudson and the Company	8-K	1-14895	10.2	4/22/10	
10.84*	Contract Number HDTRA1-10-C-0079 between Defense Threat Reduction Agency and the Company dated June 4, 2010					X
31.1	Certification of the Company's Interim President and Chief Executive Officer and Chief Financial Officer, J. David Boyle II, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Company's Controller and Chief Accounting Officer, Melinda K. Miles, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of the Company's Interim President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer, J. David Boyle II, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X

* A Confidential Treatment Request for certain information in this document has been filed with the Securities and Exchange Commission. The information for which treatment has been sought has been deleted from such exhibit and the deleted text replaced by an asterisk (*).

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 9, 2010

AVI BIOPHARMA, INC.

By: /s/ J. DAVID BOYLE II
J. David Boyle II
Interim President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer
(Principal Executive Officer)

By: /s/ MELINDA K. MILES
Melinda K. Miles
Chief Accounting Officer

(Principal Accounting Officer)

EXHIBIT INDEX

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Exhibit 3.2

FIRST RESTATED BYLAWS
OF
AVI BIOPHARMA, INC.

(As Amended on April 20, 2010)

ARTICLE I

OFFICES

1.1 Principal Office. The principal office of the corporation shall be located at One SW Columbia, Suite 1105, Portland, Oregon 97258. The corporation may have such other offices as the Board of Directors may designate or as the business of the corporation may from time to time require.

1.2 Registered Office. The registered office of the corporation required by the Oregon Business Corporation Act to be maintained in the State of Oregon may be, but need not be, identical with the principal office in the State of Oregon, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II

SHAREHOLDERS

2.1 Annual Meeting. The annual meeting of the shareholders shall be held on a date and time as determined by the Board of Directors in their sole discretion. The failure to hold an annual meeting at the time stated herein shall not affect the validity of any corporate action.

2.2 Special Meetings. Special meetings of the shareholders may be called by the President or by the Board of Directors and shall be called by the President (or in the event of absence, incapacity, or refusal of the President, by the Secretary or any other officer) at the request of the holders of not less than one-tenth of all the outstanding shares of the corporation entitled to vote at the meeting. The requesting shareholders shall sign, date, and deliver to the Secretary a written demand describing the purpose or purposes for holding the special meeting.

2.3 Place of Meetings. Meetings of the shareholders shall be held at the principal business office of the corporation or at such other place, within or without the State of Oregon, as may be determined by the Board of Directors.

2.4 Notice of Meetings. Written notice stating the date, time, and place of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called shall be mailed to each shareholder entitled to vote at the meeting at the shareholder's address shown in the corporation's current record of shareholders, with postage thereon prepaid, not less than 10 nor more than 60 days before the date of the meeting.

2.5 Waiver of Notice. A shareholder may at any time waive any notice required by law, the Articles of Incorporation, or these Bylaws. The waiver must be in writing, be signed by the shareholder entitled to the notice, and be delivered to the corporation for inclusion in the minutes for filing with the corporate records. A shareholder's attendance at a meeting waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting. The shareholder's attendance also waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

2.6 Record Date.

(a) For the purpose of determining shareholders entitled to notice of a shareholders' meeting, to demand a special meeting, or to vote or to take any other action, the Board of Directors may fix a future date as the record date for any such determination of shareholders, such date in any case to be not more than 70 days before the meeting or action requiring a determination of shareholders. The record date shall be the same for all voting groups.

(b) A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(c) If a court orders a meeting adjourned to a date more than 120 days after the date fixed for the original meeting, it may provide that the original record date continue in effect or it may fix a new record date.

2.7 Shareholders' List for Meeting. After the record date for a shareholders' meeting is fixed by the Board of Directors, the Secretary of the corporation shall prepare an alphabetical list of the names of all its shareholders entitled to notice of the shareholders' meeting. The list must be arranged by voting group and within each voting group by class or series of shares and show the address of and number of shares held by each shareholder. The shareholders' list must be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. The corporation shall make the shareholders' list available at the meeting, and any shareholder or the shareholder's agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment. Refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

2.8 Quorum; Adjournment. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. A majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action in that matter. A majority of shares represented at the meeting, although less than a quorum, may adjourn the meeting from time to time to a different time and place without further notice to any shareholder of any adjournment. At such adjourned meeting at which a quorum

is present, any business may be transacted that might have been transacted at the meeting originally held. Once a share is represented for any purpose at a meeting, it shall be deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting, unless a new record date is set for the adjourned meeting.

2.9 Voting Requirements; Action Without Meeting. Unless otherwise provided in the Articles of Incorporation, each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders. If a quorum exists, action on a matter, other than the election of directors, is approved if the votes cast by the shares entitled to vote favoring the action exceed the votes cast opposing the action, unless a greater number of affirmative votes is required by law or the Articles of Incorporation. If a quorum exists, directors are elected by a plurality of the votes cast by the shares entitled to vote unless otherwise provided in the Articles of Incorporation. No cumulative voting for directors shall be permitted unless the Articles of Incorporation so provide. Action required or permitted by law to be taken at a shareholders' meeting may be taken without a meeting if the action is taken by all the shareholders entitled to vote on the action. The action must be evidenced by one or more written consents describing the action taken, signed by all the shareholders entitled to vote on the action and delivered to the corporation for inclusion in the minutes for filing with the corporate records. Action taken under this section is effective when the last shareholder signs the consent, unless the consent specifies an earlier or later effective date. If the law requires that notice of proposed action be given to nonvoting shareholders and the action is to be taken by unanimous consent of the voting shareholders, the corporation must give its nonvoting shareholders written notice of the proposed action at least 10 days before the action is taken. The notice must contain or be accompanied by the same material that, under the Oregon Business Corporation Act, would have been required to be sent to nonvoting shareholders in a notice of meeting at which the proposed action would have been submitted to the shareholders for action.

2.10 Proxies.

(a) A shareholder may vote shares in person or by proxy by signing an appointment, either personally or by the shareholder's attorney-in-fact. An appointment of a proxy shall be effective when received by the Secretary or other officer of the corporation authorized to tabulate votes. An appointment is valid for 11 months unless a longer period is provided in the appointment form. An appointment is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest that has not been extinguished.

(b) The death or incapacity of a shareholder appointing a proxy shall not affect the right of the corporation to accept the proxy's authority unless notice of the death or incapacity is received by the Secretary or other officer authorized to tabulate votes before the proxy exercises the proxy's authority under the appointment.

2.11 Corporation's Acceptance of Votes.

(a) If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a shareholder, the corporation, if acting in good faith, is entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder.

(b) If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of a shareholder, the corporation, if acting in good faith, is nevertheless entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder if:

(i) The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity;

(ii) The name signed purports to be that of an administrator, executor, guardian, or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;

(iii) The name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;

(iv) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder has been presented with respect to the vote, consent, waiver, or proxy appointment; or

(v) Two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears t6 be acting on behalf of all co-owners.

(c) The corporation is entitled to reject a vote, consent, waiver, or proxy appointment if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

(d) The shares of the corporation are not entitled to vote if they are owned, directly or indirectly, by another corporation, and the corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors of the other corporation; provided, however, the corporation may vote any shares, including the corporation's shares, held by it in a fiduciary capacity.

(e) The corporation and its officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this provision shall not be liable in damages to the shareholder for the consequences of the acceptance or rejection. Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy

appointment under this provision is valid unless a court of competent jurisdiction determines otherwise.

2.12 Advance Notice of Shareholder Proposals and Director Nominations.

(a) Shareholders may nominate one or more persons for election as directors at the annual meeting of shareholders or propose business to be brought before the annual meeting of shareholders, or both, only if (i) such business is a proper matter for shareholder action under the Oregon Business Corporation Act and (ii) the shareholder has given timely notice in proper written form of such shareholder's intent to make such nomination or nominations or to propose such business.

(b) Effective for all annual meetings held on or after June 1, 2008, to be timely, a shareholder's notice relating to the annual meeting shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 90 nor more than 120 days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of shareholders. However, if the date of the annual meeting is advanced by more than 30 days prior to or delayed by more than 30 days after the Anniversary of the preceding year's annual meeting, then notice by the shareholder to be timely must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 15th day following the day on which public announcement of the date of such meeting is first made. For purposes of this Section 2.12, a "public announcement" means an announcement in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or in a document filed by the Corporation with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(c) To be in proper form a shareholder's notice to the Secretary shall be in writing and shall set forth (i) the name and address of the shareholder who intends to make the nomination(s) or propose the business, (ii) a representation that the shareholder is a holder of record of stock of the Corporation, that the shareholder intends to vote such stock at such meeting and, in the case of nomination of a director or directors, intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice or to submit the business specified in the notice, (iii) in the case of nomination of a director or directors, the name and address of such nominee or nominees and a description of all arrangements or understandings between the shareholder and each nominee or any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder, (iv) a brief description of the business desired to be submitted at the meeting and the reasons for proposing such business at the meeting, (v) such other information regarding each nominee or each matter of business to be proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to Regulation 14A promulgated by the Securities and Exchange Commission pursuant to the Exchange Act, had the nominee been nominated, or intended to be nominated, or the matter been proposed, or intended to be proposed, by the Board of Directors of the Corporation, (vi) in the case of nomination of a director or directors, the consent of each nominee to serve as a director of the Corporation if so elected, and (vii) such other information reasonably requested by the Corporation.

(d) The Chairman of a meeting of shareholders may refuse to acknowledge the nomination of any person or the proposal of any business not made in compliance with the foregoing procedures.

(e) Notwithstanding the foregoing provisions of this Section 2.12, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.12. Nothing in this Section 2.12 shall affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act nor grant any shareholder a right to have any nominee included in the Corporation's proxy statement.

ARTICLE III

BOARD OF DIRECTORS

3.1 Duties. All corporate powers shall be exercised by or under the authority of the Board of Directors and the business and affairs of the corporation shall be managed by or under the direction of the Board of Directors.

3.2 Number, Election, and Qualification. The number of directors of the corporation shall be a minimum of one (1) and a maximum of seven (7) as determined from time to time by the Board of Directors. Directors elected after 1991 will serve two-year terms beginning at the time of their formal qualification in the year of their election. The shareholders or Board of Directors may change from time to time the number of directors. If the Articles of Incorporation establish the number of directors, then, after shares are issued, only the shareholders may change the number of directors. The directors shall hold office until the next annual meeting of shareholders and until their successors have been elected and qualified. Directors need not be residents of the State of Oregon or shareholders of the corporation. The number of directors may be increased or decreased from time to time by amendment of the Bylaws, but no decrease shall have the effect of shortening the term of any incumbent director.

3.3 Chairman of the Board of Directors. The directors may elect a director to serve as Chairman of the Board of Directors to preside at all meetings of the Board of Directors and to fulfill any other responsibilities delegated by the Board of Directors.

3.4 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Section 3.4 immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Oregon, for the holding of additional regular meetings without other notice than the resolution.

3.5 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any director. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Oregon, as the place for holding any special meeting of the Board of Directors called by them.

3.6 Notice. Notice of the date, time, and place of any special meeting of the Board of Directors shall be given at least five (5) days prior to the meeting by any means provided by law. If mailed, notice shall be deemed to be given upon deposit in the United States mail addressed to the director at the director's business address, with postage thereon prepaid. If by telegram, notice shall be deemed to be given when the telegram is delivered to the telegraph company. Notice by all other means shall be deemed to be given when received by the director or a person at the director's business or residential address whom the person giving notice reasonably believes will deliver or report the notice to the director within 24 hours. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

3.7 Waiver of Notice. A director may at any time waive any notice required by law, the Articles of Incorporation, or these Bylaws. Unless a director attends or participates in a meeting, a waiver must be in writing, must be signed by the director entitled to notice, must specify the meeting for which notice is waived, and must be filed with the minutes or corporate records.

3.8 Quorum. A majority of the number of directors fixed by Section 3.2 shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

3.9 Manner of Acting.

(a) The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless a different number is provided by law, the Articles of Incorporation, or these Bylaws.

(b) Members of the Board of Directors may hold a board meeting by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at the meeting.

(c) Any action that is required or permitted to be taken by the directors at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the directors entitled to vote on the matter. The action shall be effective on the date when the last signature is placed on the consent or at such earlier or later time as is set forth therein. Such consent, which shall have the same effect as a unanimous vote of the directors, shall be filed with the minutes of the corporation.

3.10 Vacancies. Any vacancy, including a vacancy resulting from an increase in the number of directors, occurring on the Board of Directors may be filled by the shareholders, the Board of Directors, or the affirmative vote of a majority of the remaining directors if less than a quorum of the Board of Directors, or by a sole remaining director. If the vacant office is filled by the shareholders and was held by a director elected by a voting group of shareholders, then only the holders of shares of that voting group are entitled to vote to fill the vacancy. Any directorship not so

filled by the directors shall be filled by election at an annual meeting or at a special meeting of shareholders called for that purpose. A director elected or appointed to fill a vacancy shall be elected or appointed to hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until such director's successor shall have been elected and qualified. A vacancy that will occur at a specific later date, by reason of a resignation or otherwise, may be filled before the vacancy occurs, and the new director shall take office when the vacancy occurs.

3.11 Compensation. By resolution of the Board of Directors, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

3.12 Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors or a committee of the Board of Directors shall be presumed to have assented to the action taken (a) unless the director's dissent to the action is entered in the minutes of the meeting, (b) unless a written dissent to the action is filed with the person acting as the secretary of the meeting before the adjournment thereof or forwarded by certified or registered mail to the Secretary of the corporation immediately after the adjournment of the meeting or (c) unless the director objects at the meeting to the holding of the meeting or transacting business at the meeting. The right to dissent shall not apply to a director who voted in favor of the action.

3.13 Director Conflict of Interest.

(a) A transaction in which a director of the corporation has a direct or indirect interest shall be valid notwithstanding the director's interest in the transaction if the material facts of the transaction and the director's interest are disclosed or known to the Board of Directors or a committee thereof and it authorizes, approves, or ratifies the transaction by a vote or consent sufficient for the purpose without counting the votes or consents of directors with a direct or indirect interest in the transaction; or the material facts of the transaction and the director's interest are disclosed or known to shareholders entitled to vote and they, voting as a single group, authorize, approve, or ratify the transaction by a majority vote; or the transaction is fair to the corporation.

(b) A conflict of interest transaction may be authorized, approved, or ratified if it receives the affirmative vote of a majority of directors on the Board of Directors or a committee thereof who have no direct or indirect interest in the transaction. If a majority of such directors vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action.

(c) A conflict of interest transaction may be authorized, approved, or ratified by a majority vote of shareholders entitled to vote thereon. Shares owned by or voted under the control of a director or an entity controlled by a director who has a direct or indirect interest in the transaction are entitled to vote with respect to a conflict of interest transaction. A majority of the shares, whether or not present, that are entitled to be counted in a vote on the transaction constitutes a quorum for the purpose of authorizing, approving, or ratifying the transactions.

(d) A director has an indirect interest in a transaction if (i) another entity in which the director has a material financial interest or in which the director is a general partner is a party to the transaction or (ii) another entity of which the director is a director, officer, or trustee is a party to the transaction and the transaction is or should be considered by the Board of Directors.

3.14 Removal. The shareholders may remove one or more directors with or without cause at a meeting called expressly for that purpose, unless the Articles of Incorporation provide for removal for cause only. If a director is elected by a voting group of shareholders, only those shareholders may participate in the vote to remove the director.

3.15 Resignation. Any director may resign by delivering written notice to the Board of Directors, its chairperson, or the corporation. Such resignation shall be effective, unless the notice specifies a later effective date, (a) on receipt, (b) five days after its deposit in the United States mails, if mailed postpaid and correctly addressed, or (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by addressee. Once delivered, a notice of resignation is irrevocable unless revocation is permitted by the Board of Directors.

ARTICLE IV

EXECUTIVE COMMITTEE AND OTHER COMMITTEES

4.1 Designation of Executive Committee. The Board of Directors may designate two or more directors to constitute an executive committee. The designation of an executive committee, and the delegation of authority to it, shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law. No member of the executive committee shall continue to be a member thereof after ceasing to be a director of the corporation. The Board of Directors shall have the power at any time to increase or decrease the number of members of the executive committee, to fill vacancies thereon, to change any member thereof, and to change the functions or terminate the existence thereof. The creation of the executive committee and the appointment of members to it shall be approved by a majority of the directors in office when the action is taken, unless a greater number is required by the Articles of Incorporation or these Bylaws.

4.2 Powers of Executive Committee. During the interval between meetings of the Board of Directors, and subject to such limitations as may be imposed by resolution of the Board of Directors, the executive committee may have and may exercise all the authority of the Board of Directors in the management of the corporation, provided that the committee shall not have the authority of the Board of Directors with respect to the following matters: authorizing distributions; approving or proposing to the shareholders actions that are required to be approved by the shareholders under the Articles of Incorporation or these Bylaws or by law; filling vacancies on the Board of Directors or any committee thereof; amending the Articles of Incorporation; adopting, amending, or repealing bylaws; approving a plan of merger not requiring shareholder approval; authorizing or approving a reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; authorizing or approving the issuance or sale or contract for sale of shares or determining the designation and relative rights, preferences, and limitations of a class or series of shares except within limits specifically prescribed by the Board of Directors.

4.3 Procedures; Meetings; Quorum.

(a) The Board of Directors shall appoint a chairperson from among the members of the executive committee and shall appoint a secretary who may, but need not, be a member of the executive committee. The chairperson shall preside at all meetings of the executive committee and the secretary of the executive committee shall keep a record of its acts and proceedings, which shall be filed with the minutes of the corporation.

(b) Regular meetings of the executive committee, of which no notice shall be necessary, shall be held on such days and at such places as shall be fixed by resolution adopted by the executive committee. Special meetings of the executive committee shall be called at the request of the President or of any member of the executive committee, and shall be held upon such notice as is required by these Bylaws for special meetings of the Board of Directors.

(c) Attendance of any member of the executive committee at a meeting shall constitute a waiver of notice of the meeting. A majority of the executive committee, from time to time, shall be necessary to constitute a quorum for the transaction of any business, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the executive committee. Members of the executive committee may hold a meeting of such committee by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such meeting shall constitute presence in person at the meeting.

(d) Any action that is required or permitted to be taken at a meeting of the executive committee may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all members of the executive committee entitled to vote on the matter. The action shall be effective on the date when the last signature is placed on the consent or at such earlier or later time as is set forth therein. Such consent, which shall have the same effect as a unanimous vote of the members of the executive committee, shall be filed with the minutes of the corporation.

(e) The Board of Directors may approve a reasonable fee for the members of the executive committee as compensation for attendance at meetings of the executive committee.

4.4 Other Committees. By the approval of a majority of the directors when the action is taken (unless a greater number is required by the Articles of Incorporation), the Board of Directors, by resolution, may create one or more additional committees, appoint directors to serve on them, and define the duties of such committee or committees. Each such committee shall have two or more members, who shall serve at the pleasure of the Board of Directors. Such additional committee or committees shall not have the powers proscribed in Section 4.2.

ARTICLE V

OFFICERS

5.1 Number. The officers of the corporation shall be a President and a Secretary. Such other officers and assistant officers as are deemed necessary or desirable may be appointed by the Board of Directors and shall have such powers and duties prescribed by the Board of Directors or the officer authorized by the Board of Directors to prescribe the duties of other officers. A duly appointed officer may appoint one or more officers or assistant officers if such appointment is authorized by the Board of Directors. Any two or more offices may be held by the same person.

5.2 Appointment and Term of Office. The officers of the corporation shall be appointed annually by the Board of Directors at the first meeting of the Board of Directors held after the annual meeting of the shareholders. If the officers shall not be appointed at the meeting, a meeting shall be held as soon thereafter as is convenient for such appointment of officers. Each officer shall hold office until a successor shall have been duly appointed and qualified or until the officer's death, resignation, or removal.

5.3 Qualification. An officer need not be a director, shareholder, or a resident of the State of Oregon.

5.4 Resignation and Removal. An officer may resign at any time by delivering notice of such resignation to the corporation. A resignation is effective on receipt unless the notice specifies a later effective date. If the corporation accepts a specified later effective date, the Board of Directors may fill the pending vacancy before the effective date, but the successor may not take office until the effective date. Once delivered, a notice of resignation is irrevocable unless revocation is permitted by the Board of Directors. Any officer appointed by the Board of Directors may be removed at any time with or without cause. Appointment of an officer shall not of itself create contract rights. Removal or resignation of an officer shall not affect the contract rights, if any, of the corporation or the officer.

5.5 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

5.6 President. The President shall be the chief executive officer of the corporation and shall be in general charge of its business and affairs, subject to the control of the Board of Directors. The President shall preside at all meetings of shareholders and at all meetings of directors (unless there is an acting Chairman of the Board presiding at the meeting). The President may execute on behalf of the corporation all contracts, agreements, stock certificates, and other instruments. The President shall from time to time report to the Board of Directors all matters within the President's knowledge affecting the corporation that should be brought to the attention of the Board of Directors. The President shall vote all shares of stock in other corporations owned by the corporation and is empowered to execute proxies, waivers of notice, consents, and other instruments in the name of the corporation with respect to such stock. The President shall perform other duties assigned by the Board of Directors.

5.7 Vice Presidents. In the absence of the President or in the event of the President's death or inability or refusal to act, the Vice President (or, in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election), if any, shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform other duties assigned by the President or by the Board of Directors.

5.8 Secretary. The Secretary shall prepare the minutes of all meetings of the directors and shareholders, shall have custody of the minute books and other records pertaining to the corporate business, and shall be responsible for authenticating the records of the corporation. The Secretary shall countersign all instruments requiring the seal of the corporation and shall perform other duties assigned by the Board of Directors. In the event no Vice President exists to succeed to the President under the circumstances set forth in Section 5.7 above, the Secretary shall make such succession.

5.9 Assistant Secretaries. The Assistant Secretaries, when authorized by the Board of Directors or the Bylaws, may sign, with the President or Vice President, certificates for shares of the corporation the issuance of which shall have been authorized by resolution of the Board of Directors. The Assistant Secretaries shall, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries shall, in general, perform such duties as shall be specifically assigned to them in writing by the President or the Board of Directors.

5.10 Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary because the officer is also a director of the corporation.

ARTICLE VI

ISSUANCE OF SHARES

6.1 Certificates for Shares.

(a) The shares of stock of the corporation shall be represented by certificates in such form as appropriate officers of the corporation may from time to time prescribe; provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of stock of the corporation shall be uncertificated shares, as provided under the Oregon Business Corporation Act. Such certificates shall be signed, either manually or electronically, by two officers of the corporation, at least one of whom shall be the President or a Vice President, and may be sealed with the seal of the corporation or a facsimile thereof. All certificates for shares shall be consecutively numbered or otherwise identified. Except as otherwise provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of shares represented by certificates of the same class and series shall be identical.

(b) Every certificate for shares of stock that are subject to any restriction on transfer pursuant to the Articles of Incorporation, the Bylaws, applicable securities laws, agreements among or between shareholders, or any agreement to which the corporation is a party shall have conspicuously noted on the face or back of the certificate either (i) the full text of the restriction or (ii) a statement of the existence of such restriction and that the corporation retains a copy of the restriction. Every certificate issued when the corporation is authorized to issue more than one class or series of stock shall set forth on its face or back either (i) the full text of the designations, relative rights, preferences, and limitations of the shares of each class and series authorized to be issued and the authority of the Board of Directors to determine variations for future series or (ii) a statement of the existence of such designations, relative rights, preferences, and limitations and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

(c) The name and mailing address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. Each shareholder shall have the duty to notify the corporation of his or her mailing address. All certificates surrendered to the corporation for transfer shall be canceled, and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed, or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors prescribes.

6.2 Transfer of Shares. A transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by the holder's legal representative, who shall furnish proper evidence of authority to transfer, or by the holder's attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation. The person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

6.3 Transfer Agent and Registrar. The Board of Directors may from time to time appoint one or more transfer agents and one or more registrars for the shares of the corporation, with such powers and duties as the Board of Directors determines by resolution. The signatures of officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or by a registrar other than the corporation itself or an employee of the corporation.

6.4 Officer Ceasing to Act. If the person who signed a share certificate, either manually or in facsimile, no longer holds office when the certificate is issued, the certificate is nevertheless valid.

ARTICLE VII

CONTRACTS, LOANS, CHECKS, AND OTHER INSTRUMENTS

7.1 Contracts. The Board of Directors may authorize any officer or officers and agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

7.2 Loans. No loans shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

7.3 Checks; Drafts. All checks, drafts, or other orders for the payment of money and notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers and agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

7.4 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Seal. The Board of Directors from time to time may provide for a seal of the corporation, which shall be circular in form and shall have inscribed thereon the name of the corporation, the state of incorporation and the words "Corporate Seal."

8.2 Severability. Any determination that any provision of these Bylaws is for any reason inapplicable, invalid, illegal, or otherwise ineffective shall not affect or invalidate any other provision of these Bylaws.

ARTICLE IX

AMENDMENTS

These Bylaws may be altered, amended, or repealed and new bylaws may be adopted by the Board of Directors at any regular or special meeting, subject to repeal or change by action of the shareholders of the corporation.

Exhibit 10.84

Defense Threat Reduction Agency
8725 John J. Kingman Road, MSC 6201
Fort Belvoir, VA 22060-6201

Contract Number HDTRA1-10-C-0079
between
Defense Threat Reduction Agency
and
AVI BioPharma, Inc

June 4, 2010

Dear Mr. David Boyle,

This letter constitutes a contract on the terms set forth herein and signifies the intention of the Defense Threat Reduction Agency to execute a formal Cost-Plus-Fixed-Fee Contract with AVI BioPharma, Inc. Services shall be provided as set forth in Attachments 1, 2, and 3, which are incorporated into and made a part of this Letter Contract, upon the terms and conditions therein stated.

You are hereby directed in accordance with FAR 52.216-23 clause entitled, "Execution and Commencement of Work" to proceed with performance of the work, effective immediately, and pursue such work with all diligence to the end that the services may be performed within the time and funds specified in Attachment 1.

Please indicate your acceptance of the forgoing by signing three copies of this letter and returning this letter to the following email address: victor.cramer@dtra.mil

Sincerely,

/s/ Victor.E. Cramer
Victor.E. Cramer
Contracting Officer

† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

The contractor agrees to furnish and deliver all items or perform all services set forth above for the consideration stated above. The rights and obligations of the parties to this letter contract shall be subject to and governed by the terms and conditions set forth above.

Executed as of the date shown below:

/s/ J. David Boyle II	June 4, 2010
J. David Boyle II, Sr. Vice President and CFO AVI BioPharma	Date

Attachments:

1. Terms and Conditions
2. Statement of Work (provided under separate cover)
3. CDRLs

† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

ATTACHMENT 1

1. EFFECTIVE DATE: The effective date of this letter contract is the same date as the contracting officer's signature.

2. CONTRACT TYPE: Cost-Plus-Fixed-Fee.

3. DESCRIPTION: Supplies/services are to be provided in accordance with the Statement of Work (SOW), entitled "AVI BioPharma Project - H1N1 Countermeasure Development" dated 19 May 2010.

4. CEILING PRICE: $18,000,000.00 NTE

5. The anticipated contract line item number (CLIN) Structure is:

CLIN 0001 Work to be performed IAW SOW 1 Lot	$[†]
CLIN 000101 Information - Funding ACRN AA applies	
CLIN 0002 CDRLs	NSP

6. DELIVERY SCHEDULE: See attached Statement of Work.

7. PERIOD OF PERFORMANCE: The period of performance of this letter contract commences with the effective date cited in paragraph 1 of this attachment and concludes twelve months thereafter.

8. INSPECTION AND ACCEPTANCE TERMS: Supplies/services will be inspected/accepted at destination by the Government.

252.246-9000 INSPECTION AND ACCEPTANCE:

The Contracting Officer's Representative (COR) or Project Manager shall be responsible for inspection and acceptance of all work to be performed at any and all times during this contract in accordance with FAR **52.246-8 Inspection of Research and Development — Cost Reimbursement.** Government inspection and acceptance of data shall be as specified on the Contract Data Requirements List, DD Form 1423, Exhibit A to the Contract.

9. CONTRACT ADMINISTRATION: Fiscal Year (FY) 2010 Research Development Test & Evaluation (RDT&E) funds in the amount of $[†] have been obligated for this letter contract. Pursuant to the Department of Defense Federal Acquisition Regulation (FAR) Supplement, additional funding for this letter contract shall not be obligated until the Government receives a fully supportable and auditable proposal.

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† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

ACCOUNTING AND APPROPRIATION DATA

AA: 9700400.2620 1000 B63D 255999 BD33747000 S49012
AMOUNT: $[†]

252.201-9001 CONTRACTING OFFICE POINT OF CONTACT (POC)

The POC in the Procuring Contracting Office for this contract action is Victor E. Cramer, Contracting Officer, DTRA BE-BCRC, telephone number (703) 767-8769, email address: victor.cramer@dtra.mil.

252.201-9002 CONTRACTING OFFICER'S REPRESENTATIVE

a. The Contracting Officer's Representative for this contract is:

Heather A. Manley, PhD
Transformational Medical Technologies (TMT)
Defense Threat Reduction Agency
8725 John J. Kingman Road, MS 6201
Fort Belvoir, VA 22060-6201
Telephone (703) 767-6281
Email address: heather.manley@dtra.mil

b. The COR will act as the Contracting Officer's Representative for technical matters providing technical direction and discussion as necessary with respect to the specification/statement of work and monitoring the progress and quality of the Contractor's performance. The COR is NOT an Administrative Contracting Officer (ACO) and does not have the authority to take any action, either directly or indirectly that would change the pricing, quality, quantity, place of performance, delivery schedule, or any other terms and conditions of the contract, or to direct the accomplishment of effort, which goes beyond the scope of the specifications/statement of work in the contract.

c. When, in the opinion of the Contractor, the COR requests effort outside the existing scope of the contract, the Contractor shall promptly notify the Contracting Officer in writing. No action shall be taken by the Contractor under such direction until the Contracting Officer has issued a modification to the Contract or has otherwise resolved the issue.

252.204-9002 PAYMENT INSTRUCTIONS FOR MULTIPLE ACCOUNTING CLASSIFICATION CITATIONS (REF: DFARS 204.7107)

Payment shall be made from ACRN AA until fully expended. Payment shall then be made from ACRN AB.

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† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

252.232-9012 WIDE AREA WORK FLOW (WAWF) — RECEIPT AND ACCEPTANCE (RA) INSTRUCTIONS

(a) As prescribed in DFARS clause 252.232-7003 Electronic Submission of Payment Requests (Jan 2004), Contractors must submit payment requests in electronic form. Paper copies will no longer be accepted or processed for payment unless the conditions of DFARS clause 252.232- 7003(c) apply. To facilitate this electronic submission, the Defense Threat Reduction Agency (DTRA) has implemented the DoD sanctioned Wide Area WorkFlow-Receipt and Acceptance (WAWF-RA) for contractors to submit electronic payment requests and receiving reports. The contractor shall submit electronic payment requests and receiving reports via WAWF-RA. Vendors shall send an email notification to the Contracting Officer Representative (COR), Program/Project Manager or other government acceptance official identified in the contract by clicking on the Send More Email Notification link upon submission of an invoice/cost voucher in WAWF-RA. To access WAWF, go to https://wawf.eb.mil//.

(b) Definitions:

Acceptor: Contracting Officer's Representative, Program/Project Manager, or other government acceptance official as identified in the contract/order.

Pay Official: Defense Finance and Accounting Service (DFAS) payment office identified in the contract/order.

SHIP To/Service Acceptor DoDAAC: Acceptor DoDAAC or DCMA DoDAAC (as specified in the contract/order).

DCAA Auditor DoDAAC: Used when DCAA invoice approval is required by the contract/order and the field is marked as mandatory in WAWF-RA. (Click the DCAA Audit Office Locator Link in WAWF-RA and enter zip code of your CAGE code address).

(c) WAWF-RA Contractor Input Information - **** IMPORTANT! ****

The contractor shall use the following information in creating electronic payment requests in WAWF-RA:

Invoice Type in WAWF-RA:

If billing for Materials Only, select "Combo"
If billing for Materials and Service, select "Combo"
If billing for Services Only, select "2-n-1 (Services Only)"
If billing for Cost Type/Reimbursable Contracts, select "Cost Voucher"
(**Cost Vouchers are only used when contracts/orders require invoices be sent to DCAA for approval.**)

SF 26, SF 33, SF 1449 and DD 1155

Invoice Type: Invoice and Receiving Report:

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Description	SF 26	SF 33	SF 1449	DD 1155
	Located in Block/Section			
Contract Number	2	2	2	1
Delivery Order	See Individual Order		4	2
Cage Code	7	15a	17a	9
Paying Office	12	25	18a	15
Inspection	Section E (except SF 1449, See Entitled): INSPECTION AND ACCEPTANCE			
Acceptance	Section E (except SF 1449, See Entitled): INSPECTION AND ACCEPTANCE			
Issue Date	3	5	3	3
Issue By DoDAAC	5	7	9	6
Admin DoDAAC	6	24	16	7
Ship to Code	6	24	16	7
Ship to Extension	11	Section F: Deliveries or Performance	15	14
Services or Supplies	Based on majority of requirement as determined by monetary value			
Shipment Number	Contractor Shipment Number, Invoice Number (supplies) or period of performance (service). Refer to Appendix F-301 of the DoD FAR Supplement for creating Shipment Numbers.			
Final Invoice?	*Changing "N" (no) to "Y" (yes) will terminate your ability to invoice against this contract and deobligated remaining funds. Change "N" to "Y" for the final invoice ONLY.*			

(d) Final Invoices/Vouchers -Final Payment shall be made in accordance with the Federal Acquisition Regulation (FAR) 52.216-7, entitled "Allowable Cost and Payment."

Invoices - Invoice 2-n-1 (Services Only) and Invoice and Receiving Report (Combo)

Select the ***"Y"*** selection from the "***Final Invoice?"*** drop-down box when submitting the final invoice for payment for a contract. Upon successful submission of the final invoice, click on the ***Send More Email Notifications*** link to send an additional email notification to the Contracting Officer Representative (COR), Program/Project Manager or other government acceptance official identified in the contract.

Cost Vouchers - Once the final DCAA audit is complete for cost reimbursable contracts and authorization is received to submit the final cost voucher, select the ***"Y"*** selection from the "***Final Voucher"*** drop-down box when submitting the final cost voucher. Upon successful

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submission of the final cost voucher, click on the ***Send More Email Notifications*** link to send an additional email notification to the following email address: finalcostvouchers@dtra.mil

(e) WAWF Training may be accessed online at http://www.wawftraining.com//. To practice creating documents in WAWF, visit practice site at https://wawftraining.eb.mil//. Payment information may be accessed using the DFAS website at http://www.dod.mil/dfas//. Your purchase order/contract number or invoice will be required to check status of your payment. **Note: For specific invoice related inquiries email: wawfvendorpay@dtra.mil. Vendors shall forward any additional DTRA related WAWF questions to wawfhelp@dtra.mil.**

10. SPECIAL CONTRACT REQUIREMENTS:

252.204-9000 OFFICIAL DTRA ADDRESSES IN THE NATIONAL CAPITAL REGION (NCR)

DTRA has 2 official mailing addresses in the NCR. Due to heightened security measures, hand-carried packages cannot be accepted, therefore contractors are to select one address below based on the method of mailing.

1. The official United States Postal Service (USPS) mailing address for DTRA:

Defense Threat Reduction Agency
Attn: Dr. Heather A. Manley/TMTP*
8725 John J. Kingman Rd. Stop 6201
Fort Belvoir, VA 22060-6201

2. DTRA cannot accept packages delivered via commercial express and ground carrier to any address other than the one listed below. For all incoming packages to DTRA activities in the Washington DC area (this includes packages sent via Federal Express, DHL, Airborne, UPS and other commercial carriers), use the following address:

Defense Threat Reduction Agency
Attn: Dr. Heather A. Manley/TMTP*
6200 Meade Road
Fort Belvoir, VA 22060-5264

Note: This address shall also be used in all contracts for delivery of supplies/materials.

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* Mail sent without an office symbol may be misdirected within DTRA. Please use the most current office symbol assigned. If an office symbol changes during the term of this contract, the contracting officer may advise of this change via letter in lieu of a contract modification.

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11. CONTRACT CLAUSES

52.216-23 EXECUTION AND COMMENCEMENT OF WORK (APR 1984)

The Contractor shall indicate acceptance of this letter contract by signing three copies of the contract and returning them to the Contracting Officer not later than June 4, 2010. Upon acceptance by both parties, the Contractor shall proceed with performance of the work, including purchase of necessary materials.

(End of clause)

52.216-24 LIMITATION OF GOVERNMENT LIABILITY (APR 1984)

(a) In performing this contract, the Contractor is not authorized to make expenditures or incur obligations exceeding $[†] dollars.

(b) The maximum amount for which the Government shall be liable if this contract is terminated is $[†] dollars.

(End of clause)

52.216-26 PAYMENTS OF ALLOWABLE COSTS BEFORE DEFINITIZATION (DEC 2002)

(a) Reimbursement rate. Pending the placing of the definitive contract referred to in this letter contract, the Government will promptly reimburse the Contractor for all allowable costs under this contract at the following rates:

(1) One hundred percent of approved costs representing financing payments to subcontractors under fixed-price subcontracts, provided that the Government's payments to the Contractor will not exceed 80 percent of the allowable costs of those subcontractors.

(2) One hundred percent of approved costs representing cost-reimbursement subcontracts; provided, that the Government's payments to the Contractor shall not exceed 85 percent of the allowable costs of those subcontractors.

(3) Eighty-five percent of all other approved costs.

(b) Limitation of reimbursement. To determine the amounts payable to the Contractor under this letter contract, the Contracting Officer shall determine allowable costs in accordance with the applicable cost principles in Part 31 of the Federal Acquisition Regulation (FAR). The total reimbursement made under this paragraph shall not exceed 85 percent of the maximum amount of the Government's liability, as stated in this contract.

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(c) Invoicing. Payments shall be made promptly to the Contractor when requested as work progresses, but (except for small business concerns) not more often than every 2 weeks, in amounts approved by the Contracting Officer. The Contractor may submit to an authorized representative of the Contracting Officer, in such form and reasonable detail as the representative may require, an invoice or voucher supported by a statement of the claimed allowable cost incurred by the Contractor in the performance of this contract.

(d) Allowable costs. For the purpose of determining allowable costs, the term "costs" includes—

(1) Those recorded costs that result, at the time of the request for reimbursement, from payment by cash, check, or other form of actual payment for items or services purchased directly for the contract;

(2) When the Contractor is not delinquent in payment of costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid, for—

(i) Supplies and services purchased directly for the contract and associated financing payments to subcontractors, provided payments determined due will be made—

(A) In accordance with the terms and conditions of a subcontract or invoice; and

(B) Ordinarily within 30 days of the submission of the Contractor's payment request to the Government;

(ii) Materials issued from the Contractor's stores inventory and placed in the production process for use on the contract;

(iii) Direct labor;

(iv) Direct travel;

(v) Other direct in-house costs; and

(vi) Properly allocable and allowable indirect costs as shown on the records maintained by the Contractor for purposes of obtaining reimbursement under Government contracts; and

(3) The amount of financing payments that the Contractor has paid by cash, check, or other forms of payment to subcontractors.

(e) Small business concerns. A small business concern may receive more frequent payments than every 2 weeks.

(f) Audit. At any time before final payment, the Contracting Officer may have the Contractor's invoices or vouchers and statements of costs audited. Any payment may be (1) reduced by any

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amounts found by the Contracting Officer not to constitute allowable costs or (2) adjusted for overpayments or underpayments made on preceding invoices or vouchers.

(End of clause)

252.217-7027 CONTRACT DEFINITIZATION (OCT 1998)

(a) A Cost-Plus-Fixed Fee contract is contemplated. The Contractor agrees to begin promptly negotiating with the Contracting Officer the terms of a definitive contract that will include (1) all clauses required by the Federal Acquisition Regulation (FAR) on the date of execution of the undefinitized contract action, (2) all clauses required by law on the date of execution of the definitive contract action, and (3) any other mutually agreeable clauses, terms, and conditions. The Contractor agrees to submit a Cost-Plus-Fixed Fee proposal and cost or pricing data supporting its proposal.

(b) The schedule for definitizing this contract is as follows:

Proposal Received	6 July 2010
Complete Negotiations	8 September 2010
Definitization	8 October 2010

(c) If agreement on a definitive contract action to supersede this undefinitized contract action is not reached by the target date in paragraph (b) of this clause, or within any extension of it granted by the Contracting Officer, the Contracting Officer may, with the approval of the head of the contracting activity, determine a reasonable price or fee in accordance with subpart 15.4 and part 31 of the FAR, subject to Contractor appeal as provided in the Disputes clause. In any event, the Contractor shall proceed with completion of the contract, subject only to the Limitation of Government Liability clause.

(1) After the Contracting Officer's determination of price or fee, the contract shall be governed by—

(i) All clauses required by the FAR on the date of execution of this undefinitized contract action for either fixed-price or cost-reimbursement contracts, as determined by the Contracting Officer under this paragraph (c);

(ii) All clauses required by law as of the date of the Contracting Officer's determination; and

(iii) Any other clauses, terms, and conditions mutually agreed upon.

(2) To the extent consistent with paragraph (c)(1) of this clause, all clauses, terms, and conditions included in this undefinitized contract action shall continue in effect, except those that by their nature apply only to an undefinitized contract action.

(d) The definitive contract resulting from this undefinitized contract action will include a

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negotiated cost/price ceiling (including fee) in no event to exceed $18,000,000.00.

(End of clause)

12. LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACHMENTS:

252.215-9001 LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACHMENTS

List of Documents, Exhibits and Other Attachments

a. Attachments applicable to this contract are identified as follows:

ATTACHMENT	DESCRIPTION
2	Statement of Work, entitled "AVI BioPharma Project - H1N1 Countermeasure Development", dated 19 May 2010, 2 Pages
3	Exhibit A — CDRL, 8 Pages dated 25 May 2010

† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

AVI BioPharma Project — H1N1 Countermeasure Development
19 May 2010
Statement of Work

[†]

Task 1: [†]

Task 2: [†]

Task 3. [†]

Task 4: [†]

Task 4.1: [†]

Task 4.2: [†]

Task 4.3: [†]

Task 4.4: [†]

TASK 4.5: [†]

TASK 4.6: [†]

TASK 5. [†]

Task 5.1: [†]

Task 5.2: [†]

Task 5.3: [†]

Task 5.4: [†]

† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

Task 5.5: [†]

Task 6: [†]

Task 6.1: [†]

Task 6.2: [†]

Task 6.3: [†]

Task 7: [†]

Task 8: [†]

† DESIGNATES PORTIONS OF THIS DOCUMENT THAT HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT FILED SEPARATELY WITH THE COMMISSION

CONTRACT DATA REQUIREMENTS LIST
(2 Data Items)

Form Approved
OMB No. 0704-0188

A. CONTRACT LINE ITEM NO.	B. EXHIBIT	C. CATEGORY		
n/a	A	TDP	TM	OTHER

D. SYSTEM/ITEM	E. CONTRACT/PR NO.	F. CONTRACTOR
Transformational Medical Technologies		AVI BioPharma

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A001	Work Breakdown Structure	3-Level Work Breakdown Structure

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
DI-MGMT-81334C	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION	14. DISTRIBUTION
LT	n/a	See Blk 16	See Blk 16	

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	See Blk 16	See Blk 16

	b. COPIES		
a. ADDRESSEE	Draft	Final Reg	Final Repro
DTRA/TMT		1	0
DTRA/BCR		1	0
15. TOTAL ^	0	2	0

16. REMARKS

3-Level Work Breakdown Structure with associated costs and schedule per each level (top level is program, level 2 is base, level 3 are major tasks). For lowest task level show breakdown for labor, materials, other indirect costs.

Blocks 10-13: First report due within 15 days of contract initiation as part of Project Management Plan submission (CDRL A011).

Government may provide acceptable format. Government review/approval is 15 days after receipt of first submittal. Provide changes to draft within 10 days of such request. Provide a final document within 10 days after approval of changes is received.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A002	Monthly Invoice Report	n/a

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
DI-FNCL-80331A	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION	14. DISTRIBUTION
LT	n/a	Monthly	See Blk 16	

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	See Blk 16	See Blk 16

	b. COPIES		
a. ADDRESSEE	Draft	Final Reg	Final Repro
DTRA/TMT	0	1	0
DTRA/BCR		1	
15. TOTAL ^	0	2	0

16. REMARKS

Summary of invoices submitted during the previous month or last month for which unreported data are available.

Blocks 11-13: Report after first business day of the month after contract initiation and every month thereafter.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

G. PREPARED BY	H. DATE	I. APPROVED BY	J. DATE
/s/Heather A. Manley	25 May 10		

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CONTRACT DATA REQUIREMENTS LIST
(2 Data Items)

Form Approved
OMB No. 0704-0188

A. CONTRACT LINE ITEM NO.	B. EXHIBIT	C. CATEGORY		
n/a	A	TDP	TM	OTHER

D. SYSTEM/ITEM	E. CONTRACT/PR NO.	F. CONTRACTOR
Transformational Medical Technologies		AVI BioPharma

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A003	Quarterly Status Report	Quarterly Contract Performance Report

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
DI-MGMT-80368A	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION	14. DISTRIBUTION
LT	n/a	Quarterly	See Blk 16	

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	See Blk 16	See Blk 16

	b. COPIES		
a. ADDRESSEE	Draft	Final Reg	Final Repro
DTRA/TMT		1	0
DTRA/BCR		1	0
15. TOTAL ^	0	2	0

16. REMARKS

Blocks 11-13: First report due within 15 days after the end of the first Fiscal Quarter (FQ) after award. Subsequent reports due within 15 days of end of each FQ. Report will address cost, schedule and performance (including pertinent technical data), and risk to include updates to project expenditures. The 4th quarterly report for each Fiscal Year (FY) will include an Executive Summary for the entire FY. The US Government may provide acceptable format. US Government review/approval is 15 days after receipt of first submittal. Provide changes to draft within 10 days of such request. Provide final document within 10 days after approval of changes received.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A004	Integrated Master Schedule	n/a

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
DI-MGMT-81650	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION	14. DISTRIBUTION
LT	n/a	See Blk 16	See Blk 16	

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	See Blk 16	See Blk 16

	b. COPIES		
a. ADDRESSEE	Draft	Final Reg	Final Repro
DTRA/TMT		1	0
DTRA/BCR		1	
15. TOTAL ^	0	2	0

16. REMARKS

Blocks 10-13: First report due 15 days after contract initiation. Microsoft Project compatible file required. Subsequent updates due within 15 days of FQ end. US Government may provide acceptable format. US Government review/approval is 15 days after receipt of first submittal. Provide changes to draft within 10 days of such request. Provide final document within 10 days after approval of changes is received.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

G. PREPARED BY	H. DATE	I. APPROVED BY	J. DATE
/s/Heather A. Manley	25 May 10		

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CONTRACT DATA REQUIREMENTS LIST
(2 Data Items)

Form Approved
OMB No. 0704-0188

A. CONTRACT LINE ITEM NO.	B. EXHIBIT	C. CATEGORY		
n/a	A	TDP	TM	OTHER

D. SYSTEM/ITEM	E. CONTRACT/PR NO.	F. CONTRACTOR
Transformational Medical Technologies		AVI BioPharma

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A005	Final Report	Final Project Report

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
DI-ADMN-08447A	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION
LT	n/a	Once	See Blk 16

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	Proj. Compl	See Blk 16

14. DISTRIBUTION

a. ADDRESSEE	b. COPIES Draft	Final Reg	Final Repro
DTRA/TMT		1	0
DTRA/BCR		1	0
15. TOTAL ^	0	2	0

16. REMARKS

Blocks 11: Project Completion

Blocks 12-13: Submission within 30 days of completion of final task on contract.

Contractor format acceptable. Final report must include final summary of cost/financial data and project schedule in addition to performance. US Government may provide acceptable format. US Government review/approval is 15 days after receipt of first submittal. Provide changes to draft within 10 days of such request. Provide final document within 5 days after approval of changes is received.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A006	Miscellaneous Data Submissions	Point papers, briefing, technical presentations and publications

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
n/a	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION
LT	n/a	As required	See Blk 16

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	As required	See Blk 16

14. DISTRIBUTION

a. ADDRESSEE	b. COPIES Draft	Final Reg	Final Repro
DTRA/TMT		1	0
DTRA/BCR		1	
15. TOTAL ^	0	2	0

16. REMARKS

Blocks 10-13: Dates for submissions will be coordinated. Deliverables shall be compatible electronic media. Required submissions include Point Papers, Briefings, TPP, PDP, ACURO Approvals, HROB Approvals. Unless US Government format is provided, contractor format is acceptable. US Government review/approval is 15 days after receipt of first submittal. Provide changes to draft within 10 days of such request. Provide final document within 10 days after approval of changes is received.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

G. PREPARED BY	H. DATE	I. APPROVED BY	J. DATE
/s/Heather A. Manley	25 May 10		

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CONTRACT DATA REQUIREMENTS LIST
(2 Data Items)

Form Approved
OMB No. 0704-0188

The public reporting burden for this collection of information is estimated to average 220 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Department of Defense, Executive Services Directorate (0704-0188). Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. **Please do not return your form to the above organization. Send completed form to the Government Issuing Contracting Officer for the Contract/PR No. Listed in Block E.**

A. CONTRACT LINE ITEM NO.	B. EXHIBIT	C. CATEGORY		
n/a	A	TDP	TM	OTHER

D. SYSTEM/ITEM	E. CONTRACT/PR NO.	F. CONTRACTOR
Transformational Medical Technologies		AVI BioPharma

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A007	Patents - Reporting of Subject Inventions	n/a

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
n/a	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION	14. DISTRIBUTION
LT	n/a	Annually	See Blk 16	

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	See Blk 16	See Blk 16

	b. COPIES		
		Final	
a. ADDRESSEE	Draft	Reg	Repro
DTRA/TMT		1	0
DTRA/BCR		1	0
15. TOTAL ^	0	2	0

16. REMARKS

Blocks 11-13: Provide report(s) every 12 months from the date of the contract as identified in the DFARS 252.227-7039 (Patents - Reporting Subject Inventions (DD Form 882 attached) and FAR 52.227-11.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A008	Regulatory Approvals and Technical Data Packages	Submission Report (Regulatory Approval Docs)

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
n/a	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION	14. DISTRIBUTION
LT	n/a	See Blk 16	See Blk 16	

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	See Blk 16	See Blk 16

	b. COPIES		
		Final	
a. ADDRESSEE	Draft	Reg	Repro
DTRA/TMT		1	0
DTRA/BCR		1	
15. TOTAL ^	0	2	0

16. REMARKS

Blocks 10-13: Contractor will submit pre-IND, IND, and/or pre-EUA to the FDA.

Contractor will provide the US Government copies of all technical data generated by the contractor to and during performance of contract necessary to pursue FDA approval of pre-IND, IND, or pre-EUA, and notify the US Government of FDA decisions. All written communications to and/or fromt he FDA will be provided to the US Government. US Government review is 15 days after receipt of first submittal and will not impede submission of documents to the FDA by contractor.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

G. PREPARED BY	H. DATE	I. APPROVED BY	J. DATE
/s/Heather A. Manley	25 May 10		

DD FORM 1423-2, AUG 96 PREVIOUS EDITION MAY BE USED

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CONTRACT DATA REQUIREMENTS LIST
(2 Data Items)

Form Approved
OMB No. 0704-0188

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A. CONTRACT LINE ITEM NO.	B. EXHIBIT	C. CATEGORY
n/a	A	TDP ____ TM ____ OTHER ____

D. SYSTEM/ITEM	E. CONTRACT/PR NO.	F. CONTRACTOR
Transformational Medical Technologies		AVI BioPharma

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A009	In-Process Review	n/a

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
DI-MGMT-80368A	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION
LT	n/a	Biannually	See Blk 16

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	See Blk 16	See Blk 16

14. DISTRIBUTION

a. ADDRESSEE	b. COPIES Draft	Final Reg	Final Repro
DTRA/TMT		1	0
DTRA/BCR		1	0
15. TOTAL ^	0	2	0

16. REMARKS

Blocks 11-13: Contractor will present project status formally to the US Government no more than every 6 months in accordance with a US Government provided agenda. The information contained in the In Process Review (IPR) is similar to that contained in the Quarterly Status Report (QSR, CDRL A0003) but in a presentation format. Unless Government format is provided, contractor format is acceptable. Government review/approval is 15 days after receipt of first submittal. Provide changes to draft within 10 days of such request. Provide final documentation within 10 days after approval of changes received.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A010	Expenditure Forecast	Project Spend Plan

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
DI-MGMT-81468	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION
LT	n/a	See Blk 16	See Blk 16

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	See Blk 16	See Blk 16

14. DISTRIBUTION

a. ADDRESSEE	b. COPIES Draft	Final Reg	Final Repro
DTRA/TMT		1	0
DTRA/BCR		1	
15. TOTAL ^	0	2	0

16. REMARKS

Blocks 10-13: Contractor will provide an updated expenditure forecast reflecting actual negotiated costs over the lifetime of the project 15 days after contract initiation and will update the forecast as required by the US Government. Unless government format is provided, contractor format is acceptable. US Government review/approval is 15 days after receipt of first submittal. Provide changes to draft within 10 days of such request. Provide final document within 10 days after approval of changes is received.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

G. PREPARED BY	H. DATE	I. APPROVED BY	J. DATE
/s/Heather A. Manley	25 May 10		

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CONTRACT DATA REQUIREMENTS LIST
(2 Data Items)

Form Approved
OMB No. 0704-0188

The public reporting burden for this collection of information is estimated to average 220 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Department of Defense, Executive Services Directorate (0704-0188). Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. **Please do not return your form to the above organization. Send completed form to the Government Issuing Contracting Officer for the Contract/PR No. Listed in Block E.**

A. CONTRACT LINE ITEM NO.	B. EXHIBIT	C. CATEGORY		
n/a	A	TDP	TM	OTHER

D. SYSTEM/ITEM	E. CONTRACT/PR NO.	F. CONTRACTOR
Transformational Medical Technologies		AVI BioPharma

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A011	Project Management Plan	n/a

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
DI-MGMT-80004A	n/a	DTRA/TMT

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION	14. DISTRIBUTION
LT	n/a	See Blk 16	See Blk 16	

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION	a. ADDRESSEE	b. COPIES Draft	Final Reg	Final Repro
			DTRA/TMT		1	0
A	See Blk 16	See Blk 16	DTRA/BCR		1	0
			15. TOTAL ^	0	2	0

16. REMARKS

Blocks 11-13: Includes organizational chart, initial Work Breakdown Structure, initial Integrated Master Plan, Risk Management Plan, Regulatory Affairs Plan. Due 15 days after contract initiation.

Government may provide acceptable format. Government review/approval is 15 days after receipt of first submittal. Provide changes to draft within 10 days of such request. Provide final documentation within 10 days after approval of changes is received.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION	14. DISTRIBUTION

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION	a. ADDRESSEE	b. COPIES Draft	Final Reg	Final Repro
			15. TOTAL ^	0	0	0

16. REMARKS

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

G. PREPARED BY	H. DATE	I. APPROVED BY	J. DATE
/s/Heather A. Manley	25 May 10		

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CONTRACT DATA REQUIREMENTS LIST
(1 Data Item)

Form Approved
OMB No. 0704-0188

The public reporting burden for this collection of information is estimated to average 110 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Department of Defense, Executive Services Directorate (0704-0188). Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. **Please do not return your form to the above organization. Send completed form to the Government Issuing Contracting Officer for the Contract/PR No. Listed in Block E.**

A. CONTRACT LINE ITEM NO.	B. EXHIBIT	C. CATEGORY		
n/a	A	TDP	TM	OTHER

D. SYSTEM/ITEM	E. CONTRACT/PR NO.	F. CONTRACTOR
Transformational Medical Technologies		AVI BioPharma

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A012	Master Government Property List	GFP, GFE, GFM and Contractor Acquired Property

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
DI-MGMT-80269	n/a	DTRA/BE-BL

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION	14. DISTRIBUTION
LT	n/a	Monthly	See Blk 16	

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	Award	See Blk 16

a. ADDRESSEE	b. COPIES Draft	Final Reg	Final Repro
DTRA/BE-BL			1
DTRA/BE-BF			1
DTRA/BE-BC			1
DTRA/TMT			1
15. TOTAL ^	0	0	4

16. REMARKS

Block 4: This DID is for reference only. The report shall be prepared according to the remarks below.

Block 12: 45th calendar day following contract award.

Block 13: Tenth calendar day of each month.

During performance of the Contract, the Contractor may purchase material or equipment using Government funds [Contractor Acquired Property (CAP)] if it is approved by the Contracting Officer. The Contractor shall provide a Master Government Property List (MGPL) inclusive of all CAP on the 45th calendar day following Contract award and the tenth calendar of each subsequent month.

The MGPL shall include all equipment/property provided to the contract, including equipment transferred between projects, broken and obsolete equipment, and items purchased outside the United States. The MGPL shall consist of the following data elements at a minimum: Accountable Contract, Property Name, Original Manufacturer's Name, Description/Commercial Use, Original Manufacturer's Part Number, Model Number, Serial Number, DTRA Asset ID Number, Equipment Identification Number Quantity, Contract to which equipment is assigned, Work Breakdown Structure Project Number, Item Unique Identifier or equivalent, Project Descriptor, Equipment Location, Date Placed In Service, Condition of Property (active, stored, in-transit or waiting disposal), Government Property Type (Government Furnished Equipment, Government Furnished Material, Government Furnished Property, CAP), Unit Acquisition Cost (from accounting system) and Remarks.

The MGPL shall be delivered electronically in a spreadsheet using Microsoft Office Excel. Abbreviations are not allowed.

Ninety (90) days prior to Contact expiration, the Contractor shall submit a final MGPL suitable for close-out purposes containing use/disposition recommendation.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

G. PREPARED BY	H. DATE	I. APPROVED BY	J. DATE
/s/Heather A. Manley	25 May 10		

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CONTRACT DATA REQUIREMENTS LIST
(1 Data Item)

Form Approved
OMB No. 0704-0188

The public reporting burden for this collection of information is estimated to average 110 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Department of Defense, Executive Services Directorate (0704-0188). Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. **Please do not return your form to the above organization. Send completed form to the Government Issuing Contracting Officer for the Contract/PR No. Listed in Block E.**

A. CONTRACT LINE ITEM NO.	B. EXHIBIT	C. CATEGORY		
n/a	A	TDP	TM	OTHER

D. SYSTEM/ITEM	E. CONTRACT/PR NO.	F. CONTRACTOR
Transformational Medical Technologies		AVI BioPharma

1. DATA ITEM NO.	2. TITLE OF DATA ITEM	3. SUBTITLE
A013	Master Government Property - Physical Inventory	GFP, GFE, GFM and Contractor Acquired Property

4. AUTHORITY *(Data Acquisition Document No.)*	5. CONTRACT REFERENCE	6. REQUIRING OFFICE
DI-MGMT-80441		DTRA/BE-BL

7. DD 250 REQ	9. DIST STATEMENT REQUIRED	10 FREQUENCY	12. DATE OF FIRST SUBMISSION	14. DISTRIBUTION
LT	n/a	Annually	See Blk 16	

8. APP CODE	11. AS OF DATE	13. DATE OF SUBSEQUENT SUBMISSION
A	Award	Annually

a. ADDRESSEE	b. COPIES Draft	Final Reg	Final Repro
DTRA/BE-BL			1
DTRA/BE-BF			1
DTRA/BE-BC			1
DTRA/TMT			1
15. TOTAL ^	0	0	4

16. REMARKS

Block 4: This DID is for reference only. The report shall be prepared according to the remarks below.

Block 12: Date of first submission in one month after award.

The Contractor shall annually perform, record and disclose physical inventory results of all Government Property/Contractor Acquired Property (CAP)/Equipment/Material. A final coordinated physical inventory shall be performed upon contract completion or termination and approved by the DTRA Accountable Property Officer.

The Physical Inventory Report shall identify the Contractor's Point of Contact with telephone number and signature and shall consist of the following data elements at a minimum: Accountable Contract, Property Name, Original Manufacturer's Name, Description/Commercial Use, Original Manufacturer's Part Number, Model Number, Serial Number, DTRA Asset ID Number, Equipment Identification Number Quantity, Contract to which equipment is assigned, Work Breakdown Structure Project Number, Item Unique Identifier or equivalent, Project Descriptor, Equipment Location, Date Placed In Service, Condition of Property (active, stored, in-transit or waiting disposal), Government Property Type (Government Furnished Equipment, Government Furnished Material, Government Furnished Property, CAP), Unit Acquisition Cost (from accounting system) and Remarks.

The Physical Inventory Report shall be documented in writing and validated/confirmed by both the Contractor's Property Administrator and the DTRA PM. Inventory discrepancies must be reported immediately to the Contracting Officer, PM or the DTRA Accountable Property Officer, The report shall contain original signatures and be delivered electronically in a spreadsheet using Microsoft Office Excel. Abbreviations are not allowed.

Ninety (90) days prior to Contract expiration, the Contractor shall submit a final property identification listing suitable for close-out purposes containing use/disposition recommendations. The report must be reviewed, approved and signed by the DTRA Accountable Property Officer prior to contract close out.

17. PRICE GROUP

18. ESTIMATED TOTAL PRICE

G. PREPARED BY	H. DATE	I. APPROVED BY	J. DATE
/s/Heather A. Manley	25 May 10		

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EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, J. David Boyle II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AVI BioPharma, Inc. (the "Registrant").

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and I have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared; and

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2010

By: /s/ J. David Boyle II

J. David Boyle II
Interim President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Melinda K. Miles, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AVI BioPharma, Inc. (the "Registrant").

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and I have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared; and

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2010

By: /s/ Melinda K. Miles

Melinda K. Miles
Controller and Chief Accounting Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AVI BioPharma, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. David Boyle II, as Interim President and Chief Executive Officer and Senior Vice President and Chief Financial Officer of the Company, and I Melinda K. Miles, Controller and Chief Accounting Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. David Boyle II
J. David Boyle II
Interim President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer
AVI BioPharma, Inc.
August 9, 2010

/s/ Melinda K. Miles
Melinda K. Miles
Controller and Chief Accounting Officer
AVI BioPharma, Inc.
August 9, 2010

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

See also the certification pursuant to Sec. 302 of the Sarbanes-Oxley Act of 2002, which is also attached to this report.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to AVI BioPharma, Inc. and will be retained by AVI BioPharma, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.