

FORM 8-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 22, 2005

AVI BioPharma, Inc.

(Exact name of registrant as specified in its charter)

Oregon

(State or other jurisdiction of incorporation or organization)

0-22613

(Commission File Number)

93-0797222

(IRS Employer Identification Number)

One S.W. Columbia, Suite 1105

Portland, OR 97258

(Address of principal executive offices)

(503) 227-0554

Registrant's telephone number, including area code

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement

On February 22, 2005, after consideration of presentations and recommendations of management and the Compensation Committee and such other matters and information as deemed appropriate, the Board of Directors of AVI BioPharma, Inc. ("Company") accepted and ratified the conclusions and recommendations of the Company's Compensation Committee (the "Committee") with respect to the following actions:

Fiscal 2005 Base Salaries. The base salary levels, effective January 1, 2005, of the persons who are anticipated to constitute the Company's named executive officers for 2005 were set as follows:

Name	Title	2005 Base Salary	2004 Base Salary
Denis R. Burger, Ph.D.	Chief Executive Officer	\$ 350,000	\$ 330,000
Alan P. Timmins	President and Chief Operating Officer	\$ 300,000	\$ 295,000
Patrick L. Iversen, Ph.D.	Senior Vice President of Research and Development	\$ 245,000	\$ 235,000
Dwight D. Weller, Ph.D.	Senior Vice President of Chemistry and Manufacturing	\$ 215,000	\$ 210,000
Peter D. O'Hanley, M.D., Ph.D. (1)	Senior Vice President of Clinical Development and Regulatory Affairs	\$ 235,000	\$ 225,000
Mark M. Webber	Chief Financial Officer	\$ 205,000	\$ 200,000

(1) Hired effective March 29, 2004.

2005 Cash Bonus. The following bonuses for the Company's named executive officers were approved as follows:

Name	Title	Proposed 2005 Bonus
Denis R. Burger, Ph.D.	Chief Executive Officer	\$ 120,000
Alan P. Timmins	President and Chief Operating Officer	\$ 100,000
Patrick L. Iversen, Ph.D.	Senior Vice President of Research and Development	\$ 65,000
Dwight D. Weller, Ph.D.	Senior Vice President of Chemistry and Manufacturing	\$ 50,000
Peter D. O'Hanley, M.D., Ph.D. (2)	Senior Vice President of Clinical Development and Regulatory Affairs	\$ 25,000
Mark M. Webber	Chief Financial Officer	\$ 50,000

(2) Dr. O'Hanley joined the Company effective March 29, 2004.

Stock Option Awards. Incentive stock option for the purchase of the Company's common stock were granted to the persons who are anticipated to constitute the named executive officers of the Company for 2005, pursuant to the Company's 2002 Equity Incentive Plan (the "2002 Plan") as follows:

Name	Title	Shares Subject to Option Grant
Denis R. Burger, Ph.D.	Chief Executive Officer	175,000
Alan P. Timmins	President and Chief Operating Officer	175,000
Patrick L. Iversen, Ph.D.	Senior Vice President of Research and Development	75,000
Dwight D. Weller, Ph.D.	Senior Vice President of Chemistry and Manufacturing	75,000
Peter D. O'Hanley, M.D., Ph.D.	Senior Vice President of Clinical Development and Regulatory Affairs	50,000
Mark M. Webber	Chief Financial Officer	75,000

The stock options granted become exercisable starting twelve months after the grant date, with one-third of the options becoming exercisable at that time and an additional one-third of the options becoming exercisable on the second and third anniversary dates of the option grant, respectively. The options are subject to the terms of the 2002 Plan and the individual award agreements, the form of which is attached hereto as Exhibit 99.1. The exercise price per share of the shares subject to the option grants is \$2.53, the reported closing price on the Nasdaq Stock Market on February 22, 2005 (the grant date).

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Item 7.01 Regulation FD Disclosure

The information set forth above is incorporated by reference herein.

Item 8.01 Other Events

The information set forth above is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits

- (b) Exhibits
- 99.1 Form of ISO Stock Option Agreement
 - 99.2 Form of NQ Stock Option Agreement

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Portland, State of Oregon, on February 28, 2005.

AVI BioPharma, Inc.

By: /s/ ALAN P. TIMMINS

Alan P. Timmins
 President and Chief Operating Officer
 (Principal Operating Officer)

EXHIBIT INDEX

99.1	Form of ISO Stock Option Agreement
99.2	Form of NQ Stock option Agreement

AVI BIOPHARMA, INC.
 STOCK OPTION AGREEMENT
 Incentive Stock Option

This STOCK OPTION AGREEMENT is made between AVI BIOPHARMA, INC., an Oregon corporation (the "Company"), and (the "Optionee"), pursuant to the Company's 2002 Equity Incentive Plan (the "Plan"). The Company and the Optionee agree as follows:

1. Option Grant. The Company hereby grants to the Optionee on the terms and conditions of this Agreement the right and the option (the "Option") to purchase all or any part of _____ shares of the Company's Common Stock at a purchase price of \$ _____ per share. The terms and conditions of the Option grant set forth in attached Exhibit A are hereby incorporated into and made a part of this Agreement. The Option is intended to be an Incentive Stock Option, as defined in Section 422A of the Internal Revenue Code of 1986, as amended (the "Code").

2. Time of Exercise of Option. The Vesting Reference Date for this Option is _____, _____. Until it expires or is terminated as provided in Sections 1 or 5 of Exhibit A, the Option may be exercised to purchase shares from time to time to purchase shares up to the following limits:

Years After Vesting Reference Date	Percentage Exercisable
one	percent
two	percent
three	percent
four	percent

3. Grant Date. The Grant Date for this Option is _____, _____. The Option shall continue in effect until the date _____ years after the Grant Date (the "Expiration Date") unless earlier terminated as provided in Sections 1 or 5 of Exhibit A.

AVI BIOPHARMA, INC.
 By: _____
 Title: _____
 4575 SW Research Way
 Suite 200
 Corvallis, OR 97333

OPTIONEE

 [signature]

 [print name]

 [address]

AVI BIOPHARMA, INC.
STOCK OPTION AGREEMENT

Non-Qualified Stock Option

This STOCK OPTION AGREEMENT is made between AVI BIOPHARMA, INC., an Oregon corporation (the "Company"), and (the "Optionee"), pursuant to the Company's 2002 Equity Incentive Plan (the "Plan"). The Company and the Optionee agree as follows:

1. Option Grant. The Company hereby grants to the Optionee on the terms and conditions of this Agreement the right and the option (the "Option") to purchase all or any part of shares of the Company's Common Stock at a purchase price of \$ per share. The terms and conditions of the Option grant set forth in attached Exhibit A are hereby incorporated into and made a part of this Agreement. The Option is not intended to be an Incentive Stock Option, as defined in Section 422A of the Internal Revenue Code of 1986, as amended (the "Code") and therefore is a Non-Qualified Stock Option.

2. Time of Exercise of Option. The Vesting Reference Date for this Option is , . Until it expires or is terminated as provided in Sections 1 or 5 of Exhibit A, the Option may be exercised to purchase the Remaining Shares from time to time up to the following limits:

Years After Vesting Reference Date	Percentage Exercisable
one	percent
two	percent
three	percent
four	percent

3. Grant Date. The Grant Date for this Option is , . The Option shall continue in effect until the date years after the Grant Date (the "Expiration Date") unless earlier terminated as provided in Sections 1 or 5 of Exhibit A.

AVI BIOPHARMA, INC.

OPTIONEE

By: _____

[signature]

Title: _____
4575 SW Research Way
Suite 200
Corvallis, OR 97333

[print name]

[address]