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 September 30, 2005

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from to

Commission file number 0-22613

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.)
One SW Columbia Street, Suite 1105, Portland, Oregon	**97258**
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: **503-227-0554**

Check whether the issuer (1) 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 o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No o

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes o 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 $.0001 par value	**44,184,293**
(Class)	(Outstanding at November 4, 2005)

AVI BIOPHARMA, INC.
FORM 10-Q
INDEX

AVI BIOPHARMA, INC.
(A Development Stage Company)
BALANCE SHEETS
(unaudited)

	September 30, 2005	December 31, 2004
Assets		
Current Assets:		
Cash and cash equivalents	$ 27,556,780	$ 16,654,829
Short-term securities—available-for-sale	3,400,631	2,860,487
Other current assets	542,528	683,075
Total Current Assets	31,499,939	20,198,391
Property and Equipment, net of accumulated depreciation and amortization of $8,029,405 and $6,729,046	5,887,787	6,313,644
Patent Costs, net of accumulated amortization of $1,216,288 and $1,061,788	2,091,142	1,968,987
Other Assets	37,609	37,609
Total Assets	$ 39,516,477	$ 28,518,631
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 1,641,261	$ 1,456,196
Accrued employee compensation and Deferred revenue	881,328	793,402
Total Current Liabilities	2,522,589	2,249,598
Commitments and Contingencies		
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; 44,184,293 and 36,143,153 issued and outstanding	4,418	3,614
Additional paid-in capital	205,086,142	182,370,440
Accumulated other comprehensive loss	—	(132,641)
Deficit accumulated during the development stage	(168,096,672)	(155,972,380)
Total Shareholders' Equity	36,993,888	26,269,033
Total Liabilities and Shareholders' Equity	$ 39,516,477	$ 28,518,631

See accompanying notes to financial statements.

AVI BIOPHARMA, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended September 30,	Nine months ended September 30,	July 22, 1980 (inception) through

	2005	2004	2005	2004	September 30, 2005
Revenues from license fees, grants and research contracts	$ 3,281,805	$ 9,151	$ 3,366,314	$ 144,873	$ 8,448,082
Operating expenses:					
Research and development	4,147,201	4,167,209	12,204,260	16,933,067	117,388,137
General and administrative	1,052,244	964,700	3,773,303	3,318,928	31,658,710
Acquired in-process research and development	—	—	—	—	19,545,028
	5,199,445	5,131,909	15,977,563	20,251,995	168,591,875
Other income (loss):					
Interest income, net	225,169	15,792	486,957	319,682	5,185,967
Realized gain on sale of short-term securities—available-for-sale	—	—	—	—	3,862,502
Write-down of short-term securities—available-for-sale	—	—	—	—	(17,001,348)
	225,169	15,792	486,957	319,682	(7,952,879)
Net loss	$ (1,692,471)	$ (5,106,966)	$ (12,124,292)	$ (19,787,440)	$ (168,096,672)
Net loss per share - basic and diluted	$ (0.04)	$ (0.14)	$ (0.28)	$ (0.55)	
Weighted average number of common shares outstanding for computing basic and diluted loss per share	44,184,293	36,123,790	43,608,789	35,948,473	

See accompanying notes to financial statements.

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

	Nine months ended September 30, 2005	Nine months ended September 30, 2004	For the Period July 22, 1980 (inception) through September 30, 2005
Cash flows from operating activities:			
Net loss	$ (12,124,292)	$ (19,787,440)	$ (168,096,672)
Adjustments to reconcile net loss to net cash flows used in operating activities:			
Depreciation and amortization	1,467,526	1,369,425	10,199,718
Loss on disposal of assets	7,074	—	94,021
Realized gain on sale of short-term securities—available-for-sale	—	—	(3,862,502)
Write-down of short-term securities—available-for-sale	—	—	17,001,348
Compensation expense on issuance of common stock and partnership units	—	—	861,655
Compensation expense on issuance of options and warrants to purchase common stock or partnership units	337,075	383,306	2,060,777
Conversion of interest accrued to common stock	—	—	7,860
Acquired in-process research and development	—	—	19,545,028
(Increase) decrease in:			
Other current assets	140,547	92,594	(542,528)
Other assets	—	(4,862)	(37,609)
Net increase (decrease) in accounts payable, accrued employee compensation, and deferred revenue	272,991	(2,401,556)	2,642,589
Net cash used in operating activities	(9,899,079)	(20,348,533)	(120,126,315)
Cash flows from investing activities:			
Purchase of property and equipment	(894,243)	(816,210)	(14,354,671)
Patent costs	(276,655)	(363,429)	(3,667,997)
Purchase of marketable securities	(3,007,583)	(13,123,205)	(87,762,872)
Sale of marketable securities	2,600,080	27,428,974	89,271,395
Acquisition costs	—	—	(2,377,616)
Net cash provided by (used in) investing activities	(1,578,401)	13,126,130	(18,891,761)
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	22,379,431	7,039,337	166,960,293
Buyback of common stock pursuant to rescission offering	—	—	(288,795)
Withdrawal of partnership net assets	—	—	(176,642)
Issuance of convertible debt	—	—	80,000
Net cash provided by financing activities	22,379,431	7,039,337	166,574,856

Increase (decrease) in cash and cash equivalents	10,901,951	(183,066)	27,556,780
Cash and cash equivalents:			
Beginning of period	16,654,829	12,524,915	—
End of period	$ 27,556,780	$ 12,341,849	$ 27,556,780
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES AND FINANCING ACTIVITIES:			
Change in unrealized gain (loss) on short-term securities—available-for-sale	$ 132,641	$ (5,476)	$ —
Issuance of common stock and warrants for services	$ —	$ —	370,000

See accompanying notes to financial statements.

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

Note 1. Basis of Presentation

The financial information included herein for the three and nine-month periods ended September 30, 2005 and 2004 and the financial information as of September 30, 2005 is unaudited; however, such information reflects 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 financial information as of December 31, 2004 is derived from AVI BioPharma, Inc.'s (the "Company's") Form 10-K. The interim financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-K. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

The Company accounts for stock options using the intrinsic value method as prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Pursuant to Statement of Financial Accounting Standards (SFAS) No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure," which was adopted in December 2002, the Company has computed, for pro forma disclosure purposes, the impact on net loss and net loss per share as if the stock-based compensation plans have been accounted for in accordance with the fair value method prescribed by SFAS No. 123 "Accounting for Stock-Based Compensation" as follows:

Three Months Ended September 30,	2005	2004
Net loss, as reported	$ (1,692,471)	$ (5,106,966)
Deduct – Total stock-based employee compensation expense determined under fair value based method, for all awards not previously included in net loss	(591,703)	(508,146)
Net loss, pro forma	$ (2,284,174)	$ (5,615,112)
Basic and diluted net loss per share:		
As reported	$ (0.04)	$ (0.14)
Pro forma	$ (0.05)	$ (0.16)

Nine Months Ended September 30,	2005	2004
Net loss, as reported	$ (12,124,292)	$ (19,787,440)
Deduct – Total stock-based employee compensation expense determined under fair value based method, for all awards not previously included in net loss	(1,626,766)	(1,482,070)
Net loss, pro forma	$ (13,751,058)	$ (21,269,510)
Basic and diluted net loss per share:		
As reported	$ (0.28)	$ (0.55)
Pro forma	$ (0.32)	$ (0.59)

To determine the fair value of stock-based awards granted during the periods presented, the Company used the Black-Scholes option pricing model and the following weighted

average assumptions:

Three and Nine Months Ended September 30,	2005	2004
Risk-free interest rate	3.4%	2.99%
Expected dividend yield	0%	0%
Expected lives	9.1 years	9.2 years
Expected volatility	94%	94%

Note 2. Liquidity

The Company is in the development stage. Since its inception in 1980 through September 30, 2005, the Company has incurred losses of approximately $168 million, substantially all of which resulted from expenditures related to research and development, general and administrative expenses, non-cash write-downs in 2002 of $4,478,260 and in 2001 of $12,523,088 on short-term securities—available-for-sale that had an other than temporary impairment as defined by SEC accounting rules and a one-time charge of $19,545,028 for acquired in-process research and development reflecting the acquisition of

ImmunoTherapy Corporation. The Company has not generated any material revenue from product sales to date, and there can be no assurance that revenues from product sales will be achieved. Moreover, even if the Company does achieve revenues from product sales, the Company nevertheless expects to incur operating losses over the next several years.

The financial statements have been prepared assuming that the Company will continue as a going concern. The Company's ability to achieve a profitable level of operations in the future will depend in large part on completing product development of its antisense products, obtaining regulatory approvals for such products, and bringing these products to market. During the period required to develop these products, the Company will require substantial additional financing. There is no assurance that such financing will be available when needed or that the Company's planned products will be commercially successful. On January 19, 2005, the Company closed a private equity financing for net proceeds of $22,300,338 with several institutional investors. The Company sold 8,000,000 shares of common stock at $3.00 per share, together with warrants to acquire an additional 1,600,001 shares of common stock, as described in Note 6. On September 26, 2005, the Company received $3,400,000 in government funding for work performed on viral disease research projects. The Company believes it has sufficient cash to fund operations through 2006. For 2005, the Company expects expenditures for operations, including collaborative efforts and GMP facilities to be approximately $21 to $23 million. Expenditures for 2005 could increase if the Company undertakes additional collaborative efforts. If necessary, however, the Company's management has the ability to significantly curtail certain expenditures because a significant amount of the Company's costs are variable.

The likelihood of the long-term success of the Company must be considered in light of the expenses, difficulties and delays frequently encountered in the development and commercialization of new pharmaceutical products, competitive factors in the marketplace as well as the burdensome regulatory environment in which the Company operates. There can be no assurance that the Company will ever achieve significant revenues or profitable operations.

Note 3. Earnings Per Share

Basic EPS is calculated using the weighted average number of common shares outstanding for the period and diluted EPS is computed using the weighted average number of common shares and dilutive common equivalent shares outstanding. Given that the Company is in a loss position, there is no difference between basic EPS and diluted EPS since the common stock equivalents would be antidilutive.

Three Months Ended September 30,	2005	2004
Net loss	$ (1,692,471)	$ (5,106,966)
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	44,184,293	36,123,790
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	44,184,293	36,123,790
Net loss per share - basic and diluted	$ (0.04)	$ (0.14)

Nine Months Ended September 30,	2005	2004
Net loss	$ (12,124,292)	$ (19,787,440)
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	43,608,789	35,948,473
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	43,608,789	35,948,473
Net loss per share - basic and diluted	$ (0.28)	$ (0.55)

* Warrants and stock options to purchase 16,590,885 and 14,231,642 shares of common stock as of September 30, 2005 and 2004, respectively, were excluded from earnings per share calculation as their effect would have been antidilutive.

Note 4. Comprehensive Income and investment securities

Comprehensive income includes charges or credits to equity that did not result from transactions with shareholders. The Company's only component of "other comprehensive income (loss)" is unrealized gain (loss) on cash equivalents and short-term securities—available-for-sale. Accordingly, such investment securities are stated on the balance sheet at their fair market value. The Company classifies its investment securities with an original maturity of three months or less from the date of purchase as cash equivalents. The Company classifies its investment securities with an original maturity of more than three months from the date of purchase as short-term securities—available-for-sale. At September 30, 2005 and December 31, 2004, the Company's investments in marketable securities had gross unrealized losses of $0 and $132,641, respectively. The unrealized difference between the adjusted cost and the fair market value of these securities has been reflected as a

separate component of shareholders' equity. At September 30, 2005, cash equivalents included investments in commercial paper of $2,463,908. At December 31, 2004, short-term securities—available-for-sale represent investments in commercial paper of $2,500,592. The following table sets forth the calculation of comprehensive income for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net loss	$ (1,692,471)	$ (5,106,966)	$ (12,124,292)	$ (19,787,440)
Unrealized gain (loss) on investment securities	0	129,546	132,641	(5,476)
Total comprehensive loss	$ (1,692,471)	$ (4,977,420)	$ (11,991,651)	$ (19,792,916)

Note 5. Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS 123R, which requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in our consolidated statements of income. The accounting provisions of SFAS 123R are effective for the first annual reporting period beginning after June 15, 2005. We are required to adopt SFAS 123R in the first quarter of fiscal 2006. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. See Note 1 above for the pro forma net income (loss) and net income (loss) per share amounts, for the three and nine months ended September 30, 2005 and 2004. Although we have not yet determined whether the adoption of SFAS 123R will result in amounts that are similar to the current pro forma disclosures under SFAS 123, we are evaluating the requirements under SFAS 123R and expect the adoption to have a significant adverse impact on our consolidated statements of operations and net income (loss) per share.

Note 6. Equity Financing

On January 19, 2005, the Company closed a private equity financing for net proceeds of $22,300,338 with several institutional investors. The Company sold 8,000,000 shares of common stock at $3.00 per share. These investors also received warrants for the purchase of 1,600,001 common shares at $5.00 per share. These warrants are exercisable starting July 19, 2005 and expire on July 19, 2009. In connection with the equity financing, the placement agent received a warrant for the purchase of an additional 560,000 common shares at $5.00 per share. These warrants also are exercisable starting July 19, 2005 and expire on July 19, 2009.

During the nine months ended September 30, 2005, the Company issued 6,677 shares of common stock for proceeds of $18,162 from the exercise of stock options and 34,463 shares of common stock for proceeds of $60,931 from sales under the Company's employee stock purchase plan.

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

This section should be read in conjunction with the same titled section contained in our

Annual Report on Form 10-K as filed with the SEC for the year ended December 31, 2004 and the "Risk Factors" contained in such report.

Forward-Looking Information

The Financial Statements and Notes thereto should be read in conjunction with the following discussion. The discussion in this Form 10-Q 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. 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, the results of research and development efforts, the success of raising funds in future offerings under our current shelf registration, 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, and other risks detailed in the Company's Securities and Exchange Commission filings, that could cause actual results to differ materially from the expected results reflected in such forward looking statements.

Overview

From its inception in 1980, the Company has devoted its resources primarily to fund its research and development efforts. The Company has been unprofitable since inception and, other than limited interest, license fees, grants and research contracts, has had no material revenues from the sale of products or other sources and, other than from government grants and research contracts, does not expect material revenues for the foreseeable future. The Company expects to continue to incur losses for the foreseeable future as it continues its research and development efforts and enters into additional collaborative efforts. As of September 30, 2005, the Company's accumulated deficit was $168,096,672.

Results of Operations

Revenues, from license fees, grants and research contracts, increased to $3,281,805 in the third quarter of 2005 from $9,151 in the third quarter of 2004, primarily due to the recognition of $3,219,000 in research contract revenue from the receipt of $3,400,000 in government funding for work performed on viral disease research projects and increases in grant revenues. The remaining $181,000 in government funding received has been classified as deferred revenue. Revenues, from license fees, grants and research contracts, increased to $3,366,314 for the nine months ended September 30, 2005 from $144,873 for the comparable period of 2004, primarily due to the recognition of $3,219,000 in research contract revenue from the receipt of $3,400,000 in government funding and increases in grant revenues.

Operating expenses increased to $5,199,445 in the third quarter of 2005 from $5,131,909 in the third quarter of 2004 due to increases in general and administrative costs, which increased to $1,052,244 in the third quarter of 2005 from $964,700 in the third quarter of 2004, which were partially offset by decreases in research and development, which decreased to $4,147,201 in the third quarter of 2005 from $4,167,209 in the third quarter of

2004. Approximately $120,000 of this general and administrative increase in the third quarter of 2005 was due to additional clinical staff hired after the third quarter of 2004. Approximately $400,000 of this research and development decrease in the third quarter of 2005 was due to lower contracting costs for the production of GMP subunits. These research and development decreases were offset by increases in lab supplies and employee costs. Operating expenses decreased to $15,977,563 for the nine months ended September 30, 2005 from $20,251,995 for the comparable period of 2004 due to decreases in research and development, which decreased to $12,204,260 for the nine months ended September 30, 2005 from $16,933,067 in the comparable period in 2004, which were partially offset by increases in general and administrative costs, which increased to $3,773,303 for the nine months ended September 30, 2005 from $3,318,928 in the comparable in 2004. Approximately $5.5 million of this research and development decrease for the nine months ended September 30, 2005 was due to lower contracting costs for the production of GMP subunits. These research and development decreases were partially offset by increases in lab supplies, employee costs, and clinical trial insurance. Approximately $460,000 of this general and administrative increase for the nine months ended

September 30, 2005 was due to additional clinical and business development staff hired after the first quarter of 2004. Net interest income increased to $225,169 in the third quarter of 2005 from $15,792 in the third quarter of 2004 due to increases in average cash, cash equivalents and short-term securities balances and increases in average interest rates of the Company's interest earning investments. Net interest income increased to $486,957 for the nine months ended September 30, 2005 from $319,682 for the comparable period in 2004 due to increases in average interest rates of the Company's interest earning investments, which were slightly offset by decreases in average cash, cash equivalents and short-term securities balances.

Liquidity and Capital Resources

The Company does not expect any material revenues in 2005 or 2006 from its business activities other than from potential government grants and research contracts. The Company expects that its cash requirements through 2006 will be satisfied by existing cash resources. To fund its operations beyond 2006, the Company will need to secure additional funds. Such funds could come from technology license fees, government grants and research contracts, and accessing capital markets.

The Company was informed in 2004 that it had been allocated $5 million in government funding for the 2005 fiscal year for work on viral disease research projects. During the third quarter of 2005, the Company was informed that this government funding will total $4.6 million. In September 2005, the Company received $3.4 million of this $4.6 million. The $3.4 million has been reflected in the financial statements. The remaining funds have not yet been received and are not reflected in the financial statements.

The Company was informed in the third quarter of 2005 that the U.S. Senate Committee on Appropriations has allocated $22 million for the company's research and development programs as part of the defense spending bill for fiscal year 2006, which commenced October 1, 2005. The spending bill must now be approved by the full Senate, and the total amount awarded to the Company is subject to change, including the possibility that the Company will not receive any of these funds. If approved in its current form, the spending bill would direct $22 million to the Company for the continued development of technology to test for and find therapeutic agents for Ebola ($6 million) and Marburg ($6 million) viruses, and anthrax and ricin toxins ($4 million). In addition, the allocation includes new funding for

a Company project to test for and find therapeutic agents for dengue virus ($6 million). These funds have not yet been received and are not reflected in the financial statements.

The Company's cash, cash equivalents and short-term securities were $30,957,411 at September 30, 2005, compared with $19,515,316 at December 31, 2004. The increase of $11,442,095 was due primarily to the receipt of $22,300,338 in net proceeds from a private equity financing with several institutional investors completed in January 2005, offset by $9,899,079 used in operations and $1,170,898 used for purchases of property and equipment and patent related costs. The Company sold 8,000,000 shares of common stock at $3.00 per share to these investors. In addition, these investors received warrants to purchase 1,600,001 common shares at $5.00 per share. These warrants are exercisable starting July 19, 2005 and expire on July 19, 2009. In connection with the equity financing, the placement agent received a warrant to purchase an additional 560,000 common shares at $5.00 per share. These warrants also are exercisable starting July 19, 2005 and expire on July 19, 2009.

The Company's short-term securities represent investments in commercial paper. The Company reviews the fair market value of its short-term securities in relation to its cost basis of the securities. If a decline in fair market value below the cost basis is judged to be other than temporary, the cost basis of the security is written down to fair value as a new cost basis and the amount of the write-down is included in earnings as an impairment charge.

The Company's future expenditures and capital requirements depend on numerous factors, most of which are difficult to project beyond the short term, including without limitation, the progress of its research and development programs, the progress of its 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, its ability to establish collaborative arrangements and the terms of any such arrangements, and the costs associated with commercialization of its products. The Company's cash requirements are expected to continue to increase each year as the Company expands its activities and operations. There can be no assurance, however, that the Company will ever be able to generate product revenues or achieve or sustain profitability.

The Company expects to continue to incur losses as it expands its research and development activities and related regulatory work and increases its collaborative efforts. For 2005, the Company expects its expenditures for operations, including its collaborative efforts, and its GMP facilities to be approximately $21 to $23 million. That cost could increase if it undertakes additional collaborative efforts. However, the Company believes it can reduce its expenditures in the latter part of 2005 and early 2006 because a significant amount of these expenditures are variable. Those estimated expenditures include amounts necessary to fulfill its obligations under various collaborative, research and licensing agreements during 2005.

Critical Accounting Policies and Estimates

The discussion and analysis of the Company's financial condition and results of operations are based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these

financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company's critical accounting policies and estimates are consistent with the disclosure in the Company's Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There has been no material change in the Company's market risk exposure since the filing of our 2004 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of September 30, 2005, the Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer, its President and its Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on this review of its disclosure controls and procedures, the Chief Executive Officer, the President and the Chief Financial Officer have concluded that its disclosure controls and procedures are effective in timely alerting them to material information relating to the Company that is required to be included in our periodic SEC filings.

Internal Controls and Procedures

There has been no change in the Company's internal controls over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits

The exhibits filed as a part of this report are listed below and this list constitutes the exhibit index.

Exhibit No.	Exhibit Description
31	Certification of the Company's Chief Executive Officer, Denis R. Burger, Ph.D., and Chief Financial Officer, Mark M. Webber, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of the Company's Chief Executive Officer, Denis R. Burger, Ph.D., and Chief Financial Officer, Mark M. Webber, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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: November 9, 2005

AVI BIOPHARMA, INC.

By: /s/ DENIS R. BURGER, Ph.D.
Denis R. Burger, Ph.D.
Chief Executive Officer
and Chairman of the Board of Directors
(Principal Executive Officer)

By: /s/ MARK M. WEBBER
Mark M. Webber
Chief Financial Officer and Chief Information Officer
(Principal Financial and Accounting Officer)

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

I, Denis R. Burger, 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. The registrant's other certifying officer(s) and I are 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 have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our 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 our 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our 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: November 9, 2005

By: /s/ Denis R. Burger
Denis R. Burger,
Chief Executive Officer and Chairman
of the Board
(Principal Executive Officer)

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

I, Mark M. Webber, 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. The registrant's other certifying officer(s) and I are 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 have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our 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 our 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our 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: November 9, 2005

By: /s/ Mark M. Webber

Mark M. Webber,
Chief Financial Officer and Chief Information Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32

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 September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Denis R. Burger, as Chief Executive Officer of the Company, and Mark M. Webber, as Chief Financial Officer of the Company, each hereby certifies, 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 his 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 result of operations of the Company.

/s/ Denis R. Burger

Denis R. Burger
Chairman and Chief Executive Officer
AVI BioPharma, Inc.
November 9, 2005

/s/ Mark M. Webber

Mark M. Webber
Chief Financial Officer and Chief Information Officer
AVI BioPharma, Inc.
November 9, 2005

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.