

AVI BIOPHARMA INC  
Form DEF 14A  
April 10, 2003

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**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.       )

Filed by the Registrant

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Check the appropriate box:

- Preliminary Proxy Statement
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- Definitive Proxy Statement
- Definitive Additional Materials
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**AVI BIOPHARMA, INC.**

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(Name of Registrant as Specified In Its Charter)

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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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April 10, 2003

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of the Shareholders of AVI BioPharma, Inc., which will be held on Wednesday, May 14, 2003, at 9:00 am, local time, at AVI BioPharma, Inc., 4575 SW Research Way, Corvallis, Oregon.

Details of the business to be conducted at the Annual Meeting are given in the attached Proxy Statement. The Company's Annual Report on Form 10-K for the year ended December 31, 2002 is also enclosed.

Whether or not you plan to attend the meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign, date, and promptly return the enclosed proxy in the enclosed postage-paid envelope. If you decide to attend the Annual Meeting and vote in person, you will, of course, have that opportunity.

On behalf of the Board of Directors, I would like to express our continued appreciation for your interest in the affairs of the Company.

Sincerely,

Denis R. Burger, Ph.D.  
*Chief Executive Officer*

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**AVI BIOPHARMA, INC.**  
**NOTICE OF ANNUAL MEETING**  
**To Be Held on May 14, 2003**

To the Shareholders of AVI BioPharma, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the shareholders of AVI BIOPHARMA, INC. (the "Company" or "AVI") will be held on May 14, 2003 at 9:00 a.m. local time, at AVI BioPharma, Inc., 4575 SW Research Way, Corvallis, Oregon, for the following purposes:

1. To elect four Group II Directors, each for a two-year term;
2. To ratify the appointment of KPMG LLP as independent auditors for the Company for the year ending December 31, 2003; and
3. To transact such other business as may properly come before the meeting.

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The Board of Directors has fixed March 11, 2003 as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. Only shareholders of record at the close of business on that date will be entitled to notice of and to vote at the Annual Meeting or any adjournments thereof.

By Order of the Board of Directors

Denis R. Burger, Ph.D.  
*Chief Executive Officer*

Portland, Oregon  
April 10, 2003

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**AVI BIOPHARMA, INC.**

**One S.W. Columbia Street, Suite 1105  
Portland, Oregon 97258**

**PROXY STATEMENT  
for  
ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 14, 2003**

**General**

This Proxy Statement is furnished to shareholders of AVI BIOPHARMA, INC. (the "Company" or "AVI") in connection with the solicitation by the Board of Directors of proxies from the shareholders of record of the Company's outstanding shares of Common Stock, \$0.0001 par value (the "Common Stock"), for use at the Company's Annual Meeting of Shareholders to be held on May 14, 2003, at 9:00 a.m. local time, at AVI BioPharma, Inc., 4575 SW Research Way, Corvallis, Oregon, and at any adjournments or postponements thereof (the "Annual Meeting").

At the Annual Meeting, shareholders will be asked to (i) elect four members to Group II of the Board of Directors, each for a two-year term, (ii) ratify the appointment of KPMG LLP as independent auditors for the Company for the year ending December 31, 2003, and (iii) transact such other business as may properly come before the meeting. This Proxy Statement, together with the enclosed proxy card, is first being mailed to the Company's shareholders on or about April 10, 2003.

**Solicitation, Voting and Revocability of Proxies**

The Board of Directors has fixed March 11, 2003, as the record date for the determination of the shareholders entitled to notice of and to vote at the Annual Meeting. Accordingly, only holders of record of shares of Common Stock at the close of business on such date will be entitled to notice of and to vote at the Annual Meeting, with each such share entitling its owner to one vote on all matters properly presented at the Annual Meeting. On the record date, there were approximately 12,068 beneficial holders of the 26,569,649 shares of Common Stock then outstanding. The presence, in person or by proxy, of a majority of the total number of outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting.

If the enclosed form of proxy is properly executed and returned in time to be voted at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked therein. **EXECUTED BUT UNMARKED PROXIES WILL BE VOTED (i) FOR THE ELECTION OF THE DIRECTORS NAMED IN THE PROXY AND (ii) FOR RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS INDEPENDENT AUDITORS FOR THE YEAR ENDING DECEMBER 31, 2003.** The Board of Directors does not know of any matters other than those described in the Notice of Annual Meeting that are to come before the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in the proxy will vote the shares represented by such proxy upon such matters as determined by a majority of the Board of Directors.

The presence of a shareholder at the Annual Meeting will not automatically revoke such shareholder's proxy. A shareholder may, however, revoke a proxy at any time prior to its exercise by filing a written notice of revocation with, or by delivering a duly executed proxy bearing a later date to, Assistant Secretary, AVI BioPharma, Inc., One S.W. Columbia Street, Suite 1105, Portland, Oregon 97258, or by attending the Annual Meeting and voting in person. All valid, unrevoked proxies will be voted at the Annual Meeting.

### AVI BIOPHARMA, INC. DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the directors and executive officers of AVI:

| Name                            | Age | Position   |
|---------------------------------|-----|--|
| Denis R. Burger, Ph.D.(1)       | 59  | Chief Executive Officer and Chairman of the Board                    |
| Patrick L. Iversen, Ph.D.       | 47  | Senior Vice President of Research and Development and Director       |
| David H. Mason, Jr., MD         | 56  | Senior Vice President of Clinical Development and Regulatory Affairs |
| Alan P. Timmins(1)              | 43  | President, Chief Operating Officer and Director                      |
| Mark M. Webber                  | 48  | Chief Financial Officer and Chief Information Officer                |
| Dwight D. Weller, Ph.D.(1)      | 52  | Senior Vice President of Chemistry and Manufacturing and Director    |
| Bruce L. A. Carter, Ph.D.(2)(4) | 58  | Director   |
| John W. Fara, Ph.D.(3)          | 60  | Director   |
| Andrew J. Ferrara(2)            | 63  | Director   |
| James B. Hicks, Ph.D.(2)(3)     | 56  | Director   |
| Joseph Rubinfeld, Ph.D.(3)      | 70  | Director   |

(1) Member of the Executive Committee.

(2) Member of the Compensation Committee.

(3) Member of the Audit Committee.

(4) Dr. Carter resigned from the Board of Directors effective March 18, 2003.

**Denis R. Burger, Ph.D.** has served as Chief Executive Officer of AVI since January 1996, and as Chairman of the Board of AVI since 1998. From 1992 to May 2000, he was President of AVI and from 1992 to 1995, he was Chief Operating Officer of AVI. Dr. Burger has also been a member of Sovereign Ventures, LLC, a biotechnology consulting and merchant banking venture since 1991. Dr. Burger is a member of the Board of Directors of SuperGen, Inc. and Trinity Biotech, PLC, biopharmaceutical companies. Dr. Burger received a B.A. in Bacteriology and Immunology from the University of California, Berkeley, and his M.S. and Ph.D. degrees in Microbiology and Immunology from the University of Arizona.

**Patrick L. Iversen, Ph.D.** has served as Senior Vice President of Research and Development and a director of AVI since 1997. From 1987 through 1997, Dr. Iversen was on staff at the University of Nebraska Medical Center, most recently as a Professor in the College of Medicine. Dr. Iversen, who has published extensively on antisense research and development, additionally served as a consultant to various pharmaceutical and biotechnology companies, including GLAXO Inc., Innovir Pharmaceuticals, Lynx Therapeutics, and Isis Pharmaceuticals, as well as to AVI, and he is a former member of the Leukemia Society of America Board of Directors. Dr. Iversen holds a B.S. in Biology from Westminster College and a Ph.D. in Biochemical Pharmacology and Toxicology from the University of Utah, followed by post-doctoral work at the Eppley Institute for Research in Cancer and Allied Diseases. Current services activities include being a member of the ALTX-1 study section of the National Institutes of Health and Scientific Advisory Board for the Linus Pauling Institute.

**David H. Mason, Jr., MD** has served as Senior Vice President of Clinical Development and Regulatory Affairs of AVI since November 2000. He had served as Vice President of Medical Affairs

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for Elan Pharmaceuticals, a biopharmaceutical company, from 1993 to 2000. Dr. Mason received a BA in chemistry from Williams College and an M.D. from Duke University School of Medicine, with post graduate training at Duke, the National Institutes of Health, and the University of Michigan Medical Center.

**Alan P. Timmins** has served as President of AVI since May 2000, Chief Operating Officer of AVI since October 1996, and as a director of AVI since 1997. From 1992 to May 2000, he was Executive Vice President and Chief Financial Officer of AVI. Mr. Timmins received a B.B.A. in Accounting and Management from the University of Portland and an M.B.A. from Stanford University. He is a Certified Public Accountant.

**Mark M. Webber** has served as Chief Financial Officer and Chief Information Officer of AVI since May 2000 and as Controller since October 1997. From 1993 to 1997, he was Director of Finance for Pacific Rehabilitation and Sports Medicine, Inc., a physical therapy services company. Mr. Webber holds a B.S. degree in accounting from the University of Oregon.

**Dwight D. Weller, Ph.D.** has served as Senior Vice President of Chemistry and Manufacturing since 1997, as Vice President of Research and Development of AVI from 1992 to 1997, and as a director of AVI since 1991. Dr. Weller received a B.S. in Chemistry from Lafayette College and a Ph.D. in Chemistry from the University of California at Berkeley, followed by postdoctoral work in Bio-Organic Chemistry at the University of Illinois.

**Bruce L. A. Carter, Ph.D.** has been a director of AVI since 1998. Dr. Carter resigned from the Board of Directors in March 2003. Dr. Carter is currently President and CEO of ZymoGenetics, Inc. of Seattle, a biopharmaceutical company, a position he also held from 1988 through 1993. From 1994 to 2000, Dr. Carter was Corporate Executive Vice President and Chief Scientific Officer for Novo Nordisk A/S, a biopharmaceutical company. From 1997 to 1998, Dr. Carter was a director of ImmunoTherapy Corporation, an early stage pharmaceutical development company, and a member of its Science Advisory Board from 1996 to 1998. Dr. Carter serves on the Boards of Directors of SkeleTech, Inc., BioImage A/S, Reddy US Therapeutics, Inc., biopharmaceutical companies, and the Fred Hutchinson Cancer Research Center Foundation Board. Dr. Carter holds a B.Sc. with Honors from the University of Nottingham, England, and a Ph.D. in Microbiology from Queen Elizabeth College, University of London.

**John W. Fara, Ph.D.** has served as a director of AVI since May 2000. He served as the President and Chief Executive Officer of DepoMed, Inc. a biopharmaceutical company, since 1996, and as its Chairman of the Board since April 2000. Between 1990 and 1996, he served as President and Chief Executive Officer of Anergen, Inc., a biotechnology company, and previously was President of Prototek, Inc., an early stage pharmaceutical development company. Dr. Fara holds a B.S. from the University of Wisconsin and a Ph.D. from the University of California at Los Angeles.

**Andrew J. Ferrara** has served as a director of AVI since May 2002. He is President of Boston Healthcare Associates, Inc., a consulting firm that specializes in helping pharmaceutical and biotechnology companies achieve their development and revenue objectives with an emphasis on strategic and reimbursement planning, which he founded in 1993. Prior to that, he held a variety of positions in the healthcare field, including work in various sales, sales management, marketing and public relations positions at Eli Lilly & Co., from 1962 through 1982, serving as Corporate Director of New Product Planning and Licensing during his last four years there.

**James B. Hicks, Ph.D.** has served as a director of AVI since 1997. He has served as the Chief Executive Officer, Chief Scientist and a director of Hedral Therapeutics, Inc., a biotechnology company, since its founding in 1993. Dr. Hicks received his B.A. degree in Biology from Willamette University and his Ph.D. in Molecular Biology from the University of Oregon, followed by post-doctoral research at Cornell University.

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**Joseph Rubinfeld, Ph.D.** has served as a director of AVI since 1996. He has served as Chief Executive Officer, President, Chief Scientific Officer and a director of SuperGen, Inc., a biotechnology company, since its inception in 1991. He received his B.S. in Chemistry from C.C.N.Y., and his M.A. and Ph.D. degrees in Chemistry from Columbia University.

#### **Board of Directors Meetings and Committees**

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During 2002, AVI's Board of Directors held four (4) meetings. Each incumbent director attended at least eighty percent (80%) of the aggregate of the total number of meetings held by the Board of Directors and of the total number of meetings held by all committees of the Board on which he served during the fiscal year ended December 31, 2002.

The Board of Directors has appointed an Executive Committee, which held no meetings during the fiscal year ended December 31, 2002. The members of the Executive Committee currently are Alan P. Timmins and Drs. Denis R. Burger and Dwight D. Weller. The Executive Committee can meet between Board Meetings and take any action the Board of Directors can take, except for certain material corporate actions, such as approval of a merger or sale of substantially all the corporate assets. The Board of Directors has also appointed a standing Audit Committee which, during the fiscal year ended December 31, 2002, conducted one (1) meeting. The members of the Audit Committee currently are Drs. John W. Fara, James B. Hicks, and Joe Rubinfeld. The Audit Committee oversees the annual and quarterly financial reporting process, confirms management's proposal for the independent auditors, discusses with the auditors their independence from management and reviews the scope of the independent annual audit. The Audit Committee operates under a written charter adopted by the Board of Directors, a copy of which was included in the Proxy Statement for the Company's 2002 Annual Shareholder Meeting. The Audit Committee is composed of "independent" directors as such term is defined in Rule 5200(a)(15) of the National Association of Securities Dealers (NASD) listing standards. The Board of Directors also has appointed a Compensation Committee which reviews executive compensation and makes recommendations to the full Board regarding changes in compensation, and also administers AVI's stock option plans. During the fiscal year ended December 31, 2002, the Compensation Committee held one (1) meeting. The members of the Compensation Committee currently are Andrew J. Ferrara and Dr. James B. Hicks.

### Director Compensation

Directors who are not employees of AVI receive a nonqualified option, upon joining the Board of Directors, to purchase 33,334 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of the grant pursuant to AVI's 2002 Equity Incentive Plan, which vest ratably on each anniversary date of grant over four years of continued service to the Board. In addition, each outside director receives \$1,500 for each Board meeting attended in person. Upon a non-employee director's second reelection to the Board of Directors and upon each subsequent reelection to the Board of Directors, that director will be granted a nonqualified option to purchase 20,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of the grant pursuant to AVI's 2002 Equity Incentive Plan. These options vest ratably on each anniversary date of grant over two years. Andrew J. Ferrara and Drs. Carter, Fara and Rubinfeld are reimbursed for expenses of attendance at Board meetings.

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### Scientific Advisory Committee

AVI has established relationships with a group of scientific advisors with expertise in their respective fields that complement AVI's product research and development. The following individuals serve on the Scientific Advisory Committee to AVI's Board of Directors:

**Christopher K. Mathews, Ph.D.** is Chairman of the Scientific Advisory Committee. He is the Chairman of the Biochemistry-Biophysics Department at Oregon State University. Dr. Mathews received a B.A. from Reed College and a Ph.D. in Biochemistry from the University of Washington. He performed postdoctoral work in Biochemistry at the University of Pennsylvania. Dr. Mathews joined the Scientific Advisory Committee in 1994 and was a director of AVI from 1991 to 1994.

**David J. Hinrichs, Ph.D.** is a Research Scientist at the Veterans Administration Medical Center in Portland, Oregon and a Professor of Microbiology and Immunology at OHSU. From 1976 to 1985 he was a Professor of Microbiology at Washington State University. He received a Ph.D. in Microbiology from the University of Arizona in 1967.

**Andrew Zalewski, M.D., Ph.D.** is an Interventional Cardiologist, a Professor of Medicine and the director of the Cardiovascular Research Center at Thomas Jefferson University in Philadelphia, Pennsylvania. He received his M.D. degree in 1975 and his Ph.D. in 1981 from Warsaw Medical School in Warsaw, Poland. He was a Research Fellow in Cardiology from 1981-83 at the Cardiovascular Research Institute in the Deborah Heart & Lung Center in Brown Mills, New Jersey and was a Fellow in Cardiology from 1983-84 at Thomas Jefferson University Hospital. He has been a faculty member at Thomas Jefferson University since 1985. He is the author of over 55 peer reviewed publications in prestigious medical and scientific journals, 14 book chapters related to cardiology, and over 75 abstracts presented at medical and scientific meetings. offered and accepted in fall of 2001.

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## AVI BIOPHARMA, INC. EXECUTIVE COMPENSATION

## Summary of Cash and Certain Other Compensation

The following table provides certain summary information concerning the compensation of AVI's Chief Executive Officer and each of the four (4) other most highly compensated executive officers of AVI (the "named executive officers") for the fiscal years ending December 31, 2002, 2001 and 2000.

| Name and Principal Position   | Year | Annual Compensation |            | Long-Term Compensation             |                           |
|---|------|---------------------|------------|------------------------------------|---------------------------|
|   |      | Salary              | Bonus      | Securities Underlying Options/SARs | All Other Compensation(1) |
| Denis R. Burger, Ph.D.<br>Chief Executive Officer   | 2002 | \$ 300,033          | \$ 100,000 | 330,000                            | \$ 6,800                  |
|   | 2001 | 280,400             | 100,000    |                                    | 6,800                     |
|   | 2000 | 265,400             |            | 200,000                            | 6,800                     |
| Alan P. Timmins<br>President and Chief Operating Officer  | 2002 | \$ 260,033          | \$ 95,000  | 148,500                            | \$ 6,800                  |
|   | 2001 | 230,400             | 75,000     |                                    | 6,800                     |
|   | 2000 | 200,400             |            | 135,000                            | 6,800                     |
| David H. Mason, Jr., M.D.(2)<br>Senior Vice President of Clinical<br>Development and Regulatory Affairs | 2002 | \$ 235,100          | \$ 50,000  | 92,400                             | \$ 6,800                  |
|   | 2001 | 225,400             |            |                                    | 6,800                     |
|   | 2000 | 37,751              |            | 184,000                            |                           |
| Patrick L. Iversen, Ph.D.<br>Senior Vice President of Research and<br>Development                       | 2002 | \$ 210,033          | \$ 40,000  | 92,400                             | \$ 6,800                  |
|   | 2001 | 200,400             |            |                                    | 6,800                     |
|   | 2000 | 175,400             | 25,000     | 84,000                             | 4,787                     |
| Dwight D. Weller, Ph.D.<br>Senior Vice President of Chemistry and<br>Manufacturing                      | 2002 | \$ 200,450          | \$ 50,000  | 92,400                             | \$ 6,800                  |
|   | 2001 | 190,400             |            |                                    | 6,800                     |
|   | 2000 | 175,400             | 25,000     | 84,000                             | 6,800                     |

(1) 401(k) Company match.

(2) Joined the Company in November 2000.

## Stock Options

The following table sets forth information concerning options granted to the named executives during the year ended December 31, 2002, under AVI's 2002 Equity Incentive Plan.

## Option Grants in Last Fiscal Year

| Name | Number of Securities Underlying Options | Percent of Total Options Granted Employees in | Exercise Price per | Expiration Date | Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for Option Term(2) |
|------|---|---|--------------------|-----------------|---|
|------|---|---|--------------------|-----------------|---|

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|                           | Granted(1) | 2002   | Share   |            |    | Potential Realizable Value<br>at Assumed Annual Rates<br>of Stock Appreciation for<br>Option Term(2) |
|---------------------------|------------|--------|---------|------------|----|--|
| Denis R. Burger, Ph.D.    | 330,000    | 27.61% | \$ 5.35 | 12/05/2012 | \$ | 1,110,313 / \$ 2,813,752   |
| Patrick L. Iversen, Ph.D. | 92,400     | 7.73%  | \$ 5.35 | 12/05/2012 | \$ | 310,888 / \$ 787,851   |
| David H. Mason, Jr., M.D. | 92,400     | 7.73%  | \$ 5.35 | 12/05/2012 | \$ | 310,888 / \$ 787,851   |
| Alan P. Timmins           | 148,500    | 12.42% | \$ 5.35 | 12/05/2012 | \$ | 499,641 / \$ 1,266,189   |
| Mark M. Webber            | 82,500     | 6.90%  | \$ 5.35 | 12/05/2012 | \$ | 277,578 / \$ 703,438   |
| Dwight D. Weller, Ph.D.   | 92,400     | 7.73%  | \$ 5.35 | 12/05/2012 | \$ | 310,888 / \$ 787,851   |

(1) All options granted in 2002 become exercisable starting twelve months after the grant date, with one-third of the options becoming exercisable at that time with an additional one-third of the options becoming exercisable on the second and third anniversary dates of the option grant, respectively.

(2) The amounts shown are hypothetical gains based on the indicated assumed rates of appreciation of the Common Stock compounded annually for a ten-year period. Actual gains, if any, on stock option exercises are dependent on the future performance of the Common Stock and overall stock market conditions. There can be no assurance that the Common Stock will appreciate at any particular rate or at all in future years.

#### Option Exercises and Holdings

The following table provides information, with respect to the named executive officers, concerning the exercise of options during the year ended December 31, 2002, and unexercised options held as of December 31, 2002.

| Name                      | Shares<br>Acquired on<br>Exercise | Value<br>Realized(1) | Number of Securities<br>Underlying Unexercised<br>Options at<br>December 31, 2002 |         | Value of Unexercised<br>In-the-Money Options at<br>December 31, 2002(2) |
|---------------------------|-----------------------------------|----------------------|---|---------|---|
|                           |                                   |                      | Exercisable/Unexercisable   |         | Exercisable/Unexercisable   |
| Denis R. Burger, Ph.D.    |                                   |                      | 449,158 /   | 396,666 | \$ 791 /  |
| Patrick L. Iversen, Ph.D. |                                   |                      | 233,000 /   | 127,400 | 27,562 / \$ 9,188   |
| David H. Mason, Jr., M.D. |                                   |                      | 106,000 /   | 170,400 | /   |
| Alan P. Timmins           |                                   |                      | 361,667 /   | 193,500 | 4,333 /   |
| Mark M. Webber            |                                   |                      | 91,386 /  | 137,250 | 1,266 / 1,266   |
| Dwight D. Weller, Ph.D.   |                                   |                      | 190,000 /   | 120,400 | /   |

(1) The value realized is based on the difference between the market price at the time of exercise of the options and the applicable exercise price.

(2) Represents the total gain which would be realized if all in-the-money options held at December 31, 2002 were exercised, determined by multiplying the number of shares underlying the options by the difference between the per share option exercise price and the fair market value of \$5 per share at December 31, 2002. An option is in-the-money if the fair market value of the underlying shares exceeds the exercise price of the option.

There has been no re-pricing of stock options during the last ten years.



**Employee Compensation Plans**

The following table sets forth certain information, as of December 31, 2002, relating to the Company's equity compensation plans for employees under which the Company's Common Stock may be acquired. All such equity compensation plans were approved by the Company's security holders.

**Equity Compensation Plan Information**

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|--|--|--|
| Equity compensation plans approved by security holders     | 2,964,678  | \$ 5.74  | 1,284,816  |
| Equity compensation plans not approved by security holders | -0-  |  | -0-  |
| <b>Total</b>   | <b>2,964,678</b>   | <b>\$ 5.74</b>   | <b>1,284,816</b>   |

**Section 16 Reports**

Section 16(a) of the Exchange Act requires AVI's directors and officers, and persons who own more than ten percent (10%) of a registered class of AVI's equity securities, to file initial reports of ownership and report of changes in ownership with the Commission. Such persons also are required to furnish AVI with copies of all Section 16(a) reports they file.

Based solely on its review of the copies of such reports received by it with respect to fiscal year 2002, or written representations from certain reporting persons, AVI believes that all filing requirements applicable to its directors, officers and persons who own more than ten percent (10%) of a registered class of AVI's equity securities have been complied with for fiscal 2002.

**Compensation Committee Report**

Under rules established by the Securities and Exchange Commission (the "SEC"), the Company is required to provide certain data and information in regard to the compensation and benefits provided to the Company's Chief Executive Officer and the four other most highly compensated executive officers. In fulfillment of this requirement, the Compensation Committee has prepared the following report for inclusion in this Proxy Statement.

*Compensation Philosophy.* The Compensation Committee of the Board of Directors, which is responsible for reviewing and evaluating the compensation of the Company's executive officers, approves and recommends to the Board of Directors compensation and award levels for executive officers of the Company. With regard to compensation actions affecting Dr. Burger, all of the outside members of the Board of Directors act as the approving body.

The executive compensation program of the Company has been designed to:

Support a pay for performance policy that is tied to corporate and individual performance;

Motivate executive officers to achieve strategic business initiatives and reward them for their achievement;

Provide compensation opportunities which are comparable to those offered by similarly-sized biopharmaceutical companies; and

Align the interest of executives with the long-term interest of shareholders through award opportunities that can result in ownership of Common Stock.

Currently, the executive compensation program is comprised of a base salary and long-term incentive opportunities in the form of stock options, along with benefits offered to all employees of the Company.

*Base Salaries.* The base salaries of the Company's executive officers for 2001 were established effective January, 2001 as part of an annual compensation adjustment cycle. In establishing those salaries, the Compensation Committee considered information about salaries paid by companies of comparable size in the biopharmaceutical industry, individual performance, position, and internal comparability considerations. While all of these factors were considered, the Compensation Committee did not assign specific weights to any of these factors.

*Stock Plans.* The long-term, performance-based compensation of executive officers takes the form of option awards under the Company's 2002 Equity Incentive Plan ("2002 Plan"). The 2002 Plan replaced the Company's 1992 Stock Incentive Plan (the "1992 Plan"), which is designed to align a significant portion of the executive compensation program with long-term shareholder interests. The 2002 Plan, as did the 1992 Plan, permits the granting of several different types of stock-based awards. The Compensation Committee believes that equity-based compensation ensures that the Company's executive officers have a continuing stake in the long-term success of the Company. All options granted by the Company have been granted with an exercise price equal to the market price of the Company's Common Stock on the date of grant and, accordingly, will only have value if the Company's stock price increases. In granting options under the 2002 Plan, the Compensation Committee, as it also did under the 1992 Plan, generally takes into account each executive's responsibilities, relative position in the Company, past grants, and approximate grants to individuals in similar positions for companies of comparable size in the biopharmaceutical industry.

*Executive Officer Compensation.* In 1996, the Company entered into employment contracts with Drs. Burger and Weller and Mr. Timmins, in 1997, Dr. Iversen, and, in 2000, Dr. Mason and Mr. Webber, that provides for a base annual compensation. The employment contracts are cancelable by the employee on sixty days notice and by AVI on thirty days notice or for cause (as defined in the agreement); provided, the employee will receive severance pay of one year's base salary following either termination without cause or, following a change in control (as defined in the agreement), voluntary termination by the employee. In addition, the employment agreements prevent any of them from competing with the Company or soliciting the employment of other individuals employed by the Company during their employment and for a period of one year thereafter. Under the employment agreement, they may not disclose the Company's confidential information to outsiders during employment and for a period of two years thereafter, and assign inventions conceived by them to the Company.

In developing its recommendations regarding executive compensation, the Committee considered a number of factors, including analyses of compensation in similarly-sized companies in the biopharmaceutical industry, and analyses of compensation levels in similar companies in the Company's local geographic area.

COMPENSATION COMMITTEE

Bruce L. A. Carter, Ph.D.  
Andrew J. Ferrara  
James B. Hicks, Ph.D.

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**Compensation Committee Interlocks and Insider Participation in Compensation Decisions**

During the fiscal year ended December 31, 2002, the members of the Compensation Committee were Andrew J. Ferrara and Drs. Bruce L. A. Carter and James B. Hicks. Dr. Carter resigned from the Board of Directors in March 2003. There were no employee directors on the Compensation Committee and no interlocks.

**Audit Committee Report**

Under the Audit Committee Charter ("Charter"), the general purpose of the Audit Committee is to assist the Board of Directors in the exercise of its fiduciary responsibility of providing oversight of the Company's financial statements and the financial reporting processes, internal accounting and financial controls, the annual independent audit of the Company's financial statements, and other aspects of the financial management of the Company. The Audit Committee is appointed by the Board of Directors and is comprised of at least three directors, each of whom are independent of management and the Company. All committee members must be financially literate, or shall become financially literate within a reasonable period of time after appointment to the Committee.

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*Audit and other Fees.* KPMG LLP has been the Company's auditors since 2002. During fiscal 2002, the fees for audit and other services performed by KPMG LLP for the Company totaled \$47,771, broken down as follows:

| Nature of Services | Fees for services   |
|--------------------|---|
| \$ 37,471          | Audit services  |
| \$                 | Financial Information System Design and Implementation Fees |
| \$ 10,300          | All other fees  |

Total: \$ 47,771

*Audit Committee Duties.* The Charter sets forth the following duties of the Audit Committee:

1. The Audit Committee oversees the annual and quarterly financial reporting processes.
2. The Audit Committee confirms management's proposal for the independent auditor for the Company prior to ratification by the shareholders. The Audit Committee establishes and maintains a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Audit Committee, as representatives of the Company's stockholders. The Audit Committee has the ultimate authority and responsibility to evaluate and, where appropriate, direct management to consider replacement of the independent auditors.
3. The Audit Committee periodically discusses and reviews with the auditors their independence from management and the Company and the matters included in the written disclosures required by the Independence Standards Board.
4. The Audit Committee meets with management and the independent auditors prior to their audits to review and discuss the planned scope and objectives of their audits.
5. The Audit Committee meets with the independent auditors and the internal auditors, with and without management present, after their audits to review and discuss the results of their examinations and appropriate analyses of the financial statements.
6. The Audit Committee reviews the recommendations of the independent auditors for improving internal accounting controls and management's responses thereto.
7. The Audit Committee reviews and discusses the reports of the independent auditors, with and without management present, as to the state of the Company's financial reporting

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systems and procedures, the adequacy of internal accounting and financial controls, the integrity and competency of the financial and accounting staff, and other aspects of the financial management of the Company.

8. The Audit Committee reviews the interim financial statements with management and the independent auditors prior to the filing of the Company's Quarterly Reports on Form 10-Q. The Audit Committee also discusses the results of the quarterly reviews and any other matters required to be communicated to the Audit Committee by the independent auditors under generally accepted auditing standards. The designated Chair of the Audit Committee represents the entire committee for the purposes of this review.
9. The Audit Committee reviews with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K (or the annual report to stockholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness

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of significant judgments, and the clarity of the disclosures in the financial statements. The Audit Committee also discusses the results of the annual audit and any other matters, or required communications to the Audit Committee by the independent auditors under generally accepted auditing standards.

10.

The Audit Committee maintains free and open communication between the Audit Committee, directors who are not members of the Audit Committee, the Company's management, and the independent auditors.

11.

The Board ensures the Audit Committee has adequate resources and authority to discharge its responsibilities and duties including the following:

a.

The Audit Committee has full authority at its own discretion to institute investigations of any matter brought to its attention, with full access to all books, records, facilities and personnel of the Company, including standing authority to retain special counsel or experts.

b.

The Audit Committee has the authority to review all aspects of the Company's financial operations on a planned basis.

c.

The Audit Committee has the authority to review the Company's policies and procedures and the actual implementation of such policies and procedures with respect to officers' expenses and perquisites.

12.

The Audit Committee reviews and assesses the adequacy of the audit committee charter annually with the Board of Directors as a whole. In addition, the Audit Committee reports to the Board of Directors any significant matters as they occur during the year.

*Specific Audit Committee Actions Related to Review of the Company's Audited Financial Statements.* In discharging its duties, the Audit Committee, among other actions, has (i) reviewed and discussed the audited financial statements to be included in the company's Annual Report on Form 10-K for the twelve months ended December 31, 2002 with management, (ii) discussed with the Company's independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standard, AU380) related to such financial statements, (iii) received the written disclosures and the letter from the Company's independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*) and has discussed with the independent accountant the independent accountant's independence, (iv) the Audit Committee has considered whether the provision of service represented under the headings on "Financial Information Systems Design and Implementation Fees" and "All Other Fees" as set forth in the table of fees on page eight is compatible with maintaining KPMG LLP's

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independence, and (v) based on such reviews and discussions, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the company's Annual Report on Form 10-K for the twelve months ended December 31, 2002.

### AUDIT COMMITTEE

John W. Fara, Ph.D  
James B. Hicks, Ph.D  
Joe Rubinfeld, Ph.D.

The Board, including the members of the Audit Committee, believes the Audit Committee has performed and is performing its duties under its Charter.

### Performance Graph

The following graph compares the cumulative total shareowner return on the Company's Common Stock for the period beginning June 4, 1997, the date the Company's Common Stock began trading on the Nasdaq National Market, and ending December 31, 2002, as compared with the total return of the NASDAQ Composite Index and the Amex Biotech Index. This graph assumes an investment of \$100 on June 4, 1997 in

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each of the company's common stock, the NASDAQ Composite Index and the Amex Biotech Index, and assumes reinvestment of dividends, if any. The stock price performance shown on the graph below is not necessarily indicative of future stock price performance.

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### STOCK OWNED BY AVI BIOPHARMA, INC. MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the ownership of AVI Common Stock as of March 11, 2003, with respect to: (i) each person known by AVI to beneficially own more than five percent (5%) of the outstanding shares of AVI Common Stock, (ii) each of AVI's directors, (iii) each of AVI's named executive officers and (iv) all directors and executive officers as a group.

| Name and Address of Beneficial Owner   | Shares Beneficially Owned |            |
|--|---------------------------|------------|
|  | Number(1)                 | Percent(1) |
| Medtronic International, Ltd.(2)<br>(formerly Medtronic Asset Management, Inc.)<br>710 Medtronic Parkway NE<br>Minneapolis, MN 55432 | 4,760,564                 | 15.9%      |
| Joseph Rubinfeld, Ph.D.(3)<br>AVI BioPharma, Inc.<br>1 S.W. Columbia, Suite 1105<br>Portland, OR 97258                               | 2,718,545                 | 10.2%      |
| SuperGen, Inc.(3)<br>4140 Dublin Blvd, Suite 200<br>Dublin, CA 94568   | 2,684,211                 | 10.1%      |

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|  | <u>Shares Beneficially Owned</u> |       |
|--|----------------------------------|-------|
| Chester L.F. and Jacqueline M. Paulson, as joint tenants(4)<br>811 S.W. Naito Parkway, Suite 200<br>Portland, OR 97204 | 1,522,445                        | 5.7%  |
| Denis R. Burger, Ph.D.(5)<br>AVI BioPharma, Inc.<br>1 S.W. Columbia, Suite 1105<br>Portland, OR 97258                  | 584,527                          | 2.2%  |
| Dwight D. Weller, Ph.D.(6)<br>AVI BioPharma, Inc.<br>4575 S.W. Research Way, Suite 200<br>Corvallis, OR 97333          | 568,396                          | 2.1%  |
| Alan P. Timmins(7)<br>AVI BioPharma, Inc.<br>1 S.W. Columbia, Suite 1105<br>Portland, OR 97258                         | 443,421                          | 1.6%  |
| Patrick L. Iversen, Ph.D.(8)<br>AVI BioPharma, Inc.<br>4575 S.W. Research Way, Suite 200<br>Corvallis, OR 97333        | 303,794                          | 1.1%  |
| David H. Mason, Jr., MD(9)<br>AVI BioPharma, Inc.<br>1 S.W. Columbia, Suite 1105<br>Portland, OR 97258                 | 138,035                          | *     |
| 13   |                                  |       |
| Mark M. Webber(10)<br>AVI BioPharma, Inc.<br>4575 S.W. Research Way, Suite 200<br>Corvallis, OR 97333                  | 130,696                          | *     |
| Bruce L.A. Carter, Ph.D.(11)<br>AVI BioPharma, Inc.<br>1 S.W. Columbia, Suite 1105<br>Portland, OR 97258               | 50,974                           | *     |
| James B. Hicks, Ph.D.(12)<br>AVI BioPharma, Inc.<br>1 S.W. Columbia, Suite 1105<br>Portland, OR 97258                  | 36,334                           | *     |
| John W. Fara, Ph.D.(13)<br>AVI BioPharma, Inc.<br>1 S.W. Columbia, Suite 1105<br>Portland, OR 97258                    | 17,167                           | *     |
| Andrew J. Ferrara<br>AVI BioPharma, Inc.<br>1 S.W. Columbia, Suite 1105<br>Portland, OR 97258                          | 1,000                            | *     |
| All directors and officers as a group (11 persons)   | 4,992,330                        | 17.6% |

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\*

Less than one percent

- (1) Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock subject to options and warrants currently exercisable or convertible, or exercisable or convertible within sixty (60) days of March 11, 2003, are deemed beneficially owned and outstanding for computing the percentage of the person holding such securities, but are not considered outstanding for computing the percentage of any other person.
- (2) Includes 3,000,000 shares that could be acquired under a Warrant and 352,113 shares that could be acquired under a contractual purchase right exercisable with sixty (60) days of March 11, 2003.
- (3) The 2,684,211 shares held of record by SuperGen, Inc. are also included in the shares held by Dr. Rubinfeld, who is Chairman of the Board and Chief Executive Officer of SuperGen, Inc. Dr. Rubinfeld's shares also include 33,334 shares subject to options exercisable within sixty (60) days of March 11, 2003.
- (4) The Paulsons are husband and wife and may be deemed to beneficially own 1,522,445 shares, including (i) 81,820 shares owned by the Paulsons together, (ii) 20,331 shares owned by Chester Paulson, (iii) 219,740 shares held by Paulson Family, LLC of which they are equal owners, (ii) 1,200,554 shares owned by Paulson Investment Company, Inc. ("PIC"), a wholly-owned subsidiary of Paulson Capital Corp. ("PCC"), a company which the Paulsons are deemed to control, for which shares the Paulsons disclaim beneficial ownership. The 81,820 shares owned by the Paulsons together and 151,014 shares of the 1,200,554 shares held by PIC represent shares that may be acquired upon exercise of warrants. PIC and PCC have the same business address as the Paulsons.

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- (5) Includes 34,434 shares held by Sovereign Ventures, LLC, a limited liability company in which Dr. Burger is a general partner. Also includes 515,824 shares subject to options exercisable within sixty (60) days of March 11, 2003.
- (6) Includes 247,634 shares held jointly or by others over which Dr. Weller exercises voting and investment power, 218,000 shares subject to options exercisable by Dr. Weller and 43,587 shares subject to options exercisable by Dr. Weller's spouse within sixty (60) days of March 11, 2003.
- (7) Includes 406,667 shares subject to options exercisable within sixty (60) days of March 11, 2003.
- (8) Includes 268,000 shares subject to options exercisable within sixty (60) days of March 11, 2003.
- (9) Includes 134,000 shares subject to options exercisable within sixty (60) days of March 11, 2003.
- (10) Includes 115,250 shares subject to options exercisable within sixty (60) days of March 11, 2002.
- (11) Includes 45,934 shares subject to options exercisable within sixty (60) days of March 11, 2003. Dr. Carter resigned from the Board of Directors effective March 18, 2003.
- (12) Includes 33,334 shares subject to options exercisable within sixty (60) days of March 11, 2003.
- (13)

Includes 16,667 shares subject to options exercisable within sixty (60) days of March 11, 2003.

**CERTAIN TRANSACTIONS AND RELATIONSHIPS WITH AVI BIOPHARMA, INC.**

In December 1999, the Company entered into an agreement with SuperGen, Inc. The president and chief executive officer of SuperGen, Inc., Joseph Rubinfeld, Ph.D., is a member of our Board of Directors. Denis R. Burger, Ph.D., the chief executive officer of the Company is a member of the Board of Directors of SuperGen, Inc. Under terms of the agreement, the Company acquired \$2.5 million cash and 100,000 shares of SuperGen, Inc. common stock, for one million shares of our common stock. SuperGen, Inc. also acquired exclusive negotiating rights for the United States market for Avicine, the Company's proprietary cancer vaccine currently in late-stage clinical testing against a variety of solid tumors.

In April 2000, the Company entered into an alliance with SuperGen, Inc. for shared development and marketing rights for Avicine. Under the terms of the agreement, AVI and SuperGen will equally share in future clinical development and FDA registration costs as well as in profits from product sales in the United States. At closing the Company received from SuperGen, Inc. \$5,000,000 in cash and 347,826 shares of SuperGen, Inc. common stock in exchange for 1,684,211 shares of AVI common stock and a warrant to purchase 1,665,878 shares of AVI common stock, subject to anti-dilution provisions. Closing of the transaction occurred during the third quarter of 2000.

Effective May 19, 1993, the Company and ANTI-GENE DEVELOPMENT GROUP, a limited partnership (AGDG or the Partnership) founded in 1981 and registered in the State of Oregon entered into a Technology Transfer Agreement wherein the Partnership conveyed all intellectual property in its control to the Company. As part of the conveyance, the Company tendered to the Partnership for liquidation all partnership units received pursuant to the exchange offer and received a 49.37 percent undivided interest in the intellectual property. The Company then purchased the remaining undivided interest in the intellectual property for rights to payments of 4.05 percent of gross revenues in excess of \$200 million, from sales of products, which would, in the absence of the Technology Transfer Agreement, infringe a valid claim under any patent transferred to the Company. The Company also granted to the Partnership a royalty-bearing license to make, use and sell small quantities of product derived from the intellectual property for research purposes only. This transaction is being reported, because at the time the original agreement was entered in 1993, certain then officers and/or directors, had and continue to have, an interest in AGDG.

In March 2000, the Company and AGDG amended the Technology Transfer Agreement to give to AGDG and Gene Tools LLC, related organizations, exclusive, non royalty-bearing rights to in vitro diagnostic applications of the intellectual property. In consideration for this amendment, Gene Tools paid the Company \$1 million and reduced the royalty that the Company would pay to AGDG under the Technology Transfer Agreement on future sales of therapeutic products from 4.05% to 3.00%. This transaction is being reported, because at the time the original agreement was entered in 1993, certain then officers and/or directors, had and continue to have, an interest in AGDG.

In December 2000, the Company loaned its chief executive officer, Denis R. Burger, Ph.D., \$500,000. The term of the loan was one year. The loan was secured by the chief executive officer's stock in AVI. Interest accrued at the rate of 8.5%. On January 3, 2002, the loan to the Company's chief executive officer was repaid in full with accrued interest.

During the year ended December 31, 2002, the Company paid Boston Healthcare Associates, Inc., of which director Andrew J. Ferrara is President, \$73,563 for business development consulting services. The Company expects to pay Mr. Ferrara, or his firm, for additional consulting services that may be performed for the Company during 2003.

In June 2002, the Company loaned its chief executive officer, Denis R. Burger, Ph.D., \$500,000. The term of the loan is one year. The loan is secured by the chief executive officer's stock in AVI.

Interest on the loan accrues at the rate of 4.75% per annum. This loan was made prior to the Sarbanes-Oxley Act, which prohibits loans to executives, and therefore is grandfathered in.

In May 2001, the Company entered into an Investment Agreement with Medtronic International, Ltd. ("MIL," then known as Medtronic Asset Management, Inc.), a wholly-owned subsidiary of Medtronic, Inc. In June 2001, pursuant to the Investment Agreement, MIL purchased 1,408,451 shares of the Company's Common Stock and received a Warrant for 3,000,000 shares of such stock at an exercise price of \$10.00 per



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share and certain other purchase rights, based on agreed technology milestones being met or waived by MIL for an additional 352,113 shares of the Company's Common Stock at \$7.10 per share and, based on the market price at the time purchased, up to an additional \$7.5 million of such Common Stock. In June 2001, the parties entered into a related Registration Rights Agreement under which the Company agreed to register such shares for resale. In June 2001, the Company also entered into a License and Development Agreement and a Supply Agreement with Medtronic, Inc. The License and Development Agreement granted Medtronic, Inc. certain rights to develop and use the Company's NEUGENE technology for the treatment of restenosis in heart disease. The Company is to receive certain fixed payments and license fees if the technology is developed and commercially exploited by Medtronic, Inc. Under the Supply Agreement the Company agreed to manufacture the licensed product pursuant to a negotiated cost and pricing formula. Neither MIL nor Medtronic, Inc. was a related party as of the date of the stock purchases in June 2001, but became such as a result of such purchases.

### ELECTION OF AVI BIOPHARMA, INC. DIRECTORS (Proposal I)

At the AVI Annual Meeting, four (4) directors will be elected, each for a two-year term. Unless otherwise specified on the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the election as directors of the persons named below as nominees. The Board of Directors believes that the nominees will stand for election and will serve if elected as directors. However, if any of the persons nominated by the Board of Directors fails to stand for election or is unable to accept election, the proxies will be voted for the election of such other person as the Board of Directors may recommend.

Under AVI's bylaws, the directors are divided into two groups with Group I consisting of four (4) directors and Group II consisting of four (4) directors. The term of office of one group of directors expires in each year, and their successors are elected for terms of two years and until their successors are elected and qualified. There is no cumulative voting for election of directors.

**INFORMATION AS TO NOMINEES AND CONTINUING DIRECTORS.** The following table sets forth the names of the Board of Director's nominees for election as a Group II director and those directors who will continue to serve after the AVI Annual Meeting. Also set forth is certain other

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information with respect to each such person's age at March 11, 2003, the periods during which he has served as a director of AVI and positions currently held with AVI.

|                              | Age | Director<br>Since | Expiration<br>Of Term | Position Held With AVI  |
|------------------------------|-----|-------------------|-----------------------|---|
| <b>Nominees:</b>             |     |                   |                       |   |
| Denis R. Burger, Ph.D.       | 59  | 1991              | 2003                  | Chief Executive Officer and Chairman of the Board                 |
| Patrick L. Iversen, Ph.D.    | 47  | 1997              | 2003                  | Senior Vice President of Research and Development and Director    |
| John W. Fara, Ph.D.          | 60  | 2000              | 2003                  | Director  |
| Andrew J. Ferrara            | 63  | 2002              | 2003                  | Director  |
| <b>Continuing Directors:</b> |     |                   |                       |   |
| James B. Hicks, Ph.D.        | 56  | 1997              | 2004                  | Director  |
| Joseph Rubinfeld, Ph.D.      | 70  | 1996              | 2004                  | Director  |
| Alan P. Timmins              | 43  | 1997              | 2004                  | President, Chief Operating Officer and Director                   |
| Dwight D. Weller, Ph.D.      | 52  | 1991              | 2004                  | Senior Vice President of Chemistry and Manufacturing and Director |

**BOARD OF DIRECTORS COMMITTEES AND NOMINATIONS BY SHAREHOLDERS.** The Board of Directors acts as a nominating committee for selecting nominees for election as directors. The Board will also permit shareholders to make nominations for the election of directors, if such nominations are made pursuant to timely notice in writing to AVI's Corporate Secretary. To be timely, notice must be delivered to, or mailed to and received at, the principal executive offices of AVI BioPharma not less than 60 days prior to the date of the meeting.

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See "AVI BIOPHARMA, INC. DIRECTORS AND EXECUTIVE OFFICERS" for biographical information with respect to the Nominees and Continuing Directors and "Director Compensation" for certain information regarding compensation of directors.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF ITS NOMINEES FOR DIRECTOR.** If a quorum is present, AVI's Bylaws provide that directors are elected by a plurality of the votes cast by the shares entitled to vote. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the AVI Annual Meeting, but are not counted and have no effect on the determination of whether a plurality exists with respect to a given nominee.

### **RATIFICATION OF APPOINTMENT OF AVI BIOPHARMA INDEPENDENT AUDITORS (Proposal II)**

The AVI Board has appointed KPMG LLP to act as independent auditors for AVI for the fiscal year ending December 31, 2003, subject to ratification of such appointment by AVI's shareholders.

Unless otherwise indicated, properly executed proxies will be voted in favor of ratifying the appointment of KPMG LLP to audit the books and accounts of AVI for the fiscal year ending December 31, 2003.

A representative of KPMG LLP is expected to be present at the AVI Annual Meeting and will be given an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

**THE AVI BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THIS PROPOSAL.** The proposal will be approved if at least a majority of the shares of the Company's Common Stock cast on

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the proposal vote in favor of approval. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Annual Meeting but will not be counted and will have no effect on the determination of the outcome of the proposal. The proxies will be voted for or against the proposal, or as an abstention, in accordance with the instructions specified on the proxy form. If no instructions are given, proxies will be voted for approval of the ratification of KPMG LLP.

### **OTHER BUSINESS**

As of the date of this Proxy Statement, the Company knows of no other business that will be presented for action at the meeting. If any other business requiring a vote of the shareholders should properly come before the meeting, the persons named in the enclosed proxy form will vote in their discretion upon such other matters.

### **DATE FOR SUBMISSION OF SHAREHOLDER PROPOSALS**

Any shareholder proposal intended for inclusion in the proxy statement and form of proxy relating to the Company's 2004 annual meeting of shareholders must be received by the Company not later than December 31, 2003, pursuant to the proxy soliciting regulations of the Securities and Exchange Commission (the "SEC"). Nothing in this paragraph shall be deemed to require the Company to include in its proxy statement or form of proxy for such meeting any shareholder proposal which does not meet the requirements of the SEC in effect at the time.

### **COST OF SOLICITATION**

The cost of soliciting proxies will be borne by the Company. In addition to use of the mails, proxies may be solicited personally or by telephone by directors, officers and employees of the Company, who will not be additionally compensated for such activities. Such solicitations may be made personally, or by mail, facsimile, telephone, telegraph or messenger. The Company will also request persons, firms and companies holding shares in their names or in the name of their nominees, which are beneficially owned by others, to send proxy materials to and obtain proxies from such beneficial owners. The Company will reimburse such persons for their reasonable expenses incurred in that connection.

ADDITIONAL INFORMATION

A copy of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2002 accompanies this Proxy Statement. The Company is required to file an Annual Report on Form 10-K for its fiscal year ended December 31, 2002 with the Securities and Exchange Commission (the "SEC"). The SEC maintains a web site, *www.sec.gov*, that contains reports, proxy statements, and certain other information filed electronically by the Company with the SEC. **Shareholders may obtain, free of charge, a copy of the Form 10-K, without exhibits, by writing to Investor Relations, AVI BioPharma, Inc., One S.W. Columbia Street, Portland, Oregon 97258 or visiting the Company's web site at *www.avibio.com*.**

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PROXY

AVI BIOPHARMA, INC.


PROXY FOR THE ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 14, 2003

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Denis R. Burger and Alan P. Timmins, and each of them, as Proxies, with full power of substitution, and hereby authorizes them to represent and vote, as designated below, all shares of Common Stock of AVI BioPharma, Inc. held of record by the undersigned on March 11, 2003 at the Annual Meeting of Shareholders to be held on May 14, 2003 (and any adjournments thereof).

(Continued, and to be marked, dated and signed, on the other side)

/\*\ Detach here from proxy voting card. /\*\

Please mark  
your votes as  
indicated in  
this example 

|  | FOR                   | WITHHELD<br>FOR ALL   |   | FOR                   | AGAINST               | ABSTAIN               |
|--|-----------------------|-----------------------|---|-----------------------|-----------------------|-----------------------|
| 1. <b>Election of Directors.</b><br>Elect four Group II directors for two-year terms or until their respective successors are elected and qualified. Directors nominated are<br>01 Denis R. Burger, Ph.D.,<br>02 Patrick L. Iversen, Ph.D.,<br>03 John W. Fara, Ph.D. and<br>04 Andrew J. Ferrara. | <input type="radio"/> | <input type="radio"/> | 2. <b>Ratification of Independent Auditors for 2003.</b> Ratify the selection of KPMG LLP as the Company's independent auditors for the fiscal year ending December 31, 2003. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting. This proxy, when properly executed, will be voted in the manner directed herein by the undersigned. **IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR ALL NOMINEES" IN ITEM 1 AND "FOR" IN ITEM 2.**

Except:

I PLAN TO ATTEND THE ANNUAL MEETING.

I DO NOT PLAN TO ATTEND THE ANNUAL MEETING.

PLEASE SIGN, DATE, AND RETURN THIS PROXY CARD

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**TODAY IN THE ENCLOSED, PRE-ADDRESSED ENVELOPE.**

Please sign below exactly as your name appears on this Proxy Card. If shares are registered in more than one name, all such persons should sign. A corporation should sign in its full corporate name by a duly authorized officer, stating his/her title. Trustees, guardians, executors and administrators should sign in their official capacity, giving their full title as such. If a partnership, please sign in the partnership name by authorized person(s).

If you receive more than one Proxy Card, please sign and return all such cards in the accompanying envelope.

**Please return promptly in the enclosed envelope, which requires no postage if mailed in the U.S.A.**

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

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/s\ Detach here from proxy voting card. /s\

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QuickLinks

[PROXY STATEMENT for ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 14, 2003](#)

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[AVI BIOPHARMA, INC. EXECUTIVE COMPENSATION](#)

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