As filed with the Securities and Exchange Commission on April 11, 2006

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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 S.W. Columbia St., Suite 1105
Portland, OR 97258
(503) 227-0554
(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)

Alan P. Timmins
President and Chief Operating Officer
AVI BioPharma, Inc.
One S.W. Columbia, Suite 1105, Portland, OR 97258
(503) 227-0554
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies to:
Michael C. Phillips, Esq.
Davis Wright Tremaine LLP
23rd Floor
1300 S.W. Fifth Avenue
Portland, Oregon 97201
(503) 241-2300

Approximate date of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is filed as a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Aggregate Offering Price per share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee (2)
Common Stock, par value $.0001 per share	692,003	$ 7.13	$ 4,933,981.30	$ 527.94

(1) Pursuant to Rule 416 under the Securities Act, includes such indeterminate amounts and numbers of common stock as may be issued upon a stock split, stock dividend or similar transaction.

(2) Fee calculated pursuant to Rule 457(o) and Section 6(b) of the Securities Act of 1933 using the average of the high and low prices of the registrant's common stock as reported on The Nasdaq National Market on April 7, 2006.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The selling shareholder named in this prospectus may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and the selling shareholder named in this prospectus are not soliciting offers to buy these securities in any jurisdiction where the offer and sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 11, 2006

PROSPECTUS

AVI BIOPHARMA, INC.
692,003 Shares of Common Stock

This prospectus relates to the offer and sale from time to time by the selling shareholder identified in this prospectus, and its pledgees, assignees and successors-in-interest, of 692,003 shares of our common stock. We are filing the registration statement of which this prospectus is a part in order to fulfill contractual obligations with the selling shareholder.

The prices at which such shareholder may sell the shares in this offering will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any of the proceeds from the sale of the shares.

Our common stock is quoted on the Nasdaq National Market under the symbol "AVII." The closing sales price of our common stock on the Nasdaq National Market on April 7, 2006 was $ 7.05 per share.

Investing in our common stock involves a high degree of risk. See " Risk Factors" beginning on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 11, 2006.

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Our executive offices are located at One S.W. Columbia, Suite 1105, Portland, OR 97258. Our telephone number is (503) 227-0554, fax number is (503) 227-0751, and our website address is www.avibio.com. The information on our website is not incorporated by reference into this prospectus.

You should rely only on the information contained in this prospectus, including information incorporated by reference in this prospectus, or any supplement to which we have referred you. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any supplement is accurate as of any date other than the date on the front of those documents or that any document incorporated by reference is accurate as of any date other than its filing date. You should not consider this prospectus to be an offer or solicitation relating to the securities in any jurisdiction in which such an offer or solicitation relating to the securities is not authorized. Furthermore, you should not consider this prospectus to be an offer or solicitation relating to the securities if the person making the offer or solicitation is not qualified to do so, or if it is unlawful for you to receive such an offer or solicitation.

PROSPECTUS SUMMARY

This summary highlights important features of this offering and the information included or incorporated by reference in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read this prospectus and the information and documents incorporated by reference carefully. Such documents contain important information you should consider when making your investment decision. See "Incorporation of Certain Documents by Reference" on page 13.

Unless the context otherwise requires, all references to "we," "our," "our company, or "the Company" in this prospectus refer to AVI BioPharma, Inc., an Oregon corporation.

About AVI BioPharma, Inc.

We are a biopharmaceutical company developing therapeutic products principally based on third-generation NEUGENE® antisense technology. Our principal products in development target life-threatening diseases, including cardiovascular disease and infectious disease. Currently approved drugs or other therapies for these diseases often prove to be ineffective or produce undesirable side effects. Our pre-clinical and clinical studies indicate that our technology may produce drugs that we believe offer more effective treatment options with fewer side effects than currently approved products. A patent estate including 172 patents (foreign and domestic) issued or licensed to us and 151 pending patent applications (domestic and foreign) protects our technologies. Our lead product candidate, Resten-NG®, targets a market we believe may exceed $3 billion worldwide.

The Offering

Common stock offered by selling shareholder	692,003 shares
Use of proceeds	We will not receive any proceeds from the sale of shares in this offering.
Nasdaq National Market symbol	AVII

RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

The following factors should be considered in evaluating our outlook. If the possibilities described as risks below actually occur, our operating results and financial condition would likely suffer and the trading price of our common stock may fall, causing a loss of some or all of an investment in our common stock.

Our products are in an early stage of research and development and may not be determined to be safe or effective.

We are only in the early stages of research and clinical development with respect to our NEUGENE antisense pharmaceutical products. We have devoted almost all of our time to research and development of our technology and products, protecting our proprietary rights and establishing strategic alliances. Our potential products are in the pre-clinical or clinical stages of research and development and will require significant further research, development, clinical testing and regulatory clearances. We have no products available for sale and we do not expect to have any products available for sale for several years. Our proposed products are subject to development risks. These risks include the possibilities that any of the products could be found to be ineffective or toxic, or could fail to receive necessary regulatory clearances. We have not received any significant revenues from the sale of products and we may not successfully develop marketable products that will increase sales and, given adequate margins, make us profitable. Third parties may develop superior or equivalent, but less expensive, products.

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

We incurred a net loss of $24.8 million in 2004 and $16.7 million in 2005. As of December 31, 2005, our accumulated deficit was $173.0 million. Our losses have resulted principally from expenses incurred in research and development of our technology and products and from selling, general and administrative expenses that we have incurred while building our business infrastructure. We expect to continue to incur significant operating losses in the future as we continue our research and development efforts and seek to obtain regulatory approval of our products. Our ability to achieve profitability depends on our ability to raise additional capital, complete development of our products, obtain regulatory approvals and market our products. It is uncertain when, if ever, we will become profitable.

If we fail to attract significant additional capital, we may be unable to continue to successfully develop our products.

Since we began operations, we have obtained operating funds primarily by selling shares of our common stock. Based on our current plans, we believe that current cash balances will be sufficient to meet our operating needs for the current fiscal year. Furthermore, the actual amount of funds that we will need will be determined by many factors, some of which are beyond our control. These factors include the success of our research and development efforts, the status of our pre-clinical and clinical testing, costs relating to securing regulatory approvals and the costs and timing of obtaining new patent rights, regulatory changes, competition and technological developments in the market. We may need funds sooner than currently anticipated.

If necessary, potential sources of additional funding could include strategic relationships, public or private sales of shares of our common stock or debt or other arrangements. We may not be able to obtain additional funding when we need it on terms that will be acceptable to us or at all. If we raise funds by selling additional shares of our common stock or securities convertible into our common stock, the ownership interest of our existing shareholders will be diluted. If we are unable to obtain financing when needed, our business and future prospects would be materially adversely affected.

If we fail to receive necessary regulatory approvals, we will be unable to commercialize our products.

All of our products are subject to extensive regulation by the United States Food and Drug Administration, or FDA, and by comparable agencies in other countries. The FDA and these agencies require new pharmaceutical products to undergo lengthy and detailed clinical testing procedures and other costly and time-consuming compliance procedures. We do not know when or if we will be able to submit our products for regulatory review. Even if we submit a new drug application, there may be delays in obtaining regulatory approvals, if we obtain them at all. Sales of our products outside the United States will also be subject to regulatory requirements governing clinical trials and product approval. These requirements vary from country to country and could delay introduction of our products in those countries. We cannot assure you that any of our products will receive marketing approval from the FDA or comparable foreign agencies.

We may fail to compete effectively, particularly against larger, more established pharmaceutical companies, causing our business to suffer.

The biotechnology industry is highly competitive. We compete with companies in the United States and abroad that are engaged in the development of pharmaceutical technologies and products. They include biotechnology, pharmaceutical, chemical and other companies; academic and scientific institutions; governmental agencies; and public and private research organizations.

The financial and technical resources and production and marketing capabilities of many of these entities, some of which are our competitors, exceed our resources and capabilities. Our industry is characterized by extensive research and development and rapid technological progress. Competitors may successfully develop and market superior or less expensive products which render our products less valuable or unmarketable.

We have limited operating experience.

We have engaged solely in the research and development of pharmaceutical technology. Although some members of our management team have experience in biotechnology company operations, we have limited experience in manufacturing or selling pharmaceutical products. We also have only limited experience in negotiating and maintaining strategic relationships and in conducting clinical trials and other later-stage phases of the regulatory approval process. We may not successfully engage in some or all of these activities.

We have limited manufacturing capacity.

While we believe that we can produce materials for clinical trials and produce products for human use at our recently completed GMP manufacturing facility, we may need to expand our commercial manufacturing capabilities for products in the future if we elect not to or cannot contract with others to manufacture our products. This expansion may occur in stages, each of which would require regulatory approval, and product demand could at times exceed supply capacity. We have not selected a site for any expanded facilities and do not know what the construction cost will be for such facilities and whether we will have the financing needed for such construction. We do not know if or when the FDA will determine that such facilities comply with Good Manufacturing Practices. The projected location and construction of any facilities will depend on regulatory approvals, product development, pharmaceutical partners and capital resources, among other factors. We have not obtained regulatory approvals for any productions facilities for our products, nor can we assure investors that we will be able to do so.

If we lose key personnel or are unable to attract and retain additional, highly skilled personnel required for our activities, our business will suffer.

Our success will depend to a large extent on the abilities and continued service of several key employees, including Drs. Denis Burger, Patrick Iversen, and Dwight Weller. We maintain key man life insurance in the amount of $1,000,000 for Dr. Burger and $500,000 for each of Drs. Iversen and Weller. The loss of any of these key employees could significantly delay the achievement of our goals. Competition for qualified personnel in our industry is intense, and our success will depend on our ability to attract and retain highly skilled personnel. To date, we have been successful in attracting and retaining key personnel. We are not aware of any key personnel who plan to retire or otherwise leave the Company in the near future.

Asserting, defending and maintaining our intellectual property rights could be difficult and costly, and our failure to do so will harm our ability to compete and the results of our operations.

Our success will depend on our existing patents and licenses and our ability to obtain additional patents in the future. A patent estate including 172 patents (domestic and foreign) issued or licensed to us, and 151 pending patent applications (domestic and foreign) protects our technologies. We license the composition, manufacturing and use of AVICINE in all fields, except fertility regulation, from The Ohio State University. We license other patents for certain complementary technologies from others.

Some of our patents on core technologies expire as early as 2008, including for NEUGENES. Based on patented improvements and additions to such core patents, however, we believe our patent protection for those products and other products extend beyond 2020.

We cannot assure you that our pending patent applications will result in patents being issued in the United States or foreign countries. In addition, the patents which have been or will be issued may not afford meaningful protection for our technology and products. Competitors may develop products similar to ours which do not conflict with our patents. Others may challenge our patents and, as a result, our patents could be narrowed or invalidated. The patent position of biotechnology firms generally is highly uncertain, involves complex legal and factual questions, and has recently been the subject of much litigation. No consistent policy has emerged from the United States Patent and Trademark Office (USPTO), or the courts regarding the breadth of claims allowed or the degree of protection afforded under biotechnology patents. In addition, there is a substantial backlog of biotechnology patent applications at the USPTO and the approval or rejection of patents may take several years.

Our success will also depend partly on our ability to operate without infringing upon the proprietary rights of others, as well as our ability to prevent others from infringing on our proprietary rights. We may be required at times to take legal action to protect our proprietary rights and, despite our best efforts, we may be sued for infringing on the patent rights of others. We have not received any communications or other indications from owners of related patents or others that such persons believe our products or technology may infringe their patents. Patent litigation is costly and, even if we prevail, the cost of such litigation could adversely affect our financial condition. If we do not prevail, in addition to any damages we might have to pay, we could be required to stop the infringing activity or obtain a license. Any required license may not be available to us on acceptable terms, or at all. If we fail to obtain a license, our business might be materially adversely affected.

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

If our strategic relationships are unsuccessful, our business could be harmed.

Our strategic relationship with Exelixis and others are important to our success. The development, improvement and marketing of many of our key therapeutic products are or will be dependent on the efforts of our strategic partners. The transactions contemplated by our agreements with strategic partners, including the equity purchases and cash payments, are subject to numerous risks and conditions. The occurrence of any of these events could severely harm our business.

Our near-term strategy is to co-develop products with strategic partners or to license the marketing rights for our products to pharmaceutical partners after we complete one or more Phase II clinical trials. In this manner, the extensive costs associated with late-stage clinical development and marketing will be shared with, or the responsibility of, our strategic partners.

To fully realize the potential of our products, including development, production and marketing, we may need to establish other strategic relationships.

We may be subject to product liability lawsuits and our insurance may not be adequate to cover damages.

We believe we carry adequate insurance for the product development research we currently conduct. In the future, when we have products available for commercial sale and use, the use of our products will expose us to the risk of product liability claims. Although we intend to obtain product liability insurance coverage, product liability insurance may not continue to be available to us on acceptable terms and our coverage may not be sufficient to cover all claims against us. A product liability claim, even one without merit or for which we have substantial coverage, could result in significant legal defense costs, thereby increasing our expenses, lowering our earnings and, depending on revenues, potentially resulting in additional losses.

Continuing efforts of government and third party payers to contain or reduce the costs of health care may adversely affect our revenues and future profitability.

In addition to obtaining regulatory approval, the successful commercialization of our products will depend on the ability to obtain reimbursement for the cost of the product and treatment from the consumers of or third-party payors for such products. Government authorities, private health insurers and other organizations, such as health maintenance organizations are increasingly challenging the prices charged for medical products and services. Also, the trend toward managed health care in the United States, the growth of healthcare organizations such as HMOs, and legislative proposals to reform healthcare and government insurance programs could significantly influence the purchase of healthcare services and products, resulting in lower prices and reducing demand for our products. The cost containment measures that healthcare providers are instituting and any healthcare reform could affect our or our marketing partner’s ability to sell our products and may have a material adverse effect on our financial results from operations. Reimbursement in the United States or foreign countries may not be available for any of our products, any reimbursement granted may be reduced or discontinued, and limits on reimbursement available from third-party payors may reduce the demand for, or the price of, our products. The lack or inadequacy of third-party reimbursements for our products would have a material adverse effect on our operations. Additional legislation or regulation relating to the healthcare industry or third-party coverage and reimbursement may be enacted in the future that adversely affects our products and our business.

If we fail to establish strategic relationships with larger pharmaceutical partners, our business may suffer.

We do not intend to conduct late-stage (Phase III) human clinical trials ourselves. We anticipate entering into relationships with larger pharmaceutical companies to conduct these and later pharmaceutical trials and to market our products. We also plan to continue to use contract manufacturing for late stage clinical and commercial quantities of our products. We may be unable to enter into partnerships or other relationships, which could impede our ability to bring our products to market**.** Any such partnerships, if entered into at all, maybe on less than favorable terms and may not result in the successful development or marketing of our products. If we are unsuccessful in establishing advantageous clinical testing, manufacturing and marketing relationships, we are not likely to generate significant revenues and become profitable.

We use hazardous substances in our research activities.

We use organic and inorganic solvents and reagents in our clinical development that are customarily used in pharmaceutical development and synthesis. Some of these chemicals, such as methylene chloride, isopropyl alcohol, ethyl acetate and acetane, may be classified as hazardous substances, are flammable and, if exposed to human skin can cause anything from irritation to severe burns. We receive, store, use and dispose of such chemicals in compliance with all applicable laws with containment storage facilities and contained handling and disposal safeguards and procedures. We are routinely inspected by federal, state and local governmental and public safety agencies regarding our storage, use and disposal of such chemicals, including the federal Occupational, Safety and Health Agency ("OSHA"), the Oregon Department of Environmental Quality ("DEQ") and local fire departments, without any material noncompliance issues in such inspections to date. Further, our usage of such chemicals is limited and falls below the reporting thresholds under federal law. Based on our limited use of such chemicals, the nature of such chemicals and the safeguards undertaken by the Company for storage, use and disposal, we believe we do not have any material exposure for toxic tort liability. Further, the cost of such compliance is not a material cost in our operating budget. While we do not have toxic tort liability insurance at this time, we believe our current insurance coverage is adequate to cover most liabilities that may arise from our use of such substances. If we are wrong in any of our beliefs, we could incur a liability in certain circumstances that would be material to our finances and the value of an investment in our securities.

Risks Related to Share Ownership

Our right to issue preferred stock, our classified Board of Directors and Oregon Anti-Takeover laws may delay a takeover attempt and prevent or frustrate any attempt to replace or remove the then current management of the Company by shareholders.

Our authorized capital consists of 200,000,000 shares of common stock and 20,000,000 shares of preferred stock. Our Board of Directors, without any further vote by the shareholders, has the authority to issue preferred shares and to determine the price, preferences, rights and restrictions, including voting and dividend rights, of these shares. The rights of the holders of shares of common stock may be affected by the rights of holders of any preferred shares that our board of directors may issue in the future. For example, our Board of Directors may allow the issuance of preferred shares with more voting rights, higher dividend payments or more favorable rights upon dissolution, than the shares of common stock or special rights to elect directors.

In addition, we have a "classified" Board of Directors, which means that only one-half of our directors are eligible for election each year. Therefore, if shareholders wish to change the composition of our Board of Directors, it could take at least two years to remove a majority of the existing directors or to change all directors. Having a classified Board of Directors may, in some cases, delay mergers, tender offers or other possible transactions which may be favored by some or a majority of our shareholders and may delay or frustrate action by shareholders to change the then current Board of Directors and management.

The Oregon Control Share Act and Business Combination Act may limit parties who acquire a significant amount of voting shares from exercising control over us for specific periods of time. These acts may lengthen the period for a proxy contest or for a person to vote their shares to elect the majority of our Board and change management.

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

Historically, the market price of our stock has been highly volatile. The following types of announcements could have a significant impact on the price of our common stock: positive or negative results of testing and clinical trials by ourselves, strategic partners, or competitors; delays in entering into corporate partnerships; technological innovations or commercial product introductions by ourselves or competitors; changes in government regulations; developments concerning proprietary rights, including patents and litigation matters; public concern relating to the commercial value or safety of any of our products; financing or other corporate transactions; or general stock market conditions.

The significant number of our shares of common stock eligible for future sale may cause the price of our common stock to fall.

We have outstanding 52,925,682 shares of common stock as of April 3, 2006, and all are eligible for sale under Rule 144 or are otherwise freely tradeable. In addition:

- Our employees and others hold options to buy a total of 5,706,382 shares of common stock, of which 3,735,497 shares were exercisable at April 3, 2006. The options outstanding have exercise prices between $1.76 to $8.13 per share. The shares of common stock to be issued upon exercise of these options have been registered, and, therefore, may be freely sold when issued;

- There are outstanding warrants to buy 11,508,103 shares of common stock at April 3, 2006 with exercise prices ranging from $.0003 to $35.63 per share. All of these shares of common stock are registered for resale and may be freely sold when issued;

- We may issue options to purchase up to an additional 1,704,011 shares of common stock at April 3, 2006 under our stock option plans, which also will be fully saleable when issued except to the extent limited under Rule 144 for resales by our officers and directors;

- We are authorized to sell up to 39,807 shares of common stock under our Employee Stock Purchase Plan to our full-time employees, nearly all of whom are eligible to participate;

- We have also granted certain contractual rights to purchase (i) an additional 352,113 shares of our common stock at a price of $7.10 per share and (ii) the right to purchase up to $7,500,000 of our common stock based on the average closing sales price for the five days preceding the commitment to purchase. If we meet certain technological milestones, the holder of these rights is obligated to purchase shares of common stock from us. The holder of these rights may require us to register the shares issued upon the exercise of such purchase rights.

Sales of substantial amounts of shares into the public market could lower the market price of our common stock.

We do not expect to pay dividends in the foreseeable future.

We have never paid dividends on our shares of common stock and do not intend to pay dividends in the foreseeable future. Therefore, you should only invest in our common stock with the expectation of realizing a return through capital appreciation on your investment. You should not invest in our common stock if you are seeking dividend income.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference contain, in addition to historical information, forward-looking statements regarding our plans, expectations, estimates and beliefs. Our actual results could differ materially from those discussed in, or implied by, these forward-looking statements. Forward-looking statements are identified by words such as “believe,” “anticipate,” “expect,” “intend,” “plan,” “will,” “may,” and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. We have based these forward-looking statements largely on our expectations. Forward-looking statements in this report include, but are not necessarily limited to, those relating to:

- our intention to introduce new products,
- receipt of any required FDA or other regulatory approval for our products,
- our expectations about the markets for our products,
- acceptance of our products, when introduced, in the marketplace,
- our future capital needs,
- results of our research and development efforts, and
- success of our patent applications.

Forward-looking statements are subject to risks and uncertainties, certain of which are beyond our control. Actual results could differ materially from those anticipated as a result of the factors described in the “Risk Factors” and detailed herein and in our other Securities and Exchange Commission filings, including among others:

- the effect of regulation by the FDA and other governmental agencies,
- delays in obtaining, or our inability to obtain, approval by the FDA or other regulatory authorities for our products,
- research and development efforts, including delays in developing, or the failure to develop, our products,
- the development of competing or more effective products by other parties,
- the results of pre-clinical and clinical testing,
- uncertainty of market acceptance of our products,
- problems that we may face in manufacturing, marketing, and distributing our products,
- our inability to raise additional capital when needed,
- delays in the issuance of, or the failure to obtain, patents for certain of our products and technologies, and
- problems with important suppliers and business partners.

Because of these risks and uncertainties, the forward-looking events and circumstances discussed in this report or incorporated by reference might not occur. Factors that cause actual results or conditions to differ from those anticipated by these and other forward-looking statements include those more fully described in the “Risk Factors” section and elsewhere in this prospectus.

USE OF PROCEEDS

The proceeds from the sale of the selling shareholder’s shares of common stock will belong to the selling shareholder. We will not receive any proceeds from those sales.

DESCRIPTION OF TRANSACTION

On March 10, 2006, we entered into a transaction with Cook Group Incorporated (“Cook”) for Cook’s development and commercialization of products for vascular diseases. We entered into a license agreement with Cook with respect to our NEUGENE® antisense technology in certain applications. In connection with that license, Cook will take over clinical development of our device–related programs for cardiovascular restenosis, including our Resten–NG® drug–eluting stent (DES) program, Resten–MP™ microparticle delivery program and our new program for catheter delivery of Resten–NG.

Cook will fully fund the development, clinical and regulatory costs of these programs in the U.S. and Europe leading to commercialization. This funding is expected to result in expenditures by Cook that could reach $100 million.

We also entered into a supply agreement with Cook to sell to Cook the drugs for development, clinical studies and commercialization. Cook will take over our facilities and personnel at our Colorado site.

Finally, we entered into a stock purchase agreement under which Cook acquired 692,003 shares of our common stock for $5 million and we agreed to register those shares for resale by Cook.

SELLING SHAREHOLDER

This prospectus relates to the resale from time to time of up to a total of 692,003 shares of our common stock by the selling shareholder. The shares were issued in a private placement exempt from registration requirements under the Securities Act of 1933, as amended. Under the stock purchase agreement pursuant to which we sold the shares, we agreed to file a registration statement, of which this prospectus is a part, with the SEC to register the resale of these shares and to keep the registration statement effective until the earlier of the date when all of the shares registered hereunder are sold, or the date on which the shares registered hereunder can be sold without registration as to the number of shares sold or March 13, 2009.

The following table, based upon information currently known by us, sets forth as of April 3, 2006: (i) the number of shares held of record or beneficially by the selling shareholder as of such date and (ii) the number of shares that may be offered under this prospectus. Beneficial ownership includes shares of common stock plus any securities held by the holder exercisable for or convertible into shares of common stock within sixty (60) days after April 3, 2006, in accordance with Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended. The selling shareholder is not a broker-dealer or an affiliate of a broker-dealer.

Name of Selling Shareholder	Common Stock Beneficially owned prior to the offering	Common stock owned upon completion of the offering(1)	Percentage of common stock owned upon completion of this offering(1)
Cook Group Incorporated, an Indiana corporation(2)	692,003	0	Less than 1%

(1) The table assumes the sale of the selling shareholder of all of its shares of common stock available for resale under this prospectus. Percent calculations are based on 52,925,682 shares of our common stock issued and outstanding as of April 3, 2006.

(2) M. Kem Hawkins, Executive Vice President and Chief Financial Officer holds voting and investment power over the shares held by Cook Group Incorporated. Accordingly, he may be deemed to be the beneficial owner of such shares. Mr. Hawkins disclaims beneficial ownership of such shares except to the extent of his pecuniary interest.

PLAN OF DISTRIBUTION

The selling shareholder of our common stock and any of its pledgees, assignees and successors-in-interest may, from time to time, sell any or all of its shares of common stock on the Nasdaq Stock Market or any other stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling shareholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers,
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction,
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account,
- an exchange distribution in accordance with the rules of the applicable exchange,
- privately- negotiated transactions,
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part,
- broker-dealers may agree with the selling shareholder to sell a specified number of such shares at a stipulated price per share,
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise,
- a combination of any such methods of sale, or
- any other method permitted pursuant to applicable law.

The selling shareholder may also sell shares under Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”), if available, rather than under this prospectus.

Broker-dealers engaged by the selling shareholder may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling shareholder (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with NASDR Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with NASDR IM-2440.

In connection with the sale of the common stock or interests therein, the selling shareholder may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling shareholder may also sell shares of the common stock short and deliver these securities to close out its short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling shareholder may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of

shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling shareholder and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. The selling shareholder has informed us that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the common stock. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

We are required to pay certain fees and expenses incurred by us incident to the registration of the shares. We have agreed to indemnify the selling shareholder against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because the selling shareholder may be deemed to be an "underwriter" within the meaning of the Securities Act, it will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the selling shareholder.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the shares may be resold by the selling shareholder without registration and without regard to any volume limitations by reason of Rule 144(k) under the Securities Act or any other rule of similar effect or (ii) all of the shares have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect or (iii) March 13, 2009. The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling shareholder will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the common stock by the selling shareholder or any other person. We will make copies of this prospectus available to the selling shareholder and have informed it of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

LEGAL MATTERS

The validity of the shares of common stock being offered hereby has been passed upon for AVI BioPharma, Inc. by Davis Wright Tremaine LLP of Portland, Oregon.

EXPERTS

The financial statements of AVI BioPharma, Inc. as of December 31, 2005 and 2004, and for each of the years in the three-year period ended December 31, 2005, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005, have been incorporated by reference herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public from the SEC's web site at http://www.sec.gov. You may also read and copy any document we file at the SEC's public reference room in Washington, D.C. located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of any document we file at prescribed rates by writing to the Public Reference Section of the Securities Exchange Commission at that address. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Information about us, including our SEC filings, is also available on our website at http://www.avibio.com; however, that information is not a part of this prospectus or any accompanying prospectus supplement.

INFORMATION INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" in this prospectus the information in other documents that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information in documents that we file later with the SEC will automatically update and supersede information contained in documents filed earlier with the SEC or contained in this prospectus or a prospectus supplement. We incorporate by reference in this prospectus the documents listed below and any future filings that we may make with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended, prior to the termination of the offering under this prospectus:

- Annual Report on Form 10-K for the year ended December 31, 2005;
- Current Report on Form 8-K filed on March 28, 2006; and
- The description of our common stock contained in our registration statement on Form 8-A filed on May 29, 1997.

Notwithstanding the foregoing, we are not incorporating any document or information deemed to have been furnished and not filed in accordance with SEC rules. You may obtain a copy of any or all of the documents referred to above which may have been or may be incorporated by reference into this prospectus (excluding certain exhibits to the documents) at no cost to you by writing or telephoning us at the following address:

AVI BioPharma, Inc.
Investor Relations
One S.W. Columbia
Suite 1105
Portland, OR 97258
Attn: Michael C. Hubbard
(503) 227-0554

The mailing address of our principal executive offices is AVI BioPharma, Inc., One S.W. Columbia Suite 1105 Portland, OR 97258, and our telephone number at that location is (503) 227-0554.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. ***Other expenses of issuance and distribution.***

The following is a statement of the estimated expenses (other than underwriting compensation) to be incurred by the Registrant in connection with registration of 692,003 shares of its common stock for resale hereunder.

SEC registration fee	$	527.94
Printing and engraving fees*		3,000
Legal expenses*		30,000
Accounting fees and expenses*		15,000
NASD, Nasdaq and blue sky expenses*		0
Transfer Agent fees and expenses*		500
Miscellaneous*		972.06
Total	$	50,000

(*) The amounts marked with a * above are estimates.

Item 15. ***Indemnification of directors and officers.***

Our Amended and Restated Articles of Incorporation provide for indemnification by us or our directors and former directors, and for advancement of reasonable expenses incurred by each such person upon an undertaking by such person to repay such amount if it is ultimately determined that he or she is not entitled to indemnification. Our Bylaws also provide that we shall have the power to indemnify our directors and officers pursuant to applicable law. Such indemnification does not cover matters involving (i) the breach of a director's duty of loyalty, (ii) actions or omissions not in good faith, intentional misconduct or knowing violations of law, (iii) the unlawful payment of dividends, stock purchases or redemptions or (iv) any transaction from which a director derives an improper personal benefit.

We have entered into indemnification agreements with each of our directors. These agreements, among other things, indemnify our directors and officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such director or officer in any action or proceeding, including any action by or in our right, arising out of such person's services as one of our directors or officers, to any of our subsidiaries or to any other company or enterprise to which the director or officer provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and officers.

Item 16. **Exhibits**

Exhibit Number*	Exhibit Description	Incorporated by Reference to Filings Indicated				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.1	Third Restated Articles of Incorporation of AntiVirals Inc.	SB-2	333-20513	3.1	May 29, 1997	
4.2	First Amendment to Third Restated Articles of Incorporation.	8-K	0-22613	3.3	September 30, 1998	
4.3	Amendment to Article 2 of the Company's Third Restated Articles of Incorporation.	DEF 14A	1-14895	N/A	April 11, 2002	
4.4	Bylaws of AntiVirals Inc.	SB-2	333-20513	3.2	May 29, 1997	
5.1	Opinion of Davis Wright Tremaine LLP (contained in Exhibit 23.2).					X
10.50+	Supply Agreement, dated					X

	March 10, 2006, by and between Cook Group Incorporated and AVI BioPharma, Inc.	
10.51+	License and Development Agreement, dated March 10, 2006, by and between Cook Group Incorporated and AVI BioPharma, Inc.	X
10.52	Investment Agreement, dated March 10, 2006, by and between Cook Group Incorporated and AVI BioPharma, Inc.	X
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.	X
23.2	Consent of Davis Wright Tremaine LLP.	X
24.1	Power of Attorney (contained on page 19).	X

(*) Materials in the exhibit marked with a "+" have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. Omitted portions have been filed separately with the Securities and Exchange Commission.

Item 17. ***Undertakings.***

(a) The undersigned Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act; (ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement; *provided, however*, that paragraphs (i), (ii) and (iii) do not apply if the Registration Statement is on Form S-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the Registration Statement;

(2) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(4) that, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the Registration Statement as of the date the filed prospectus was deemed part of and included in the Registration Statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the Registration Statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the Registration Statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a Registration Statement or prospectus that is part of the Registration Statement or made in a document incorporated or deemed incorporated by reference into the Registration Statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was

made in the Registration Statement or prospectus that was part of the Registration Statement or made in any such document immediately prior to such effective date; and

(5) that, for the purpose of determining liability of the Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this Registration Statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(A) Any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;

(B) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;

(C) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(D) Any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Portland, Oregon on April 11, 2006.

AVI BIOPHARMA, INC.

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Denis R. Burger, Alan P. Timmins and Mark M. Webber, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for the undersigned and in his or her name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments and registration statements filed pursuant to Rule 462(b) under the Securities Act) to the Registration Statement and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ DENIS R. BURGER, PH.D. Denis R. Burger, Ph.D.	Chairman of the Board and Chief Executive Officer *(Principal Executive Officer)*	April 11, 2006
/s/ ALAN P. TIMMINS Alan P. Timmins	President, Chief Operating Officer, and Director	April 11, 2006

/s/ MARK M. WEBBER Mark M. Webber	Chief Financial Officer and Chief Information Officer *(Principal Financial and Accounting Officer)*	April 11, 2006
/s/ DWIGHT D. WELLER, PH.D. Dwight D. Weller, Ph.D.	Senior Vice President of Chemistry and Manufacturing and Director	April 11, 2006
/s/ JOHN W. FARA, PH.D. John W. Fara, Ph.D.	Director	April 11, 2006
/s/ JAMES B. HICKS, PH.D. James B. Hicks, Ph.D.	Director	April 11, 2006
/s/ JACK L. BOWMAN Jack L. Bowman	Director	April 11, 2006
/s/ K. MICHAEL FORREST K. Michael Forrest	Director	April 11, 2006
/s/ JOHN C. HODGMAN John C. Hodgman	Director	April 11, 2006

INDEX TO EXHIBITS

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4.4	Bylaws of AntiVirals Inc.	SB-2	333-20513	3.2	May 29, 1997	
5.1	Opinion of Davis Wright Tremaine LLP (contained in Exhibit 23.2).					X
10.50+	Supply Agreement, dated March 10, 2006, by and between Cook Group Incorporated and AVI BioPharma, Inc.					X
10.51+	License and Development Agreement, dated March 10, 2006, by and between Cook Group Incorporated and AVI BioPharma, Inc.					X
10.52	Investment Agreement, dated March 10, 2006, by and between Cook Group Incorporated and AVI BioPharma, Inc.					X
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.					X
23.2	Consent of Davis Wright Tremaine LLP.					X
24.1	Power of Attorney (contained on page 19).					X

(*) Materials in the exhibit marked with a "+" have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission. Omitted portions have been filed separately with the Securities and Exchange Commission.

NOTE: Portions of this document marked "***" have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment of the omitted and separately filed portions.

SUPPLY AGREEMENT

THIS SUPPLY AGREEMENT (the "Agreement") is made and entered into as of March 10, 2006, (the "Effective Date") between AVI BIOPHARMA, INC. (as defined below, "Supplier"), an Oregon corporation, and COOK GROUP INCORPORATED (as defined below, "Company"), an Indiana corporation.

WITNESSETH:

WHEREAS, Supplier is establishing manufacturing facilities to manufacture drugs such as the Drug (as defined below);

WHEREAS, Company and Supplier have entered into a License and Development Agreement of even date herewith with respect to the Drug (the "License and Development Agreement");

WHEREAS, Company and Supplier have entered into an Investment Agreement of even date herewith with respect to the Drug (the "Investment Agreement");

WHEREAS, Supplier and Company wish to enter into this Agreement regarding Supplier's supplying the Drug (as defined below) to Company;

AGREEMENTS:

NOW THEREFORE, in consideration of the representations, warranties, covenants and agreements contained herein, and for other valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties mutually agree as follows:

ARTICLE 1.

DEFINITIONS

1.1. Specific Definitions. As used in this Agreement, the following terms shall have the meanings set forth or as referenced below:

"Actual Cost" means the cost of non-manufacturing activities performed by AVI personnel pursuant to this Agreement, including direct labor, materials, travel, and allocated overhead costs.

"Affiliate" of a specified person (natural or juridical) means a person that directly, or

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indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. "Control" shall mean ownership of more than 50% of the shares of stock entitled to vote for the election of directors in the case of a corporation, and more than 50% of the voting power in the case of a business entity other than a corporation.

"Agreement" means this Agreement and all Exhibits and Schedules hereto.

"Company" means Cook Group Incorporated and its Affiliates.

"Confidential Information" means know-how, trade secrets, and unpublished information disclosed (whether before or during the term of this Agreement) by one of the parties (the "disclosing party") to the other party (the "receiving party") or generated under this Agreement, excluding information which:

(a) was already in the possession of receiving party prior to its receipt from the disclosing party (provided that the receiving party is able to provide the disclosing party with reasonable documentary proof thereof and, if received from a third party, that such information was acquired without any party's breach of a confidentiality or non-disclosure obligation to the disclosing party related to such information);

(b) is or becomes part of the public domain by reason of acts not attributable to the receiving party;

(c) is or becomes available to receiving party from a source other than the disclosing party which source, has rightfully obtained such information and has no obligation of non-disclosure or confidentiality to the disclosing party with respect thereto; or

(d) has been independently developed by the receiving party without breach of this Agreement or use of any Confidential Information of the other party.

"Drug" has the meaning given such term in the License and Development Agreement.

"Effective Date" has the meaning set forth in the recitals hereto.

"FDA" means the United States Food and Drug Administration.

"Force Majeure" means any event or condition, not existing as of the date of this Agreement, not reasonably foreseeable as of such date and not reasonably within the control of either party, which prevents in whole or in material part the performance by one of the parties of its obligations hereunder, such as an act of government, war or related actions, civil insurrection, act of terrorism, riot, sabotage, strike, epidemic, fire, flood, windstorm, and similar events.

"GMP" means Good Manufacturing Practices as defined in 21 CFR Parts 210 through 226 and Parts 600 through 680 and any successor provisions thereof that apply to production of the Drug under this Agreement.

"Intellectual Property" means U.S. and foreign patents and patent applications, trademarks, service marks and registrations thereof and applications therefor, copyrights and

copyright registrations and applications, mask works and registrations thereof, know-how, trade secrets, inventions, discoveries, ideas, technology, data, information, processes, drawings, designs, licenses, computer programs and software, and technical information including but not limited to information embodied in material specifications, processing instructions, equipment specifications, product specifications, confidential data, electronic files, research notebooks, invention disclosures, research and development reports and the like related thereto and all amendments, modifications, and improvements to any of the foregoing.

"Indemnifiable Losses" has the meaning set forth in Section 7.1.

"Indemnitee" has the meaning set forth in Section 7.3.

"Indemnitor" has the meaning set forth in Section 7.3.

"Investment Agreement" has the meaning set forth in the recitals hereto.

"License and Development Agreement" has the meaning set forth in the recitals hereto.

"Product Liability Damages" means any liability, claim or expense, including but not limited to reasonable attorneys' fees and medical expenses, arising in whole or in part out of claims of third parties for personal injury or loss of or damage to property relating to or arising out of the Products, whether based on strict liability in tort, negligent manufacture of product, or any other allegation of liability arising from the design, testing, manufacture, packaging, labeling (including instructions for use), or sale of the Products.

"Product" means the final formulation or configuration of the Drug with or without a device or delivery mechanism such as a stent, catheter, or microbubble formulation.

"Specifications" means the specifications and formulations for the Products as agreed to by the parties. Within sixty (60) days of the Effective Date, the parties will agree in writing to initial Specifications for each Product to be developed. Thereafter, Specifications for a particular Product may be amended from time to time upon mutual agreement of the parties. Specifications specifically developed by Company or included in any FDA approval of the Drug, but excluding in either case Supplier Specifications (as defined herein), shall be referred to as "Company Specifications." "Supplier Specifications" shall mean specifications developed by Supplier and incorporated into the Specifications without modification by Company.

"Supplier" means AVI BioPharma, Inc. and its Affiliates.

"Term" has the meaning set forth in Section 8.1.

"Warranty Exclusions" has the meaning set forth in Section 5.1.

1.2. Other Terms. Other terms may be defined elsewhere in the text of this Agreement and shall have the meaning indicated throughout this Agreement.

1.3. Definitional Provisions.

(a) The words "hereof," "herein," and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provisions of this Agreement.

(b) The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

(c) References to an "Exhibit" or to a "Schedule" are, unless otherwise specified, to one of the Exhibits or Schedules attached to or referenced in this Agreement, and references to an "Article" or a "Section" are, unless otherwise specified, to one of the Articles or Sections of this Agreement.

(d) The term "person" includes any individual, partnership, joint venture, corporation, trust, unincorporated organization or government or any department or agency thereof.

ARTICLE 2.

SUPPLY

2.1. Supply of Drug. Commencing upon the closing of transactions contemplated by the Investment Agreement, Supplier shall manufacture, or have manufactured, and supply to Company all of Company's orders for Drug made under Article 3, in accordance with the Specifications in effect at the time of order for each Product and with Company's schedule for deliveries. In the event of any Drug or material shortages

or temporary or long-term production capacity restraints or Force Majeure events, Supplier may allocate production capacity among customers, but, in all events will supply Company on a priority basis over supplying any other customers.

2.2. Promotion and Training. Upon a reasonable request by Company and subject to staff and support availability, Supplier will assist Company in preparing promotional, marketing and training literature and instructions for the Products, including any artwork, will conduct training courses and seminars to educate medical professionals on the use of Products and their use in connection with Company's medical devices and for training its marketing, sales, and distribution groups, and will provide Company with training related to the sale of Products. Company shall reimburse Supplier's Actual Costs in providing all services and support pursuant to this Section 2.2. Within thirty (30) days of the end of each calendar quarter in which costs were incurred, Supplier will send Company an invoice specifying the Actual Cost of services and support provided in the just-ended quarter and the payment due. Within thirty (30) days of receiving each such invoice, Company will make a payment to Supplier for the full amount due.

2.3. Packaging and Labeling. Supplier shall package and label the Drug in accordance with packaging and labeling specifications to be mutually agreed upon by Company and Supplier and approved by the FDA.

2.4. Compliance With Laws and Regulations.

(a) Supplier shall be responsible for compliance with present and future applicable statutes, laws, ordinances and regulations of national, federal, state and local governments now or hereafter in effect materially relating to its manufacture of the Drug. If required or necessary in connection with sales of Products by Company, Supplier shall have its manufacturing facilities become ISO 9001 certified. Without limitation of the foregoing, Supplier represents and warrants to Company that all Drugs sold and delivered to Company under this Agreement will have been manufactured, labeled and packaged in accordance with applicable FDA GMP requirements and, if applicable, Supplier's ISO 9001 certifications, and that continually during the term of this Agreement no Drugs delivered by Supplier to Company shall be adulterated or misbranded at the time of delivery within the meaning of the U.S. Food, Drug and Cosmetic Act and regulations thereunder or any similar law or regulation. Supplier shall cause Company's regulatory personnel to be provided with reasonable access from time to time to the facilities and records of Supplier for the purpose of confirming Supplier's compliance with any applicable FDA GMP and all other applicable requirements noted in this Article 2. Supplier agrees to provide Company with reasonable prior written notice of any FDA inspection of Supplier's facilities or records prior to such FDA inspection, or if such prior written notice is not feasible, then within three business days thereafter. Supplier also agrees to provide Company with written notice of its receipt of any claim by the FDA or other governmental agency of any actual or alleged violation by Supplier of any GMP or other applicable requirements as soon as practicable following receipt of such notice (but in no event more than 5 business days thereafter). Company shall have the right, at any time and from time-to-time upon not less than 72 hours prior notice to the Supplier, to inspect Supplier's manufacturing facilities in order to examine all phases of the manufacturing process and inspect or audit any or all of the Supplier's data and records related thereto and the Products compliance with the terms and conditions hereunder or with respect to any applicable law, rule or regulation. In the event Supplier uses a sub-contractor or third party to perform any part of the manufacturing, Supplier shall obtain the agreement of such sub-contractor or third party that Company shall have similar inspection rights.

(b) Company and Supplier (except where Supplier has the responsibility under Section 2.4(a) or elsewhere herein) shall comply with all applicable laws, rules, regulations, codes, and standards of all federal, state, local and municipal government agencies which affect their respective performance and activities under this Agreement. Notwithstanding anything contained herein, Company shall be responsible for compliance with present and future applicable statutes, laws, ordinances and regulations of national, federal, state and local governments now or hereafter in effect including applicable import and export laws materially relating to its purchase, distribution or sale of the Products.

2.5. Exclusivity. During the term of this Agreement, or if longer, the term of the License and Development Agreement, (a) Supplier shall not promote, make, have made, market or sell the Drug for use in the Field (as defined in the License and Development Agreement) to any person or entity other than Company, and (b) Company shall purchase 100% of its requirements for the Drug for use in the Field from Supplier. Prior to any sale, transfer or other disposition to any third party of Drug for use outside the Field, Supplier shall obtain the agreement of such third party that it will not use, promote, market or sell the Drug in the Field or resell the Drug for use in the Field.

2.6. Complaints and Adverse Events. Each party agrees to inform the other party promptly (but in no event no later than forty-eight (48) hours after becoming aware of same) of any information concerning any complaint involving the Products or that might be applicable to the Products or adverse drug experience (as defined in 21 C.F.R. § 314.80), injury, toxicity, or sensitivity reaction associated with the use of the Products or that might be applicable to the Products, provided that:

(a) if the adverse drug experience is serious, as defined in 21 C.F.R. § 314.80 (including any adverse drug reaction that is fatal or life-threatening, is permanently disabling, requires inpatient hospitalization, or is a congenital anomaly, cancer or overdose), then each party shall notify the other party within twenty-four (24) hours;

(b) all notifications to Company shall be by facsimile and on Company's designated adverse event forms; and

(c) all notifications to Supplier shall be by facsimile and on Supplier's designated adverse event forms.

2.7. Records and Recall. Company shall maintain complete and accurate records of all Products sold by Company in sufficient detail to enable Supplier to conduct an effective recall of Drugs purchased by Company under this Agreement if Supplier determines that such a recall is required or otherwise necessary or appropriate. In the event of a recall of any of the Drugs by Supplier, Company will cooperate with and assist Supplier in effecting such recall, including promptly contacting any purchasers that Supplier reasonably desires to be contacted and promptly communicating to such purchasers the information or instructions Supplier reasonably desires to be transmitted relating to such recall. Company shall be responsible for all costs of effecting such recall of Products, including any shipping costs related to returning recalled Drugs to Supplier and replacing such recalled Drugs with new Drugs, except, such costs shall instead be paid by Supplier (directly or through reimbursement of Company for costs reasonably incurred by Company) where the recall relates to a matter for which Supplier would be required to indemnify Company under Article 7 of this Agreement. Notwithstanding the foregoing, Company shall control any recall of any products sold by Company to third parties that may incorporate the Drug.

2.8. Certain Responsibilities. Notwithstanding anything contained herein, Supplier shall not be responsible for any loss or damage, including Products Liability Damages, from the use or performance of the Drugs manufactured under this Agreement where (a) such use or performance did not result from a breach of this Agreement by Supplier, including, without limitation, Supplier's warranties, (b) the Drugs complied with the description and form described in any documents used for all governmental approvals, applications, submissions, and approvals filed by Company with the FDA, or given to Company by the FDA, and (c) the Drugs complied with the packaging, shipping, and labeling for the Drugs. Company further agrees that no Products will be released for public use or consumption until all requisite governmental approvals therefore have been obtained for such use and consumption.

2.9. Supply. Supplier agrees: (i) to have in place prior to the first regulatory approval of the commercial sale of the Product an agreed upon reserve supply of the Drug to support the Product and maintain during the term of this Agreement a commercially reasonable supply for the Drug and (ii) to produce commercially reasonable quantities of the Drug in compliance with FDA GMP requirements and other regulatory requirements. The Company agrees to pay for the agreed upon reserve supply of Drug prior to the first regulatory approval. Supplier agrees to store in a safe and secure off-site location a reserve supply of the Drug and Supplier agrees to exercise commercially reasonable efforts to replenish such supply if it is used. The Drugs shall be stored in compliance with the Specifications and any applicable law or regulation.

ARTICLE 3.

ORDERS AND DELIVERY

3.1. Purchase Orders. To assist the Supplier in determining the reserve supply of Drug to be maintained, the Company will make its commercially reasonable efforts to forecast its requirements for Drugs six (6) months in advance of ordering Drugs and updating a rolling forecast at three (3) month intervals. Such rolling forecasts by Company shall be used for purposes of facilitating Company's clinical, sales and marketing plans and meeting the lead times required by certain of Supplier's suppliers, but they are not legally binding on Company in any manner. Company shall submit purchase orders for the Drugs to Supplier in writing, whether by mail, facsimile, email or otherwise, which shall, at a minimum, set forth the product numbers, quantities, delivery dates, and shipping instructions and shipping addresses for all Drugs ordered. Each purchase order shall constitute a contract between Company and Supplier for the sale of the Drugs ordered and shall be subject to and governed by the terms of this Agreement. The terms and conditions of this Agreement shall so govern and supersede any additional or contrary terms set forth in Company's purchase order or any Supplier or Company acceptance, confirmation, invoice or other document unless duly signed by an officer of Company and an executive officer of Supplier and expressly stating and identifying which specific additional or contrary terms shall supersede the terms and conditions of this Agreement. With respect to all purchase orders submitted at least sixty (60) days in advance of the earliest scheduled delivery date set forth in such order, Supplier shall fill such orders in accordance with the scheduled delivery dates set forth therein, and with respect to all other purchase orders, Supplier shall exercise commercially reasonable efforts to fill such orders in accordance with the scheduled delivery dates set forth therein.

3.2. Modification of Orders. No purchase order shall be modified or canceled except upon the mutual agreement of the parties; provided, however, that Company may cancel a purchase order based upon actions of a regulatory authority and Company may make changes to a purchase order in quantities that do not exceed ten (10) percent of such outstanding order, provided that Company will reimburse Supplier for costs incurred on any such cancelled orders to the extent Supplier is not able, after reasonable effort, to recover its costs in connection therewith. Mutually agreed change orders shall be subject to all provisions of this Agreement, whether or not the change order so states. Notwithstanding the foregoing, any purchase order may be cancelled by Company, without any liability to

Company, as to any Drug that is not delivered within sixty (60) days after the delivery date requested by Company, and any such cancellation shall not limit or affect any contract remedies available to Company with respect thereto. Any such cancellation by Company must be by written notice to Supplier given within sixty-five (65) days after the delivery date requested by Company.

3.3. Delivery Terms. All deliveries of Drugs shall be F.O.B. Supplier's manufacturing facility. Supplier shall have no further responsibility for risk of damage to or loss or delay of Drugs upon delivery by Supplier at the F.O.B. location to the common carrier specified by Company or, in the event that no carrier shall have been specified by Company on or before the date fifteen (15) days prior to the requested shipment date, a common carrier reasonably selected by Supplier. Company shall be responsible for all shipping, handling, and insurance costs.

3.4. Product Changes. Supplier shall not, without Company's prior written consent, materially alter the Specifications for Drugs. Supplier shall not, without Company's prior written consent, modify the manufacturing processes, methods or procedures for the Drug in any manner that increases the manufacturing costs. Such consent will not be unreasonably withheld by Company if specifications, processes, methods, or procedures must be changed based upon demands by a regulatory authority or changes in applicable law.

ARTICLE 4.

PRICES AND PAYMENTS

4.1. Prices. Unless and until otherwise mutually agreed by the parties in writing, the purchase price for Drugs manufactured by Supplier for Company under this Agreement shall be determined under Exhibit A.

4.2. Payment Terms. Payments made by Company for Drugs purchased hereunder shall be due and payable in full within thirty (30) days after the date the invoice is received by Company.

ARTICLE 5.

WARRANTY AND SERVICE

5.1. Warranty.

(a) Supplier represents and warrants to Company that all Drugs sold under this Agreement will have been manufactured, labeled and packaged in accordance with all applicable laws and regulations, including (as applicable) FDA GMP requirements and, if applicable, ISO 9001 certifications, or successor requirements, and all other applicable manufacturing requirements, as well as the Specifications. Supplier represents, warrants and covenants that it will have, or will contract for, the facilities, equipment, licenses, permits and personnel to manufacture and supply the Drugs in accordance with the current forecasted requirements of Company.

(b) Supplier represents and warrants to Company that Drugs shall, when delivered to Company, meet the Specifications and warranties set forth herein and shall be free from defects in materials and workmanship. Company shall invoice Supplier for, and Supplier shall promptly pay, all shipping, transportation, insurance and other expenses actually incurred in replacing defective Drugs where either the defect arises from a breach of any representation or warranty of Supplier herein or from a matter for which Supplier would be required to indemnify Company hereunder. Supplier will, at Company's option, replace or credit Company's account for any Drug that Company reasonably determines, in accordance with Section 5.3, was defective at the time of shipment to Company or that does not conform to the express warranties of Supplier herein; provided, however, that Supplier shall have no obligation under this warranty to make replacements or grant credits necessitated in whole or in part by accidents; failure to maintain in accordance with any transportation, storage, handling, or maintenance instructions supplied by Supplier; damage due to Company Specifications where Supplier followed such specifications and the damage was due to defects in such Company Specifications; where Company is specifically liable for such damages or defect under the terms of Article 7; damage by acts of nature, vandalism, burglary neglect or misuse; or other fault or negligence of Company or (except for any strict liability of Supplier) the customer or user (collectively, "Warranty Exclusions").

5.2. Limited Warranty. THE EXPRESS WARRANTIES SET FORTH ABOVE ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, WHICH ARE HEREBY SPECIFICALLY DISCLAIMED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE.

5.3. Inspection of Drug. In the event of any shortage, damage or discrepancy in or to a shipment of Drug or in the event any shipment of Drug fails to comply with the then current Specifications (excluding Warranty Exclusions) or Supplier warranties for the Drugs, Company shall report the same to Supplier within thirty (30) days after its discovery and in no event more than three (3) months after receipt of the Drug after delivery thereof to Company and, if requested in writing by Supplier, furnish such written evidence or other documentation and such samples of the Drug deemed to be nonconforming as Supplier reasonably may deem appropriate in connection therewith. If Supplier agrees that the shipment of Drug is nonconforming, or if the Drug is not delivered within the time periods required, Company may reject the Drugs and return the Drugs to Supplier, at Supplier's expense (including handling, insurance and shipping charges), unless the Products' defect results from matters that are Company's responsibility under Article 7 or constitute Warranty Exclusions. Should the parties disagree as to whether or not a Drug shipment meets Specifications, a sample of such shipment will be sent for analysis to an independent laboratory mutually agreeable to the parties. If the independent laboratory determines that the Drug shipment meets Specifications, Company will accept the Drug shipment, pay Supplier pursuant to the payment terms herein, and shall pay the cost of testing by the independent laboratory. If the independent laboratory determines the Drug shipment to be out of Specification, Supplier will replace the nonconforming Drug shipment at its cost as soon as practicable and shall pay the cost of testing by the independent laboratory. Following acceptance of a Drug shipment by Company, the sole remedies of Company with respect to damage to or defects in the Drugs shall be those set forth in Sections 5.1 and 7.1.

Company shall not be obligated to conduct any tests or inspections of the Drugs prior to or after its acceptance. Supplier shall promptly notify Company in writing if it has reason to believe that any delivery of the Drug fails to meet the Specifications, fails to satisfy the representations and warranties made under this Article 5, or is otherwise not free from defects in material and workmanship.

ARTICLE 6.

CERTAIN REPRESENTATIONS AND WARRANTIES

6.1. Representations and Warranties.

(a) Supplier represents and warrants to Company that the execution and delivery by Supplier of this Agreement and the performance by Supplier of its obligations hereunder have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the Articles of Incorporation or Bylaws of Supplier, as amended, or any provision of any indenture, agreement or other instrument to which Supplier or any of its properties or assets is bound, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge, restriction, claim or encumbrance of any nature whatsoever upon any of the properties or assets of Supplier. This Agreement has been duly executed and delivered by Supplier and constitutes the legal, valid and binding obligation of Supplier, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to the discretion of the courts in awarding equitable relief and to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting the rights of creditors generally.

(b) Company represents and warrants to Supplier that the execution and delivery by Company of this Agreement and the performance by Company of its obligations hereunder have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the Articles of Incorporation or Bylaws of Company, as amended, or any provision of any indenture, agreement or other instrument to which Company or any of its properties or assets is bound, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge, restriction, claim or encumbrance of any nature whatsoever upon any of the properties or assets of Company. This Agreement has been duly executed and delivered by Company and constitutes the legal, valid and binding obligation of Company, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to the discretion of the courts in awarding equitable relief and to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting the rights of creditors generally.

ARTICLE 7.

INDEMNIFICATION

7.1. Supplier's Liability.

(a) Supplier shall indemnify, defend and hold harmless Company and its subsidiaries, and their respective officers, directors, employees, shareholders and distributors from and against and in respect of any and all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, interest and penalties, costs and expenses (including, without limitation, reasonable legal fees and disbursements incurred in connection therewith and in seeking indemnification therefor, and any amounts or expenses required to be paid or incurred in connection with any action, suit, proceeding, claim, appeal, demand, assessment or judgment) finally awarded ("Indemnifiable Losses"), resulting from, arising out of, or imposed upon or incurred by any person to be indemnified hereunder by reason of: (i) any breach of representation, warranty or agreement on the part of Supplier under this Agreement (collectively, "Supplier Breach"); (ii) Product Liability Damages with respect to the Drugs arising from or related to a Supplier Breach; (iii) any charges of patent or other intellectual property infringement due to the manufacture of the Drugs, the sale of the Drugs for use in the Field (as defined in the License and Development Agreement) or the formulation of the Drug, except to the extent such formulation is required specifically for the Company Specifications, and such infringement would have been avoided by compliance with Supplier Specifications (which indemnity shall be in addition to, and not in lieu of, Supplier's indemnity made in the License and Development Agreement), or (iv) other negligence or intentional misconduct of Supplier; provided that in no event shall Supplier be liable for matters for which Company is responsible under Section 7.2 below or for punitive or exemplary damages.

(b) During the term of this Agreement, Supplier shall maintain, at its expense, a policy of comprehensive general liability insurance sufficient to honor the indemnity made herein, with products liability endorsement, but in no event less than Seven Million Five Hundred Thousand U.S. Dollars ($7,500,000) in the aggregate with a maximum deductible per occurrence of not more than One Million U.S. Dollars ($1,000,000) per occurrence and in the annual aggregate. Said policy shall name Company and its Affiliates as additional beneficiaries. Supplier shall furnish Company with a certificate of insurance evidencing such coverage within thirty (30) days of the execution of this Agreement, which certificate shall provide for not less than thirty (30) days notice to Company prior to material change in coverage or policy cancellation.

7.2. Company's Liability. Company shall indemnify, defend and hold harmless Supplier and its subsidiaries and their respective officers, directors, employees, shareholders and suppliers from and against and in respect of any and all Indemnifiable Losses resulting from, arising out of, or imposed upon or incurred by any person to be indemnified hereunder by reason of: (a) any breach of representation, warranty or agreement on the part of Company under this Agreement; (b) Product Liability Damages with respect to the Products other than those arising from or related to a Supplier Breach; (c) any charges of patent or other intellectual property infringement that does not relate to a claim described in

Section 7.1(a)(iii) and involves the marketing, distribution and sale of the Product by Company; or (d) negligent handling by Company of the Drugs or changes, additions or modifications to the Drugs by Company (other than changes, additions or modifications made to the Products by Company in connection with or related to the incorporation of the Drugs into or onto, or the utilization of the Drugs in connection with, a medical device, such as a balloon, catheter or stent), or (e) other negligent or intentional misconduct of Company; provided that in no event shall Company be liable for matters for which Supplier is responsible under Section 7.1 above or under the License and Development Agreement, or for punitive or exemplary damages.

7.3. Procedure. If a claim by a third party is made and a party (the "Indemnitee") intends to claim indemnification under this Article 7, the Indemnitee shall promptly notify the other party (the "Indemnitor") in writing of any claim in respect of which the Indemnitee or any of its subsidiaries, directors, officers, employees, shareholders, suppliers or distributors intends to claim such indemnification. If the Indemnitor accepts liability for indemnifying Indemnitee hereunder, Indemnitor shall have sole control of the defense and/or settlement thereof; provided that the Indemnitee may participate in any such proceeding with counsel of its choice at its own expense. The indemnity agreement in this Article 7 shall not apply to amounts paid in settlement of any Indemnifiable Losses if such settlement is effected without the consent of the Indemnitor, which consent shall not be withheld unreasonably. The failure to deliver written notice to the Indemnitor within a reasonable time after the commencement of any such action, if adversely prejudicial to its ability to defend such action, shall relieve such Indemnitor of any liability to the Indemnitee under this Article 7 but the omission to so deliver written notice to the Indemnitor shall not relieve the Indemnitor of any liability that it may otherwise have to any Indemnitee other than under this Article 7. If the Indemnitor fails to provide defense of the claim, and diligently defend or settle the same after receipt of notice from Indemnitee of, and a reasonable opportunity to cure, such failure, the Indemnitee may defend or settle the claim without prejudice to its rights to indemnification hereunder, provided that the Indemnitee does so diligently and in good faith and further does not enter into any settlement or agree to any stipulation that would adversely affect the rights of the Indemnitor or impose any additional obligation on the Indemnitor without the Indemnitor's prior written consent (which consent will not be unreasonably withheld). The Indemnitee under this Article 7, its employees and agents, shall cooperate fully with the Indemnitor and its legal representatives and provide full information in the investigation of any Indemnifiable Losses covered by this indemnification.

ARTICLE 8.
TERM AND TERMINATION

8.1. Term. This Agreement shall take effect as of the date hereof and shall continue in force until the earlier of (a) the date on which this Agreement is terminated pursuant to Section 8.2, or (b) the date of termination of the License and Development Agreement (the "Term"). Nothing contained in this Agreement will be interpreted as

requiring either party to renew or extend this Agreement beyond the initial term or any renewal term hereof.

8.2. Termination. Notwithstanding the provisions of Section 8.1 above, this Agreement may be terminated in accordance with the following provisions:

(a) A party may terminate this Agreement by giving notice in writing to the other party if the other party is in material breach of any representation, warranty or covenant of this Agreement and, except as otherwise provided herein, shall have failed to cure such breach within thirty (30) days after receipt of written notice thereof from the first party;

(b) Either party may terminate this Agreement at any time by giving notice in writing to the other party, which notice shall be effective upon dispatch, if the other party (i) becomes insolvent; (ii) commences any action or proceeding under any bankruptcy or insolvency law for the reorganization, arrangement, composition or similar relief, (iii) has commenced against it any action or proceeding under any bankruptcy or insolvency law, or (iv) makes an assignment for the benefit of creditors, goes into liquidation or receivership or otherwise loses legal control of its business; or

(c) Company may terminate this Agreement upon sixty (60) days prior written notice to Supplier if Supplier has been in material breach of any of the representations, warranties or covenants contained herein on three or more occasions within any three hundred sixty (360) day period. In order to exercise such termination right, Company must provide Supplier with written notice of such termination within sixty (60) days after the end of any applicable three hundred sixty (360) day period.

(d) Company may terminate this Agreement upon sixty (60) days prior written notice to Supplier if Supplier is unable to produce sufficient quantities of Drug to fulfill Company's purchase orders on a timely basis.

(e) Supplier shall have the right to terminate this Agreement upon sixty (60) days prior written notice if, following an assignment of Company's rights under the License and Development Agreement pursuant to Section 10.13(b)(iv) or (v) thereof, the permitted assignee terminates its development efforts under the License and Development Agreement or it fails to meet the Performance Standards contained in Exhibit C of the License and Development Agreement.

8.3. Rights and Obligations on Termination. In the event of termination of this Agreement for any reason, the parties shall have the following rights and obligations:

(a) Termination of this Agreement shall not release either party from the obligation to make payment of all amounts previously due and payable.

(b) The terminating party shall have the right, at its option, to cancel any or all purchase orders that provide for delivery after the effective date of termination.

(c) Nothing herein shall be construed to release either party from any obligation that matured prior to the effective date of such termination.

(d) The parties will return and deliver to the other party all of such party's materials and documents developed during the performance of this Agreement provided that a party may retain one copy of such materials and documents for legal purposes.

(e) The parties' obligations pursuant to Articles 5, 6, 7 and 8 and Sections 2.5, 2.6 and 2.7 hereof and any and all other terms and provisions hereof intended to be observed and performed by the parties after the termination hereof, shall survive termination of this Agreement. All other provisions of this Agreement shall terminate upon termination of this Agreement.

ARTICLE 9.

FORCE MAJEURE

9.1. Notice of Force Majeure. Upon giving notice to the other party, a party affected by an event of Force Majeure shall be released without any liability on its part from the performance of its obligations under this Agreement, except for the obligation to pay any amounts due and owing hereunder, but only to the extent and only for the period that its performance of such obligations is prevented by the event of Force Majeure.

9.2. Suspension of Performance. During the period that the performance by one of the parties of its obligations under this Agreement has been suspended by reason of an event of Force Majeure, the other party may likewise suspend the performance of all or part of its obligations hereunder (except for the obligation to pay any amounts due and owing hereunder) to the extent that such suspension is commercially reasonable.

ARTICLE 10.

MISCELLANEOUS

10.1. Nondisclosure. The parties agree not to disclose or use (except as permitted or required for performance by the party receiving such Confidential Information of its rights or duties hereunder or under other agreement between the parties or their Affiliates) any Confidential Information of the other party obtained during the term of this Agreement until the expiration of any and all Patents. Each party further agrees to take appropriate measures to prevent any such prohibited disclosure of Confidential Information by its present and future employees, officers, agents, subsidiaries, or consultants during such period.

10.2. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors or assigns of the parties hereto; provided, that (a) the rights and obligations of Supplier herein may not be assigned except to any person who succeeds to substantially all of the assets and business of Supplier to which this Agreement relates, and (b) the rights and obligations of Company herein may not be assigned except that Company may assign any or all of its rights, interests and obligations hereunder without Supplier's consent (i) to Company's direct or indirect parent, (ii) to any

subsidiary of Company at least 50% of the voting power of which is owned, directly or indirectly, by Company or its Affiliates, (iii) to a wholly-owned, direct or indirect subsidiary of Company, (iv) to an entity that acquires the entire equity interest or substantially all of the assets of Company or Company's parent, or (v) to any person who acquires the product line to which this Agreement pertains; provided that any assignee under this clause (b) shall expressly agree to be bound by all of the provisions of this Agreement, including Section 4.3, and (c) the Company may collaterally assign its rights under this Agreement to parties providing financing in connection with the transactions contemplated hereby. The Supplier may enter into agreements with third parties to provide for performance by third parties of any or all of its obligations to manufacture and supply the Drugs; provided that such agreement is consistent with this Agreement in all material respects. Notwithstanding the provisions of any such agreement, the Supplier shall remain obligated and liable to Company for the performance of its obligations and duties hereunder.

10.3. Complete Agreement. This Agreement and the License and Development Agreement, and the Schedules and Exhibits hereto and thereto, constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all prior agreements whether written or oral relating hereto.

10.4. Governing Law. The formation, legality, validity, enforceability and interpretation of this Agreement shall be governed by the laws of the State of Oregon, without giving effect to the principles of conflict of laws.

10.5. Waiver, Discharge, Amendment, Etc. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall not, absent an express written waiver signed by the party making such waiver specifying the provision being waived, be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part thereof or the right of the party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach. Any amendment to this Agreement shall be in writing and signed by the parties hereto.

10.6. Notices. All notices or other communications to a party required or permitted hereunder shall be in writing and shall be delivered personally or by facsimile (receipt confirmed electronically) to such party (or, in the case of an entity, to an executive officer of such party) or shall be sent by a reputable express delivery service or by certified mail, postage prepaid with return receipt requested, addressed as follows:

If to Company, to:
Cook Group Incorporated
750 Daniels Way
Bloomington, Indiana 47204
Attn: Pete Yonkman
Facsimile: (812)-339-5369

with a copy to:
Ice Miller LLP
One American Square, Suite 3100
Indianapolis, Indiana 46282
Attn: Stephen J. Hackman
Facsimile: (317) 592-4666

If to Supplier, to:
AVI BioPharma, Inc.
One SW Columbia, Suite 1105
Portland OR 97258
Attn: Alan Timmins
Facsimile: (503) 227-0554

with a copy to:
Davis Wright Tremaine LLP
1300 SW Fifth Avenue, Suite 2300
Portland OR 97201-5682
Attn: Michael Phillips
Facsimile: (503) 778-5299

Any party may change the above–specified recipient and/or mailing address by notice to all other parties given in the manner herein prescribed. All notices shall be deemed given on the day when actually delivered as provided above (if delivered personally or by facsimile) or on the day shown on the return receipt (if delivered by mail or delivery service).

10.7. Expenses. Except as expressly provided herein, Supplier and Company shall each pay their own expenses incident to this Agreement and the preparation for, and consummation of, the transactions provided for herein.

10.8. Titles and Headings; Construction. The titles and headings to the Articles and Sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. This Agreement shall be construed without regard to any presumption or other rule requiring construction hereof against the party causing this Agreement to be drafted.

10.9. Severability. If any provision of this Agreement is held invalid, illegal or unenforceable, such provision shall be enforced to the maximum extent permissible and the remaining provisions shall nonetheless be enforceable according to their terms.

10.10. Relationship. This Agreement does not make either party the employee, agent or legal representative of the other for any purpose whatsoever. Neither party is granted any right or authority to assume or to create any obligation or responsibility, express or implied, on behalf of or in the name of the other party. In fulfilling its obligations pursuant to this Agreement, each party shall be acting as an independent contractor.

10.11. Benefit. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

10.12. Survival. All of the representations, warranties, and covenants made in this Agreement, and all terms and provisions hereof intended to be observed and performed by the parties after the termination hereof, shall survive such termination and continue thereafter in full force and effect, subject to applicable statutes of limitations.

10.13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed as original and all of which together shall constitute one instrument.

10.14. Execution of Further Documents. Each party agrees to execute and deliver without further consideration any further applications, licenses, assignments or other documents, and to perform such other lawful acts as the other party may reasonably require to fully secure and/or evidence the rights or interests herein.

10.15. Public Announcement. In the event any party proposes to issue any press release or public announcement concerning any provisions of this Agreement or the transactions contemplated hereby, such party shall so advise the other parties hereto, and the parties shall thereafter use their best efforts to cause a mutually agreeable release or announcement to be issued. Neither party will publicly disclose or divulge any provisions of this Agreement nor the transactions contemplated hereby without the other party's written consent, except as may be required by applicable law or stock exchange regulation, and except for communications to such party's employees or customers or investors or prospective investors (subject to appropriate confidentiality obligations); provided that, prior to disclosure of any provision of this Agreement that either party considers particularly sensitive or confidential to any governmental agency or stock exchange, the parties shall cooperate to seek confidential treatment or other applicable limitations on the public availability of such information. In particular, prior to such disclosure, each party shall use its best efforts to redact the payment terms specified herein and each party shall provide the other the opportunity to redact other information and seek confidential treatment of any such disclosure.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties has caused this Supply Agreement to be executed in the manner appropriate to each, as of the date first above written.

COOK GROUP INCORPORATED	AVI BIOPHARMA, INC.
By: _____	By: _____
Printed: _____	Printed: _____
Title: _____	Title: _____

EXHIBIT A

Pricing

For the first three grams of the Drug purchased by Company hereunder, the price shall be: *** per mg.

For all subsequent purchases of the Drug hereunder, the price shall be: *** per mg.

As a reference point:

- It is anticipated that the weight of drug on a stent platform will be approximately *** mg;
- For the AVAIL clinical trial, the weight of drug used for catheter delivery was *** mg;
- For AVI's ongoing APRAISAL trial in Germany for systemic delivery, the weight of drug used in the microbubble formulation is *** mg.

NOTE: Portions of this document marked "***" have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment of the omitted and separately filed portions.

LICENSE AND DEVELOPMENT AGREEMENT

THIS LICENSE AND DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into as of March 10, 2006 between AVI BIOPHARMA, INC. ("AVI"), an Oregon corporation, and COOK GROUP INCORPORATED ("Company"), an Indiana corporation.

RECITALS

WHEREAS, AVI has developed technology relating to antisense compounds which may have applications in the treatment of coronary artery and peripheral vascular disease;

WHEREAS, Company makes and sells medical devices relating to the treatment of vascular disease;

WHEREAS, AVI desires to grant, and Company desires to obtain, the rights set forth herein;

WHEREAS, AVI and Company are entering into a Supply Agreement (the "Supply Agreement") and an Investment Agreement (the "Investment Agreement") both of even date herewith regarding AVI's supplying Company's requirements for the Drug (as defined below); and

WHEREAS, the parties desire that Company attempt to develop products using the Technology (as defined below) for the treatment of coronary artery and peripheral vascular disease through certain systemic and non-systemic applications.

AGREEMENT

NOW, THEREFORE, in consideration of the respective representations, warranties, covenants and agreements contained herein, and for other valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1.
DEFINITIONS

1.1. Specific Definitions. As used in this Agreement, the following terms shall have the meanings set forth or as referenced below:

"Actual Cost" means the cost of activities performed by AVI personnel pursuant to this Agreement, including direct labor and materials and allocated overhead costs.

"Affiliate" of a specified person (natural or juridical) means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. "Control" shall mean ownership of more than 50% of the shares of stock entitled to vote for the election of directors in the case of a corporation, and more than 50% of the voting power in the case of a business entity other than a corporation.

"Agreement" means this Agreement and all Exhibits and Schedules hereto.

"AVI" has the meaning set forth in the recitals hereto.

"Company" has the meaning set forth in the recitals hereto.

"Drug" means any phosphorodiamidate morpholino oligomers, with or without attachments to enhance efficacy, that inhibit translation of the human protein, c-myc. Included in this definition are the compounds known as AVI-4126 and AVI-5126.

"Expiration" or "Expired" means, with respect to a particular patent, the patent's expiration, abandonment, cancellation, disclaimer, award to another party other than AVI in an interference proceeding, or declaration of invalidity or unenforceability by a court or other authority of competent jurisdiction (including final rejection in a re-examination or re-issue proceeding).

"FDA" means the U.S. Food and Drug Administration.

"Field" means the treatment of coronary artery and peripheral vascular diseases and conditions by administration of a drug or drug-containing device that inhibits the production or function of the human protein, c-myc. Specifically excluded from the Field are treatment of coronary artery bypass grafts, congestive heart failure, and malignancies.

"Intellectual Property" means U.S. and foreign patents and patent applications, trademarks, service marks and registrations thereof and applications therefor, copyrights and copyright registrations and applications, mask works and registrations thereof, know-how, trade secrets, inventions, discoveries, ideas, technology, data, information, processes, drawings, designs, licenses, computer programs and software, and technical information including but not limited to information embodied in material specifications, processing instructions, equipment specifications, product specifications, confidential data, electronic files, research notebooks, invention disclosures, research and development reports and the like related thereto, and all amendments, modifications, and improvements to any of the foregoing.

"Invention" means any invention, discovery, know-how, trade secret, data, information, technology, process or concept, whether or not patented or patentable, and whether or not memorialized in writing.

"Investment Agreement" means the Investment Agreement of even date herewith by

and between AVI and Company.

"Joint Inventions" is defined in Section 6.3.

"Know-How" means all know-how, trade secrets, expertise, Inventions, discoveries and technical information other than Patents (as defined below) now or hereafter owned by, licensed to, possessed by, or under the control of, AVI which are necessary, appropriate or useful for designing, developing, processing, manufacturing, using, selling or delivering the Drug within the Field, including but not limited to information embodied in drawings, designs, copyrights, copyright registrations and applications, trademarks, service marks and registrations thereof and applications therefor, material specifications, processing instructions, formulas, equipment specifications, product specifications, confidential data, computer software, electronic files, research notebooks, invention disclosures, research and development reports and the like related thereto, and all amendments, modifications, upgrades and improvements to any of the foregoing, occurring before or during the term of this Agreement.

"Liens" means liens, mortgages, charges, security interests, claims, voting trusts, pledges, encumbrances, options, assessments, restrictions, licenses, sublicenses, or third party or spousal interests of any nature.

"Milestone Event" has the meaning set forth in Section 3.2.

"Milestone Payment" has the meaning set forth in Section 3.2.

"Net Sales" of Products with respect to a particular period means the gross amount billed with respect to Products sold by Company, its Affiliates and sublicensees, less (to the extent included in the gross amount and to the extent not for promotional purposes):

(a) cash discounts actually given;

(b) credits or allowances actually given or made on account of price adjustments, rebates (including Medicaid or other government programs, chargebacks, and contractual agreements), or volume reimbursements;

(c) separately stated (on customer invoice) taxes on sales (such as sales and use taxes); and

(d) separately stated (on customer invoice) delivery charges actually paid to third party carriers (including transportation and insurance costs); all as determined in accordance with generally accepted accounting principles; provided, however, that bona fide sample units and clinical trial units of Products will not be included in any calculation of Net Sales.

"NIH License" means the exclusive license granted by the NIH Public Health Service to Lynx Therapeutics, Inc. on September 17, 1996 and assigned to AVI on May 18, 2001 to patents covering "Inhibition of Cell Proliferation Using Antisense Oligonucleotides."

"Patents" means (a) the patents and patent applications, together with any patents that

may issue based thereon, set forth on Exhibit A; (b) any other patents or patent applications now or hereafter owned by or licensed to AVI that are necessary, appropriate or useful for designing, developing, processing, manufacturing, using, selling or delivering the Drug within the Field; including but not limited to, any patents or patent applications covering any sole or joint Inventions of AVI made or conceived during the Term of this Agreement and any improvements thereof; (c) all continuation, divisional, re-issue, re-examination and substitution applications that may be filed, before or during the term of this Agreement, by or for the benefit of AVI based on the foregoing referenced patents or patent application, together with any patents that may issue based thereon; and (d) all foreign applications that may be filed, before or during the term of this Agreement, by or for the benefit of AVI based on the foregoing referenced patents and patent applications, together with all patents which may issue based thereon.

"Performance Standards" has the meaning set forth in Section 10.13.

" Product" means the Drug and any product or device sold by Company or its Affiliate that incorporates or includes the Drug. No more than one (1) payment calculated in accordance with Section 3.1 shall be paid on any single product covered by the Patents even though such product, including its manufacture, sale or use may be covered by Valid Claims of more than one patent included in the Patents.

"Resten-MP™" means the product candidate currently in Phase II clinical development by AVI for prevention of coronary artery restenosis which consists of AVI-4126 formulated in a microbubble formulation for systemic administration to patients.

"Summerton Agreement" means the Technology Transfer Agreement between AVI and Dr. James Summerton (on behalf of Anti-Gene Development Group, an Oregon limited partnership) dated February 9, 1992, as amended.

"Supply Agreement" means the Supply Agreement of even date herewith by and between AVI and Company.

"Technology" means the Patents and the Know-How.

"Term" has the meaning set forth in Section 9.1.

"Unexpired" shall mean a patent that has not Expired.

"Valid Claim" means a claim in an Unexpired patent included with the Patents which has not been held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal and which has not

been admitted to be invalid or unenforceable through reissue or disclaimer.

"UNeMed License" means the license obtained by AVI from UNeMed Corporation pursuant to an agreement dated June 1, 1998 to microbubble technology for use in the delivery of therapeutic compounds.

1.2. Definitional Provisions.

(a) The words "hereof," "herein," and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provisions of this Agreement.

(b) Terms defined in the singular shall have a comparable meaning when used in the plural, and vice-versa.

(c) References to an "Exhibit" or to a "Schedule" are, unless otherwise specified, to one of the Exhibits or Schedules attached to or referenced in this Agreement, and references to an "Article" or a "Section" are, unless otherwise specified, to one of the Articles or Sections of this Agreement.

(d) The term "person" includes any individual, partnership, joint venture, corporation, trust, unincorporated organization or government or any department or agency thereof.

(e) The terms "including" and "includes" and words of similar import mean including, but not limited to.

ARTICLE 2.

LICENSE TO COMPANY

2.1. Grant of License. In consideration for the payments set forth in the Investment Agreement and this Agreement and subject to the terms and conditions of this Agreement, AVI hereby grants to Company a worldwide, sublicensable, exclusive license to the Technology to use, import, export, sell, and offer to sell the Drug in the Field and to make, have made, use, import, sell and offer to sell Products incorporating or utilizing the Drug and/or the Technology in the Field, practice methods covered thereby, and otherwise to commercialize and exploit, the Drug and/or the Technology in the Field. For clarity, AVI grants the foregoing exclusive license to the fullest extent of AVI's rights in the Technology within the Field, retaining only rights in the Technology outside the Field.

2.2. Technology Transfer. AVI shall, upon Company's reasonable request from time to time, provide to Company at AVI's Actual Cost available drawings, specifications, processes, materials, and any manufacturing procedures and such other documentation and Know-How as is reasonably necessary or useful to enable Company to fully utilize the license granted to Company under this Agreement. In addition, AVI will make available personnel as requested by Company, to provide such individual training to Company technical and manufacturing personnel as is necessary to enable Company to fully utilize the license granted to Company under this Agreement, at such reasonable times and places as Company may request from time to time, including, without limitation, to complete any development of the Technology in the Field, and to assist in the transfer of any manufacturing and regulatory submissions (including raw and compiled clinical data), certificates or other documents or approvals.

ARTICLE 3.

FEES, ROYALTIES AND REPORTS

3.1. Royalty Payments.

(a) Subject to the terms of this Agreement, Company shall pay to AVI a royalty equal to *** of (i) Net Sales of Products by Company, Affiliates, and sublicensees; and (ii) any other payments or consideration paid to Company by sublicensees who are not Affiliates of the Company in consideration of the grant of such sublicense, including but not limited to upfront payments, stock payments, and milestone payments.

3.2. Milestone Payment. Company shall pay AVI a one-time milestone payment of *** (the "Milestone Payment") within thirty (30) days after the date upon which Company's cumulative Net Sales of Products reaches *** (the "Milestone Event").

3.3. Third Party Patent Rights. Notwithstanding any other provision of this Agreement to the contrary, Company shall not be liable for any royalties, payments or other amount due or to become due to third parties under any license or other agreement with respect to the Drug or the Technology that is in effect as of the date of this Agreement (including any such royalties, payments or other amounts payable under the NIH License, the Summerton Agreement or the UNeMed License), all of which royalties, payments and other amounts shall be borne by AVI. After the date hereof, if the parties agree that AVI needs to obtain rights to a third party patent that it does not have rights to on the date hereof to commercialize the Drug within the Field, then the parties shall agree on the allocation between the parties of the cost of obtaining such rights (including any royalties that may be payable).

3.4. Reports and Payments. Within thirty (30) days after the end of each calendar quarter, Company shall provide AVI with a written report indicating the amount of Net Sales of Products during such preceding period and the amount of the royalties due for such period. Simultaneous with making such report, Company shall pay to AVI the amount of royalties then due. With respect to sales of Products outside the United States on which any earned royalties are payable hereunder, conversions to U.S. dollars, shall be made by based on interbank (official) rates as reported on www.oanda.com as of the first Business Day of the month in which the payment is to be made. Notwithstanding anything to the contrary contained in this Agreement, Company shall be entitled to withhold, from earned royalties payable hereunder, all taxes thereon required, by competent governmental authorities, to be withheld.

3.5. Records. Company agrees to keep accurate written records sufficient in detail to enable the royalties payable under this Agreement by Company to be determined and verified for a period of one (1) year after the delivery of any royalty report.

3.6. Audit of Records. Upon reasonable notice and during regular business hours, Company shall from time to time, but no more frequently than once annually, make available the records referred to in Section 3.5 for audit at AVI's expense by independent representatives selected by AVI and reasonably acceptable to Company to verify the accuracy of the reports provided to AVI. Such representatives shall execute a suitable confidentiality agreement

reasonably acceptable to Company prior to conducting such audit. Such representatives may disclose to AVI only their conclusions regarding the accuracy of royalty payments and of records related thereto, and shall not disclose Company's information to AVI without the prior written consent of Company. No claim may be asserted by AVI against Company for any errors unless made within thirty (30) days following completion of such examination or audit made pursuant to this Section 3.6. The right to audit shall extend through one (1) year following the delivery of the last royalty report of a calendar year and thereafter any royalty report shall be deemed complete and accurate. Each royalty report shall be subject to only one such examination and audit. The party benefiting from any discrepancy will promptly pay the amount of such discrepancy to the other.

ARTICLE 4.

DEVELOPMENT PROJECT

4.1. Development Efforts.

(a) During the Term of this Agreement, Company will control any regulatory and clinical programs for the Drug in the Field as Company deems appropriate (including the clinical trials set forth in the Article 4) and obtain in Company's name any necessary device or medical regulatory approvals from the FDA, and any applicable regulatory agencies of such other countries as Company deems appropriate, prerequisite to the commercial sale of products for their intended uses. AVI will supply Company with all available documents, instruments, information and reports reasonably necessary or convenient as requested by Company in connection with such regulatory approval efforts and in connection with pre-clinical efforts. During the Term of this Agreement, AVI will assist and cooperate with the development of the Drug in the Field, including, without limitation, supplying the Drug to Company and advising and participating in product scientific research and development proceedings and all governmental actions, including filings, proceedings and meetings, as requested by Company. AVI will also assist and cooperate with Company in Company's development of coating technology and processes necessary or convenient for the use of the Drug in the Field. In connection with the foregoing and at Company's reasonable request, AVI shall make available senior AVI personnel responsible for and knowledgeable about the Drug and the Technology. AVI grants to Company the right of reference to AVI's regulatory files with the FDA or other appropriate government agencies as necessary or helpful for support of Company's regulatory submissions with respect to the Drug in the Field. All regulatory approvals funded by Company and all related studies, documents, instruments, information and reports, will be in Company name and owned by Company. Company grants to AVI the right of reference to Company's regulatory files relating to the Drug with the FDA or other appropriate governmental agencies as necessary for support of AVI's current or future regulatory submissions outside the Field; provided that AVI shall not be entitled to utilize such right in connection with any commercialization efforts involving a medical device company for use in the Field. AVI shall provide prior written notice to Company of any exercise of such right of reference specifying the time of such exercise, the type of filing, the regulatory files to be referenced and such other circumstances as may be appropriate for Company to determine AVI's compliance with the exercise of such right. AVI's sole remedy for any breach of Company's obligations under this Section 4.1 shall be as set forth in Section 9.2.

(b) Payments to AVI for Development Support. Except for the supply of clinical and commercial supplies of Drug, the terms of which are included in the Supply Agreement, Company will reimburse AVI's Actual Costs in providing all services and support provided by AVI pursuant to this Agreement. Within thirty (30) days of the end of each calendar quarter, AVI will send Company an invoice specifying the Actual Cost of services and support provided in the just-ended quarter and the payment due. Within thirty (30) days of receiving each such invoice, Company will make a payment to AVI for the full amount due.

(c) AVI shall supply to Company on payment terms specified in the Supply Agreement such quantities of the Drug as are reasonably required by Company in connection with pre-clinical and clinical trials and in connection with obtaining regulatory approvals. AVI represents and warrants to Company that all Drugs supplied to Company hereunder will have been manufactured, labeled and packaged in accordance with all applicable laws and regulations, including (as applicable) FDA GMP requirements and all other manufacturing requirements that are applicable for the intended uses of Drug that have been communicated to AVI by Company.

4.2. Non-Compete. AVI shall not directly or indirectly market or sell, or directly or indirectly encourage or solicit the submission of, or entertain inquiries, proposals or offers from any person or entity (other than Company or its Affiliates), or otherwise provide information to or engage in discussions with any other person or entity, in any way relating to the sale, licensing, distribution or other disposition of any compound for use or application in the Field or any Intellectual Property relating to the compound for use or application in the Field.

4.3. Resten-MP. Company agrees to complete the multicenter Phase II clinical trial of Resten-MP currently underway in Germany to assess the safety and efficacy of Resten-MP in preventing coronary artery restenosis ("German Study"). Company may elect to have AVI complete the German Study and in such case will pay AVI's Actual Costs incurred in doing so. Completion of the German Study is defined as completing 6-month follow-up assessments, per the study protocol, of at least thirty-five (35) evaluable patients. Within sixty (60) days of obtaining the final data from the German Study, Company will inform AVI of its decision whether or not to continue product development of Resten-MP. In the event that Company decides to continue development, it will share with AVI its plans for development of the final commercial formulation of drug and its Phase III clinical strategy for Resten-MP. If Company decides not to continue development of Resten-MP or a similar microparticle delivery Product (for example based on AVI-5126) following completion of the German study, AVI may on thirty (30) days written notice reacquire all rights specific to microparticle delivery Products. AVI may also reacquire all rights specific to microparticle delivery Products, on thirty (30) days written notice if at any time in the further development program for Resten MP or a similar microparticle delivery Product: a) Company informs AVI that it has decided to discontinue development of Resten-MP or a similar microparticle delivery Product; or b) six (6) months elapse during which no development work on Resten-MP or a similar microparticle delivery Product is ongoing by Company, in which case the development program will be deemed to be discontinued. In any such case, upon written notice by AVI to Company, the definition of Field will be amended to exclude all rights specific to microparticle delivery of Drugs.

4.4. Product Development Committee. Company agrees to use commercially reasonable efforts to commercialize the Technology in the Field. AVI and Company

acknowledge that the development process for new technologies is uncertain and that unforeseen issues may arise. In order to ensure that Company is pursuing the Technology and to accommodate the uncertainty of product development, the parties agree to the following:

(a) Company and AVI shall each appoint a representative to a Product Development Committee. The Product Development Committee will be primarily responsible for monitoring Company's efforts to develop and commercialize the Technology in the Field and for monitoring and promoting cooperation in those efforts between and among the parties and their representatives. The Product Development Committee shall meet no less frequently than every other month during the Term at times and places to be determined by agreement of the members thereof.

(b) If either member of the Product Development Committee is dissatisfied with the nature or extent of the progress being made with respect to the commercialization of the Technology, that member may request a meeting of one or more members of senior management of each party to discuss and attempt to resolve the issue. The first such meeting of the parties' representatives shall take place within thirty (30) days of the request. Each party shall cause its representatives to negotiate in good faith to attempt to reach a mutually acceptable resolution of any issue referred to its senior management.

ARTICLE 5.

AVI'S OBLIGATIONS

5.1. Maintain Licenses in Force. AVI shall comply with all of the provisions of, and shall maintain in full force and effect (including the timely payment of all royalties, payments and other amounts due thereunder), all license agreements with third parties, including, specifically, the NIH License and UNeMed License, pursuant to which AVI is licensee of Intellectual Property included in the Technology. AVI shall promptly notify Company if any such third party alleges any breach, default, or event that, with the passage of time or giving of notice could become a default, by AVI of any such license agreement. Company shall be entitled, but not obligated, to cure any alleged breach or default by AVI of such license agreement and set-off the cost of such cure against amounts otherwise owed to AVI hereunder.

5.2. Company Exclusivity. AVI will not, without the prior written consent of Company, supply, sell, transfer or otherwise dispose of the Drug or any products or components utilizing the Drug or the Technology or any Joint Invention to any third party if AVI should have known after making reasonable inquiry or has actual knowledge (including the actual knowledge of any of AVI's executive officers) that such third party intends or is likely to use, sell, supply, transfer or otherwise dispose of the Drug or any such products, components, Technology or any Joint Inventions in the Field. Prior to any sale, supply, transfer or other disposition to any third party of the Drug or any products or components utilizing the Drug or any such products, components, Technology or any Joint Invention, AVI shall obtain the agreement of such third party that it will not use, sell, supply, transfer or otherwise dispose of the Drug or any such products, components, Technology or any Joint Inventions in the Field. AVI shall obtain the agreement of such third party that Company will be an express third party beneficiary of such agreement. The restrictions set forth in this Section 5.2 shall not apply to transfers of the Drug to

consultants or agents of AVI who are performing research or consulting services on behalf of AVI in connection with such transfer.

5.3. No Amendments With Adverse Effects to Company. AVI agrees not to modify, waive or amend any provision of any agreement in effect as of the date hereof that would adversely affect Company's obligations under Article 3 without the prior written consent of Company, including any modification, waiver or amendment to any agreement in effect as of the date hereof that could have the effect of increasing the amount payable to the licensor.

ARTICLE 6.

INTELLECTUAL PROPERTY

6.1. Protect Know-How. AVI and Company agree to maintain the confidentiality of all Confidential Information (as such term is defined in the Investment Agreement), including but not limited to the status of any patent applications included in the Patents, to the extent such patent applications relate solely to the Field. Each party agrees not to disclose or use (except as permitted or required for performance by the party receiving such Confidential Information of its rights or duties hereunder) any Confidential Information of the other party obtained during the term of this Agreement. Each party further agrees to take appropriate measures to prevent any such prohibited disclosure by its present and future employees, officers, agents, subsidiaries, or consultants during the term of this Agreement and shall be liable for any breach of this Article 6 by and such person.

6.2. Protection of Technology. During the term of this Agreement, each party shall promptly inform the other of any Invention, improvement, amendment, upgrading or modification relating to the Drug or the Technology which may be applicable or useful in the Field. AVI agrees to protect the Technology by obtaining and maintaining appropriate patent rights as recommended by reputable patent counsel; provided, however, that Company shall have the right to review and approve any filings or other correspondence with the appropriate patenting authority relating to the Technology or the Drug in the Field. Company shall not unreasonably withhold such approval. If Company determines, in its sole discretion, that any Technology conceived, reduced to practice or otherwise made, developed or acquired by one or more employees or agents of AVI is not being adequately protected by patents, Company may so inform AVI. If Company decides that AVI's response has been inadequate, Company may take whatever action it deems necessary at its expense to protect such Technology. All patents and copyright registrations shall be applied for in the names of the actual inventors or authors and shall be assigned to AVI, subject to Company's rights and license therein; each party shall execute and deliver such forms of assignment, power of attorney and other documents which are necessary to give effect to the provisions hereof.

6.3. Ownership of Intellectual Property. Subject to the rights and licenses granted to Company by this Agreement, (a) any Intellectual Property conceived, reduced to practice or otherwise made, developed or acquired by one or more employees or agents of AVI shall be the property of AVI, (b) any

Intellectual Property conceived, reduced to practice or otherwise made, developed or acquired by one or more employees or agents of Company shall be the property of

Company, and (c) AVI and Company shall each have an undivided one-half interest in any Intellectual Property jointly conceived, reduced to practice or otherwise made, developed or acquired by one or more employees or agents of AVI and one or more employees or agents of Company ("Joint Inventions"). For purposes of this Section 6.3, Intellectual Property which is the subject of a patent application shall be deemed to have been developed jointly by employees or agents of Company and AVI, and thus be a Joint Invention, if at least one employee or agent of each of Company and AVI is required to be named as an inventor in such application in order for such patent to be valid.

6.4. Prosecution of Patents on Joint Inventions. If either AVI or Company proposes to file an application for any U.S or foreign patents, copyright registration, or any continuation or modification thereof, with respect to any Joint Invention, then such party proposing such registration ("the first party") shall notify the other party ("the second party") in writing and the second party shall have option of joining in such action. If the second party elects to join in such action, the second party shall pay one-half of the total expenses incurred by Company and AVI therein and be entitled to participate in all material steps in such action. If the second party elects not to join in such action, the first party shall be entitled to control such action, but such failure to participate shall not affect the second party's ownership interest in the Joint Inventions or in any Intellectual Property rights therein. Whether or not the second party elects to join in such action, the second party shall, upon the request of the first party, cooperate with and assist the first party in such action to the extent required by statute, regulation or government agency, including without limitation, executing and delivering all documents in connection therewith and using its reasonable efforts to obtain such executions from all appropriate employees and agents of the second party at the second party's cost. Each party will treat Joint Inventions as Confidential Information.

6.5. License Grant to AVI. Company hereby grants AVI (for all applications outside the Field) a worldwide, royalty-free, nonexclusive license, with the right to sublicense, to any Intellectual Property that is based upon AVI's Technology and is invented by employees of Company working on the development of Products pursuant to this Agreement.

6.6. Prosecution of Infringement of Technology.

(a) Each of Company and AVI shall promptly notify the other if it knows or has reason to believe that any of the rights to the Technology in the Field are being infringed or misappropriated by a third party or that such infringement or misappropriation is threatened. The parties shall consult with each other as promptly as reasonably practicable to review actions to be taken in connection with such alleged infringement or misappropriation. The parties acknowledge that many of the patents licensed by Company hereunder contain claims that bear on other therapeutic fields and applications in addition to the Field. Company shall have the right to institute and control the prosecution of any alleged infringement or misappropriation of the Technology in the Field, provided however, that Company shall not enter into any settlement without AVI's written consent that could impact AVI's or AVI's licensees' ability to develop or commercialize products outside the Field.

(b) Company shall be solely responsible for payment of all costs and expenses it incurs in the prosecution and/or a negotiation of a settlement. Company shall have the right to

act in the name of, or on behalf of AVI, and join AVI as a party plaintiff to any such proceeding if Company believes it is necessary or advisable to successfully prosecute such infringement or misappropriation. AVI shall cooperate in connection with the initiation and prosecution by Company of such suit or action. The proceeds from any judgment, decision or settlement shall first be used to reimburse Company for all costs and expenses it incurred relating to prosecution and settlement of any action; second, be allocated equally between Company and AVI.

(c) If Company fails to initiate the prosecution of any alleged infringement or misappropriation of the Technology in the Field within six (6) months of receiving written notice from AVI or providing notice to AVI of any commercially significant infringement or misappropriation, AVI shall have the right to institute and control the prosecution of any such alleged infringement or misappropriation. AVI shall be solely responsible for the payment of all costs and expenses it incurs in the prosecution and/or a negotiation of a settlement. AVI may request from Company the right to act in the name of, or on behalf of Company, and to join Company as a party plaintiff to any such proceeding that AVI believes it is necessary or advisable to successfully prosecute such infringement or misappropriation, such request not to be unreasonably withheld or delayed by Company. If such right is granted to AVI, Company shall cooperate in connection with the initiation and prosecution by AVI of such suit or action. The proceeds from any judgment, decision or settlement shall first be used to reimburse AVI for all costs and expenses it incurred relating to prosecution and settlement of any action; second, be allocated on an equal basis between Company and AVI.

ARTICLE 7.

REPRESENTATIONS AND WARRANTIES

7.1. Representations of AVI. AVI represents, warrants and covenants to Company that:

(a) AVI is a corporation duly organized, validly existing, and in good standing under the laws of the State of Oregon and has full corporate power to conduct the business in which it is presently engaged and to enter into and perform its obligations under this Agreement.

(b) AVI has taken all necessary corporate action under the laws of the state of its incorporation and its certificate of incorporation and by-laws to authorize the execution and consummation of this Agreement and, when executed and delivered by AVI, this Agreement shall constitute the valid and legally binding agreement of AVI enforceable against AVI in accordance with the terms hereof, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein will violate any provision of the certificate of incorporation or bylaws of AVI or any law, rule, regulation, writ, judgment, injunction, decree, determination, award or other

order of any court or governmental agency or instrumentality, domestic or foreign, or conflict with or result in any breach of any of the terms of or constitute a default under or result in termination of or the creation or imposition of any Lien pursuant to the terms

of any contract or agreement to which AVI is a party or by which AVI or any of its assets is bound.

(d) AVI exclusively owns, or has valid and subsisting exclusive license rights (with the right to sublicense) to, all of the Technology within the Field, subject to no Lien whatsoever. Other than payment obligations under the NIH License, the UNeMed License, and the Summerton Agreement, AVI is not subject to any obligation to any person or entity for royalties, fees or commissions in respect of the Technology within the Field. No current or former stockholder, employee, officer, agent or consultant of AVI has any rights in or to any of the Technology for use within the Field. The Technology is valid and enforceable and has not been challenged in any judicial or administrative proceeding and AVI has not received and is not aware of any claim or notice of any person that such person is contemplating such action. AVI's execution and performance of this Agreement, the transactions contemplated herein and Company's use of the Technology within the Field will not infringe, misappropriate, misuse or conflict with the rights, including patent and other Intellectual Property or contractual rights, of third parties. AVI has the right and authority to enter into this Agreement and to grant the license granted herein. To AVI's knowledge, no person or entity nor such person's or entity's business or products has infringed, misused, misappropriated or conflicted with the Technology within the Field or currently is infringing, misusing, misappropriating or conflicting with such Technology within the Field.

(e) There are no actions, suits, claims, disputes or proceedings or governmental investigations pending or, to AVI's knowledge, threatened against AVI or any of its Affiliates with respect to the Technology or the use thereof by AVI, either at law or in equity, before any court or administrative agency or before any governmental department, commission, board, bureau, agency or instrumentality, or before any arbitration board or panel whether located in the United States or a foreign country. AVI has not failed to comply with any law, rule, regulation, writ, judgment, injunction, decree, determination, award or other order of any court or other governmental department, commission, board, bureau, agency or instrumentality, or before any arbitration board or panel whether located in the United States or a foreign country, which failure in any case would in any material respect impair any rights of Company under this Agreement.

(f) All Patents identified in Exhibit A have the status indicated therein and all applications are still pending in good standing and have not been withdrawn or abandoned. The Patents identified in Exhibit A constitute all of the current patents and patent applications of AVI having applicability to the Technology or the Drug within the Field. AVI has made all statutorily required filings, if any, to record its interest in the Patents.

(g) No representation or warranty made by AVI herein and no information disclosed by AVI to Company contains any untrue statement of a material fact or omits to state a material fact necessary to make the statement made herein or therein not misleading.

(h) The NIH License and the UNeMed License are in full force and effect and there are no existing defaults, or events, which, with the passage of time or giving of notice, would become defaults thereunder. AVI is the sole and exclusive owner of the licensee's interest in the NIH License and the UNeMed License, free and clear of any Liens. The execution and delivery by AVI of this Agreement and its performance hereunder will not constitute a default (or an

event which, with the passage of time or giving of notice, would constitute a default) under the NIH License or the UNeMed License. AVI has not received notice, nor is AVI otherwise aware, that the licensor under the NIH License or the UNeMed License intends to cancel or terminate the corresponding license or provide notice of a default (or an event which, with the passage of time or giving of notice, would constitute a default) thereunder. None of the terms of the NIH License or the UNeMed License has been impaired, waived, altered, amended or modified in any respect) prior to the date hereof. AVI has previously delivered to Company true and correct copies of the NIH License and the UNeMed License.

(i) AVI has made no public disclosure of any non-patented Technology in the Field and shall make no public disclosure of any such Technology in the Field or any such Technology in the Field which may come into existence during the term of this Agreement, except to the extent required by law or to obtain patent protection therefore. AVI has otherwise taken reasonable steps to protect its rights in the Technology.

(j) As of the date hereof, the protein referred to in the definition of "Drug" set forth in Section 1.1 constitutes ***.

7.2. Representations of Company. Company represents, warrants and covenants to AVI that:

(a) Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Indiana and has full corporate power to conduct the business in which it is presently engaged and to enter into and perform its obligations under this Agreement.

(b) Company has taken all necessary corporate action under the laws of the state of its incorporation and its Articles of Incorporation and bylaws to authorize the execution and consummation of this Agreement and, when executed and delivered by Company, this Agreement shall constitute the valid and legally binding agreement of Company enforceable against Company in accordance with the terms hereof, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein will violate any provision of the Articles of Incorporation and bylaws of Company or any law, rule, regulation, writ, judgment, injunction, decree, determination, award or other order of any court or governmental agency or instrumentality, domestic or foreign, or conflict with or result in any breach of any of the terms of or constitute a default under or result in termination of or the creation or imposition of any Lien pursuant to the terms of any contract or agreement to which Company is a party or by which Company or any of its assets is bound.

ARTICLE 8.

INDEMNIFICATION

8.1. Indemnification by AVI. AVI shall indemnify, defend and hold harmless Company and each of its subsidiaries, officers, directors, shareholder, employees, agents and

affiliates (collectively, all such indemnities are referred to in this Section as "Company") against and in respect of any and all claims, demands, losses, obligations, liabilities, damages (and including without limitation, compensatory and punitive damages), deficiencies, actions, settlements, judgments, costs and expenses which Company may incur or suffer or with which it may be faced (including reasonable costs and legal fees incident thereto or in seeking indemnification therefor), (referred to as "Costs") arising out of or based upon the breach by AVI of any of its representations, warranties, covenants or agreements contained or incorporated in this Agreement or any agreement, certificate or document executed and delivered to Company by AVI in connection with the transactions hereunder. An amount for which Company is entitled to indemnification pursuant hereto is referred to as an "Indemnified Amount." During the term of this Agreement, AVI shall maintain, at its expense, a policy of comprehensive general liability insurance sufficient to honor the indemnity made herein, with products liability endorsement, but in no event less than Seven Million Five Hundred Thousand U.S. Dollars ($7,500,000) in the aggregate with a maximum deductible per occurrence of not more than One Million U.S. Dollars ($1,000,000). Such policy shall name Company and its Affiliates as additional insureds. AVI shall furnish Company with a certificate of insurance evidencing such coverage within thirty (30) days of the execution of this Agreement, which certificate shall provide for not less than thirty (30) days notice to Company prior to material change in coverage or policy cancellation.

8.2. Indemnification by Company. Company shall indemnify, defend and hold harmless AVI and each of its subsidiaries, officers, directors, shareholder, employees, agents and affiliates (collectively, all such indemnities are referred to in this Section as "AVI") against and in respect of any and all claims, demands, losses, obligations, liabilities, damages (and including without limitation, compensatory and punitive damages), deficiencies, actions, settlements, judgments, costs and expenses which AVI may incur or suffer or with which it may be faced (including reasonable costs and legal fees incident thereto or in seeking indemnification therefor), (referred to as "Costs") arising out of or based upon the breach by Company of any of its representations, warranties, covenants or agreements contained or incorporated in this Agreement or any agreement, certificate or document executed and delivered to AVI by Company in connection with the transactions hereunder. An amount for which AVI is entitled to indemnification pursuant hereto is referred to as an "Indemnified Amount." During the term of this Agreement, Company shall maintain, at its expense, a policy of comprehensive general liability insurance sufficient to honor the indemnity made herein, with products liability endorsement, but in no event less than Seven Million Five Hundred Thousand U.S. Dollars ($7,500,000) in the aggregate with a maximum deductible per occurrence of not more than One Million U.S. Dollars ($1,000,000)). Such policy shall name AVI and its Affiliates as additional insureds. Company shall furnish AVI with a certificate of insurance (or a self-insurance letter (if Company is self-insured)) evidencing such coverage within thirty (30) days of the execution of this Agreement, which certificate shall provide for not less than thirty (30) days notice to Company prior to material change in coverage or policy cancellation.

8.3. Third Party Claims. If a claim by a third party is made against any indemnified party, and if the indemnified party intends to seek indemnity with respect thereto under this Article 8, such indemnified party shall promptly notify the indemnifying party of such claim; provided, however, that failure to give timely notice shall not affect the rights of the indemnified party so long as the failure to give timely notice does not adversely affect the indemnifying party's ability to defend such claim against a third party. The indemnifying party shall be entitled

to settle or assume the defense of such claim, including the employment of counsel reasonably satisfactory to the indemnified party. If the indemnifying party elects to settle or defend such claim, the indemnifying party shall notify the indemnified party within thirty (30) days (but in no event less than twenty (20) days before any pleading, filing or response on behalf of the indemnified party is due) of the indemnifying party's intent to do so. If the indemnifying party elects not to settle or defend such claim or fails to notify the indemnified party of the election within thirty (30) days (or such shorter period provided above) after receipt of the indemnified party's notice of a claim of indemnity hereunder, the indemnified party shall have the right to contest, settle or compromise the claim without prejudice to any rights to indemnification hereunder. Regardless of which party is controlling the settlement of defense of any claim, (a) both the indemnified party and indemnifying party shall act in good faith, (b) the indemnifying party shall not thereby permit to exist any Lien, encumbrance or other adverse charge upon any asset of any indemnified party or of its subsidiaries, (c) the indemnifying party shall permit the indemnified party to participate in such settlement or defense through counsel chosen by the indemnified party, with all fees, costs and expenses of such counsel borne by the indemnified party, (d) no entry of judgment or settlement of a claim may be agreed to without the written consent of the indemnified party, and (e) the indemnifying party shall promptly reimburse the indemnified party for the full amount of such claim and the related expenses as incurred by the indemnified party pursuant to this Article 8. So long as the indemnifying party is reasonably contesting any such third party claim in good faith and the foregoing clause (b) is being complied with, the indemnified party shall not pay or settle any such claim. The controlling party shall upon request deliver, or cause to be delivered, to the other party copies of all correspondence, pleadings, motions, briefs, appeals or other written statements relating to or submitted in connection with the settlement or defense of any such claim, and timely notices of any hearing or other court proceeding relating to such claim.

8.4. Set-Off. In the event Company is entitled to indemnification under this Article 8, Company shall be entitled in its discretion, without limitation of any other rights or remedies of Company, to set-off all or any part of the Indemnified Amount against any amounts which are then owed or thereafter become owed by Company to AVI. Company shall be entitled to set-off an Indemnified Amount when such Costs are threatened, whether or not yet incurred and whether or not the amount thereof has been finally determined. If Company defers payment of any amount to AVI past the scheduled payment date because there exists a pending indemnification claim by Company pursuant to this Article 8 the amount of which has not then been finally determined, the excess, if any, of such deferred amount over the finally determined amount of the indemnification claim shall be promptly paid upon such final determination, together with simple interest at the rate of eight percent (8%) per annum on such excess accrued from the originally scheduled payment date for such deferred amount.

ARTICLE 9.

TERM AND TERMINATION

9.1. Term of License. Unless otherwise terminated under provisions of Section 9.2, Section 10.13 or extended by mutual agreement of the parties, this Agreement and the license granted under Section 2.1 shall terminate upon the expiration of the last to expire Valid Claim ("Term").

9.2. Termination.

(a) If either party is in material breach of the terms, conditions or agreements of this Agreement, then the other party may terminate this Agreement, at its option and without prejudice to any of its other legal and equitable rights and remedies, by giving the breaching party thirty (30) days notice in writing, particularly specifying the breach. Such notice of termination shall not be effective if the breaching party cures the specified breach within such thirty (30) days period. Each party shall have the right to suspend payment of any amount due to the other hereunder during the time that the breach of the other party remains uncured.

(b) Company shall have the right, in its sole discretion, to terminate this Agreement at any time on ninety (90) days written notice to AVI.

(c) AVI shall have the right to terminate this Agreement upon sixty (60) days prior written notice if, following an assignment of Company's rights under this Agreement pursuant to Section 10.13(b)(iv) or (v), the permitted assignee terminates its development efforts under this Agreement.

9.3. Effect of Termination.

(a) In the event of termination of this Agreement, Company shall be entitled to complete all work-in-process and sell its remaining inventory of Products, subject to the payment of royalties pursuant to Section 3.1 on such Net Sales.

Upon termination of this Agreement, each party will within thirty (30) days return to the other all tangible Confidential Information of the other party (except one copy which may be retained by legal counsel solely for evidentiary purposes in the event of a dispute), and each party will deliver to the other a copy of any documentation in its possession or control specifically relating to the Joint Inventions.

ARTICLE 10.

MISCELLANEOUS

10.1. Further Assurances. Each party agrees to execute and deliver without further consideration any further applications, licenses, assignments or other documents, and to perform such other lawful acts as the other party may reasonably request to fully secure and/or evidence the rights or interests herein.

10.2. Complete Agreement. This Agreement, the Investment Agreement and the Supply Agreement (including all schedules and exhibits hereto and thereto for such agreements) constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein or therein, with respect to the subject matter hereof and thereof. This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

10.3. Survival of Representations, Warranties and Agreements. The representations, warranties, covenants and agreements contained in and Articles 7 and 8 of this Agreement shall survive termination of this Agreement and remain in full force and effect. No independent investigation of AVI by Company, its counsel, or any of its agents or employees shall in any way limit or restrict the scope of the representations and warranties made by AVI in this Agreement.

10.4. Waiver, Discharge, Amendment, Etc. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall not, absent an express written waiver signed by the party making such waiver specifying the provision being waived, be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part thereof or the right of the party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach. Any amendment to this Agreement shall be in writing and signed by AVI and Company.

10.5. Notices. All notices or other communications to a party required or permitted hereunder shall be in writing and shall be delivered personally or by telecopy (receipt confirmed) to an executive officer of such party or shall be sent by a reputable express delivery service or by certified mail, postage prepaid with return receipt requested, addressed as follows:

if to Company to:	Cook Group Incorporated 750 Daniels Way Bloomington, Indiana 47204 Attn: Pete Yonkman Facsimile: (812) 339-5369
With a copy to:	Ice Miller LLP One American Square, Suite 3100 Indianapolis, Indiana 46282 Attention: Stephen J. Hackman Facsimile: (317) 592-4666
if to AVI to:	AVI BioPharma, Inc. One SW Columbia Street, Suite 1105 Portland, OR 97225 Attn: Alan Timmins Facsimile: (503) 227-0751
With a copy to:	Davis Wright Tremaine LLP

1300 SW Fifth Avenue, Suite 2300
Portland, OR 97201-5682
Attn: Michael Phillips
Facsimile: (503 778-5299)

Any party may change the above-specified recipient and/or mailing address by notice to the other party given in the manner herein prescribed. All notices shall be deemed given on the day when

actually delivered as provided above (if delivered personally or by telecopy) or on the day shown on the return receipt (if delivered by mail or delivery service).

10.6. Public Announcement. In the event any party proposes to issue any press release or public announcement concerning any provisions of this Agreement or the transactions contemplated hereby, such party shall so advise the other party hereto, and the parties shall thereafter use their best efforts to cause a mutually agreeable release or announcement to be issued. Neither party will publicly or privately disclose or divulge any provisions of this Agreement or the transactions contemplated hereby without the other parties' written consent, except as may be required by applicable law, rule, regulation, order or stock exchange regulation, and except for communications to employees; provided that, prior to disclosure of any provision of this Agreement that either party considers particularly sensitive or confidential to any governmental agency or stock exchange, the parties shall cooperate to seek confidential treatment or other applicable limitations on the public availability of such information. In particular, prior to such disclosure, each party shall use its best efforts to redact the royalty rates and payment terms specified herein and each party shall provide the other the opportunity to redact other information and seek confidential treatment of any such disclosure.

10.7. Expenses. Except as expressly provided herein, AVI and Company shall each pay their own expenses incident to this Agreement and the preparation for, and consummation of, the transactions provided for herein.

10.8. Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of Indiana applicable to a contract executed and performed in such State, without giving effect to the conflicts of laws principles thereof.

10.9. Titles and Headings; Construction. The titles and headings to the Articles and Sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. This Agreement shall be construed without regard to any presumption or other rule requiring construction hereof against the party causing this Agreement to be drafted.

10.10. Benefit. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

10.11. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed as original and all of which together shall constitute one instrument.

10.12. Force Majeure. Neither party shall be in default because of any failure to perform this Agreement if such failure arises from causes beyond the control of such party ("the first party") and without the fault or negligence of such first party, including without limitation, acts of God or of the public enemy, acts of the Government in either its sovereign or contractual capacity, fires, floods, earthquakes, epidemics, quarantine restrictions, strikes, freight embargoes or unusually severe weather. In each instance, the failure to perform must be beyond the reasonable control and without the fault or negligence of the first party. If it appears that

performance under this Agreement may be delayed by an event of Force Majeure, the first party will immediately notify the other party as soon as practicable in writing at the address specified in this Agreement. During the period that the performance by one of the parties of its obligations under this Agreement has been suspended by reason of an event of Force Majeure, the other party may likewise suspend the performance of all or part of its obligations hereunder to the extent that such suspension is commercially reasonable.

10.13. Assignment. Neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto without the prior written consent of the other party hereto and any attempt to do so will be void, except (a) for assignments and transfers by operation of Law; (b) that Company may assign any or all of its rights, interests and obligations hereunder without AVI's consent (i) to Company's direct or indirect parent, (ii) to any subsidiary of Company at least 50% of the voting power of which is owned, directly or indirectly, by Company or its Affiliates, (iii) to a wholly-owned, direct or indirect subsidiary of Company, (iv) to an entity (other than an Affiliate of the Company) that acquires the entire equity interest or substantially all of the assets of Company or Company's parent, or (v) to any entity (other than an Affiliate of the Company) that acquires the product line to which this Agreement pertains; provided that any assignee under this clause (b) shall expressly agree to be bound by all of the provisions of this Agreement, including Section 4.3, (c) that Company may collaterally assign its rights under this Agreement to parties providing financing in connection with the transactions contemplated hereby. In the case of any assignment under Subsections 10.13 (b) (iv) or (v), the acquiring party will also be bound by the performance standards listed in Exhibit C ("Performance Standards"). Should such acquiring entity fail to meet any of the Performance Standards, AVI may, on thirty (30) days written notice, terminate this Agreement. This Agreement is otherwise binding upon, inures to the benefit of and is enforceable by the parties hereto and their respective successors and assigns.

10.14. NIH License. Company agrees to be bound by the provisions of paragraphs 5.01-5.04, 8.01, 10.01, 10.02, 12.05, and 13.07-13.09 of the NIH License (a copy of which is attached hereto as Exhibit B) as if Company were a party to the NIH License.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties has caused this License and Development Agreement to be executed in the manner appropriate for each, and to be dated as of the date first above-written.

COOK GROUP INCORPORATED	AVI BIOPHARMA, INC.
By: _____	By: _____
Printed: _____	Printed: _____
Title: _____	Title: _____
Date: _____	Date: _____

EXHIBIT A

AVI BioPharma Intellectual Property

Morpholino Backbone Patents

1. Attorney Docket No. 50450-8003.US02 (.23) entitled UNCHARGED POLYNUCLEOTIDE-BINDING POLYMERS - U.S. Patent No. 5142047

2. Attorney Docket No. 50450-8003.US04 (.28) entitled UNCHARGED MORPHOLINO-BASED POLYMERS HAVING PHOSPHOROUS LINKED CHIRAL INTERSUBUNIT LINKAGES – U.S. Patent No. 5185444

3. Attorney Docket No. 50450-8003.US05 (.29) entitled ALPHA-MORPHOLINO RIBONUCLEOSIDE DERIVATIVES AND POLYMERS THEREOF – U.S. Patent No. 5235033

4. Attorney Docket No. 50450-8009 entitled ALPHA-MORPHOLINO RIBONUCLEOSIDE DERIVATIVES AND POLYMERS THEREOF – U.S. Patent No. 5378841

5. Attorney Docket No. 50450-8015 entitled POLYNUCLEOTIDE REAGENT CONTAINING CHIRAL SUBUNITS AND METHOD OF USE – CA 2069869, JP 3398378, AU 655164, EP 962463, KR 167574

6. Attorney Docket No. 50450-8015 (.43) entitled POLYNUCLEOTIDE REAGENT CONTAINING CHIRAL SUBUNITS AND METHOD OF USE –EP 0506830

Resten-NG Patents

7. Attorney Docket No. 50450-8025.US00 entitled ANTISENSE RESTENOSIS COMPOSITION AND METHOD – U.S. application pending; corresponding CA, JP, AU, EP, KR applications

8-9. Attorney Docket Nos. 50450-8318 and -8318.US00 entitled DELIVERY OF MICROPARTICLE-CONJUGATED DRUGS FOR INHIBITION OF STENOSIS – U.S. applications pending; corresponding CA, JP, AU, EP, KR applications

10. Attorney Docket No. 50450.8060 entitled DELIVERY OF THERAPEUTIC COMPOUNDS VIA MICROPARTICLES OR MICROBUBBLES - U.S. application pending; corresponding PCT application

11. Attorney Docket No. 50450.8067 entitled PEPTIDE CONJUGATED, INOSINE SUBSTITUED ANTISENSE OLIGOMER COMPOUND AND METHOD – U.S. application pending; corresponding PCT application

12. Attorney Docket No. 50450.8050 entitled COMPOSITIONS FOR ENHANCING TRANSPORT OF MOLECULES INTO CELLS – U.S. application pending; corresponding CA, AU, EP applications

Licensed Intellectual Property

13-14. Attorney Docket No. 50450-8302 entitled COMPOSITION AND METHODS FOR ALTERING THE BIODISTRIBUTION OF BIOLOGICAL AGENTS – U.S. Patent Nos. 5,849,727, 6,117,858 and 6,537,814; EP Patent No. 938341; corresponding CA, JP applications (Licensed from UNeMed)

15. Attorney Docket No. 50450-8302.US02 (.31) MICROBUBBLE COMPOSITIONS AND METHODS FOR OLIGONUCLEOTIDE DELIVERY – U.S. application pending (UNeMed)

16. Attorney Docket No. 50450-8310.US00 (.31) entitled TARGETED SITE SPECIFIC ANTISENSE OLIGODEOXYNUCLEOTIDE DELIVERY METHOD - U.S. Patent No. 6,245,747; AU Patent No. 743695; EP Patent No. 1094843 (UNeMed)

17. Attorney Docket No. 50450-8305.30 entitled ULTRASOUND CONTRAST AGENT AND METHODS FOR THEIR MANUFACTURE AND USE – U.S. Patent No. 5,567,415 (UNeMed)

18. Attorney Docket No. 50450-8305.31 entitled PERFLUOROBUTANE ULTRASOUND CONTRAST AGENT COMPRISING MICROBUBBLES CONTAINING A FILMOGENIC PROTEIN AND A CACCHARIDE – U.S. Patent No. 5,695,740 (UNeMed)

19. INHIBITION OF CELL PROLIFERATION USING ANTISENSE OLIGONUCLEOTIDES – U.S. Patent No. 5,756,476 (Licensed from The U.S. Department of Health and Human Services, National Institutes of Health)

EXHIBIT B

NIH License Agreement

EXHIBIT C

Performance Standards for Acquiring Entity

For Drug-Eluting Stents:	No Later Than
Complete Product Design/Preclinical testing	***
Commence First in Man Pilot Study	***
Commence European Clinical Trial	***
Apply for CE Mark Approval	***
Apply for IDE in U.S.	***
Complete enrollment of first patients approved by FDA in IDE	*** from approval of IDE
Complete enrollment of remaining approved patients in IDE	*** from approval by FDA to begin enrolling remaining patients
First U.S. Commercial Sale	Within *** of FDA approval

For Infusion Catheter:	No Later Than
Complete Product Development	***
Complete Preclinical Testing	***
Submission for U.S. Clinical Trial (Phase III)	***
First U.S. Commercial Sale	Within *** of FDA approval

For Microbubbles:	No Later Than
Complete Enrollment of European (Phase II) Clinical Trial	***
Complete Preclinical Testing (U.S.)	***
Commence U.S. Pilot Study (Phase I)	***
Commence U.S. Clinical Trial (Phase II)	*** from the date of completion of FIM Pilot Study
Commence U.S. Clinical Trial (Phase III)	*** from the date of completion of Phase II Clinical Trial
First U.S. Commercial Sale	Within *** of FDA approval

So long as the Acquiring Entity is using commercially reasonable efforts to pursue the development of a Product, each of the foregoing Performance Standards for the relevant category of Product shall be automatically extended if, during any phase of the development process for that particular Product, the Acquiring Entity determines, based on clinical or other data, that it is necessary to suspend work on that phase in the development process (the "Suspended Phase")

and return to or repeat one or more previous phases in the development process (each, a "Prior Phase") in order to enhance the likelihood of producing a commercially-viable Product. In the case of any such determination, the Acquiring Entity will promptly provide AVI with documentation, including Gantt charts (or similar project management tools), budgets, spending records (subject to audit by AVI), and the like, that shows that the necessary development, as agreed by the Product Development Committee, in each of the specific product applications is moving forward.

The applicable Performance Standard for the Suspended Phase and for phases following the Suspended Phase for the relevant category of Product shall be extended by the number of days that the Acquiring Entity works in any Prior Phase(s) to resolve the issue(s) that resulted in the suspension of work in the Suspended Phase. Once a Performance Standard for a particular phase of the development process has been achieved, it shall be deemed achieved for all purposes of this Agreement.

The parties acknowledge the necessity for the Acquiring Entity to meet all applicable regulatory requirements in the major markets of the world (e.g. U.S. and Europe). The parties also acknowledge the uncertain regulatory requirements for a combination device product. If regulatory requirements create significantly longer timelines than currently anticipated to receive regulatory approval for Products, the Performance Standards for the relevant category of Product will be

extended by the time required to complete the additional regulatory requirements, so long as the delay in obtaining regulatory approval is not the result of the Acquiring Entity failing to adhere to relevant regulatory guidelines or to use commercially reasonable diligence in the development of the particular Product.

INVESTMENT AGREEMENT

THIS INVESTMENT AGREEMENT (this "Agreement") is made and entered into effective the 10th day of March, 2006 (the "Effective Date") by between AVI BIOPHARMA, INC. ("AVI"), an Oregon corporation, and Cook Group Incorporated ("Investor"), an Indiana corporation.

RECITALS:

WHEREAS, AVI desires to issue and sell to Investor, and Investor desires to purchase on the terms and subject to the conditions set forth in this Agreement, certain shares of AVI Common Stock, $0.0001 par value ("Common Stock");

WHEREAS, Investor and AVI are entering into a License and Development Agreement (the "License and Development Agreement") and a Supply Agreement (the "Supply Agreement") both of even date herewith; and

NOW, THEREFORE, in consideration of the respective representations, warranties, covenants and agreements contained herein, and for other valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. DEFINITIONS

(a) Specific Definitions. As used in this Agreement, the following terms shall have the meanings set forth or as referenced below:

"Affiliate" of a specified person (natural or juridical) means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. "Control" shall mean ownership of more than 50% of the shares of stock entitled to vote for the election of directors in the case of a corporation, and more than 50% of the voting power in the case of a business entity other than a corporation.

"Agreement" means this Agreement and all Exhibits and Schedules hereto.

"AVI" has the meaning defined in the recitals hereto.

"AVI Subsidiaries" means all subsidiaries of AVI, including but not limited to the subsidiaries identified in the Disclosure Schedule.

"Change of Control" with respect to AVI means the occurrence of any of the following:

(i) a sale of assets representing fifty percent (50%) or more of the net book value and of the fair market value of AVI's consolidated assets (in a single transaction or in a series of related transactions);

(ii) a liquidation or dissolution of AVI;

(iii) a merger or consolidation involving AVI or any subsidiary of AVI after the completion of which: (i) in the case of a merger (other than a triangular merger) or a consolidation involving AVI, the shareholders of AVI immediately prior to the completion of such merger or consolidation beneficially own (within the meaning of Rule 13d-3 promulgated under the Exchange Act or comparable successor rules), directly or indirectly, outstanding voting securities representing less than fifty percent (50%) of the combined voting power of the surviving entity in such merger or consolidation, and (ii) in the case of a triangular merger involving AVI or a subsidiary of AVI, the shareholders of AVI immediately prior to the completion of such merger beneficially own (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rules), directly or indirectly, outstanding voting securities representing less than fifty percent (50%) of the combined voting power of the surviving entity in such merger and less than fifty percent (50%) of the combined voting power of the parent of the surviving entity in such merger;

(iv) an acquisition by any person, entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act or any comparable successor provisions), other than any employee benefit plan, or related trust, sponsored or maintained by AVI or an affiliate of AVI and other than in a merger or consolidation of the type referred to in clause "(c)" of this definition of Change of Control, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rules) of outstanding voting securities of AVI representing more than thirty-three and 1/3 percent (33-1/3%) of the combined voting power of AVI (in a single transaction or series of related transactions); or

(v) individuals who, as of the date hereof or replacements therefore who have been initially nominated by the then current members of the AVI Board of Directors, are members of the AVI Board of Directors (the "Incumbent Board"), cease for any reason to constitute at least sixty percent (60%) of the AVI Board of Directors, provided that if election, or nomination for election by AVI's shareholders, of any new member of the AVI Board of Directors is approved by a vote of at least sixty percent (60%) of the Incumbent Board, such new member of the Board shall be considered as a member of the Incumbent Board.

"Closing" means the later to occur of the payment for Purchased Shares by Investor and the delivery by AVI to Investor of a stock certificate for Purchased Shares as provided in Section 2. "Closing Date" shall be the date on which the stock certificate for Purchased Shares is delivered to Investor.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Common Stock" means shares of Common Stock of AVI, par value $0.0001 per share.

"Confidential Information" means know-how, trade secrets, unpublished information, scientific and technical information, inventions, methods, plans, processes, characteristics, data, business plans and the like disclosed (whether before or during the term of this Agreement) by one of the parties (the "disclosing party") to the other party (the "receiving party") or generated under this Agreement or the other Transaction Documents, excluding information which: (i) was

already in the possession of receiving party prior to its receipt from the disclosing party (provided that the receiving party is able to provide the disclosing party with reasonable documentary proof thereof and, if received from a third party, that such information was acquired without any party's breach of a confidentiality or non-disclosure obligation to the disclosing party related to such information); (ii) is or becomes part of the public domain by reason of acts not attributable to the receiving party; (iii) is or becomes available to receiving party from a source other than the disclosing party which source, has rightfully obtained such information and has no obligation of non-disclosure or confidentiality to the disclosing party with respect thereto; or (iv) has been independently developed by the receiving party without breach of this Agreement or use of any Confidential Information of the other party.

"Disclosure Schedule" has the meaning given in Section 3.

"Drug" has the meaning defined in the License and Development Agreement.

"Environmental Laws or Regulations" means any one or more of the following: the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), 42 U.S.C. § 9601 et seq.; the Federal Resource Conservation and Recovery Act of 1976 ("RCRA"), 42 U.S.C. § 6921 et seq.; the Clean Water Act, 33 U.S.C. § 1321 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; any other federal, state, county, municipal, local, foreign or other statute, law, ordinance or regulation which may relate to pesticides, agricultural or industrial chemicals, wastes, Hazardous Substances, or the environment; and all regulations promulgated by a regulatory body pursuant to any of the foregoing statutes, laws, regulations, or ordinances.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and all rules and regulations promulgated thereunder.

"FDA" means the U.S. Food and Drug Administration.

"Field" has the meaning defined in the License and Development Agreement.

"Financial Statements" means AVI's financial statements included in SEC Documents.

"Hazardous Substance" means asbestos, urea formaldehyde, polychlorinated biphenyls, nuclear fuel or materials, chemical waste, radioactive materials, explosives, known carcinogens, petroleum products, pesticides, fertilizers, or other substance which is dangerous, toxic, or hazardous, or which is a pollutant, contaminant, chemical, material or substance defined as hazardous or as a pollutant or contaminant in, or the use, transportation, storage, release or disposal of which is regulated by, any Environmental Laws or Regulations.

"Initial Market Price" means the average (rounded to the nearest full cent, with the cents rounded up if the third decimal place is 5 or more) of the volume weighted closing sale prices of a share of Common Stock as reported on the Nasdaq Stock Market as of the end of the regular trading session, as reported in The Wall Street Journal, for the twenty (20) consecutive Nasdaq trading days ending on and including the Nasdaq trading day immediately preceding the Effective Date of this Agreement.

"Intellectual Property" means letters patent and patent applications; trademarks, service marks and registrations thereof and applications therefor; copyrights and copyright registrations and applications; all discoveries, ideas, technology, know–how, trade secrets, processes, formulas, drawings and designs, computer programs or software; and all amendments, modifications, and improvements to any of the foregoing.

"Investor" has the meaning defined in the recitals hereto.

"Knowledge" or "knowledge" means actual knowledge of a fact or the knowledge which such person could reasonably be expected to have based on reasonable inquiry and consistent with such person's duties and responsibilities. The knowledge of AVI shall include only the knowledge of AVI's directors and/or officers.

"License and Development Agreement" has the meaning defined in the recitals hereto.

"Liens" means liens, mortgages, charges, security interests, claims, voting trusts, pledges, encumbrances, options, assessments, restrictions, or third-party or spousal interests of any nature.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, results of operations, assets (including intangible assets), liabilities, prospects, or condition (financial or otherwise) of AVI and the AVI Subsidiaries, taken as a whole, or (b) the ability of AVI to perform its obligations under this Agreement or any of the Transaction Documents or any other agreement or instrument to be entered into in connection with this Agreement.

"Purchase Election" has the meaning defined in the License and Development Agreement.

"Purchased Shares" means the shares of Common Stock purchased by Investor pursuant to Section 2.

"SEC" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act.

"SEC Documents" means all documents filed by AVI with the SEC after December 31, 2000.

"Securities Act" means the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder.

"Supply Agreement" has the meaning defined in the recitals hereto.

"Transaction Documents" means the License and Development Agreement and the Supply Agreement.

(b) Definitional Provisions.

(i) The words "hereof," "herein," and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provisions of this Agreement.

(ii) Terms defined in the singular shall have a comparable meaning when used in the plural, and vice–versa.

(iii) Reference to an "Exhibit" or to a "Schedule" are, unless otherwise specified, to one of the Exhibits or Schedules attached to or referenced in this Agreement, and references to a "Section" are, unless otherwise specified, to one of the Sections of this Agreement.

(iv) The term "person" includes any individual, partnership, joint venture, corporation, trust, unincorporated organization or government or any department or agency thereof.

2. PURCHASE OF COMMON STOCK

AVI shall sell, issue and deliver to Investor, and Investor shall purchase from AVI, such number of shares of Common Stock (rounded to the nearest whole share) which shall equal five million dollars ($5,000,000) divided by the Initial Market Price (the "Purchased Shares"). The purchase price for the Purchased Shares shall be payable by wire transfer of funds to AVI's account within one (1) day of the Effective Date as follows:

AVI BioPharma, Inc.
4575 SW Research Way, Suite 200
Corvallis, OR 97333
Account # 153591259962
US Bank
1607 Main Street
Vancouver, WA 98660-2975
US Bank contact: Erik Bjorvik (503) 275-5879
Transmit No. 125000105

A certificate representing Purchased Shares shall be issued by AVI in a form acceptable to Investor and its counsel within one (1) day of receipt by AVI of payment for the Purchased Shares.

3. REPRESENTATIONS AND WARRANTIES OF AVI

Except as set forth in the Disclosure Schedule attached hereto as Schedule A, AVI hereby makes the following representations and warranties to the Investor:

(a) Authorization; Enforcement; No Conflicts. AVI is duly organized and validly exists under the laws of the State of Oregon and has the requisite corporate power and authority to enter into and to consummate the transactions contemplated hereby and otherwise to carry out

its obligations hereunder. The execution and delivery of this Agreement by AVI and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary action on the part of AVI and no further consent or action is required by AVI, its Board of Directors or its stockholders. This Agreement has been (or upon delivery will be) duly executed by AVI and is, or when delivered in accordance with the terms hereof, will constitute, the valid and binding obligation of AVI enforceable against AVI in accordance with its terms, subject to bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and subject to the exercise of judicial discretion in accordance with principles of equity. The execution, delivery and performance of this Agreement by AVI and the consummation by AVI of the transactions contemplated hereby do not and will not: (i) conflict with or violate any provision of AVI's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) subject to obtaining the Required Approvals (as defined below), conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing an AVI debt or otherwise) or other understanding to which AVI is a party or by which any property or asset of AVI is bound or affected, or (iii) result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which AVI is subject (including federal and state securities laws and regulations), or by which any property or asset of AVI is bound or affected; except in the case of each of clauses (i), (ii) and (iii), such as could not, individually or in the aggregate: (x) materially and adversely affect the legality, validity or enforceability of this Agreement, (y) have or result in a materially detrimental effect on the results of operations, assets, business or financial condition of AVI, or (z) adversely impair AVI's ability to perform fully on a timely basis its obligations under the Agreement (any of (x), (y) or (z), a "**Material Adverse Effect**").

(b) Filings, Consents and Approvals; Issuance of Securities. AVI is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by AVI of this Agreement, other than (i) the filings of a Form 8-K disclosing the transaction contemplated hereby, (ii) the application(s) to The Nasdaq National Market (the "**Principal Market**") for the listing of the Purchased Shares for trading thereon in the time and manner required thereby, and (iii) applicable filings under federal and applicable state blue sky laws (collectively, the "**Required Approvals**"). "**Person**" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind. The Purchased Shares are duly authorized and, when issued and paid for in accordance with this Agreement will be duly and validly issued, fully paid and nonassessable, and free and clear of all Liens. The issuance by AVI of

the Purchased Shares has not been registered under the Securities Act and, accordingly, the Purchased Shares may not be, sold, assigned or transferred without registration unless the Purchased Shares are subsequently registered or are exempt under applicable exemptions from registration under the Securities Act.

(c) SEC Reports; Financial Statements. AVI has filed all reports required to be filed by it under the Securities Act and the Securities Exchange Act of 1934, as amended (the "**1934**

Act"), including pursuant to Section 13(a) or 15(d) thereof, for the two (2) years preceding the date hereof (the foregoing materials being collectively referred to herein as the "**SEC Reports**") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the 1934 Act and the rules and regulations of the SEC promulgated thereunder, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of AVI included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved ("**GAAP**"), except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of AVI as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(d) Material Changes. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in the SEC Reports: (i) there has been no event, occurrence or development that, individually or in the aggregate, has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) AVI has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in AVI's financial statements pursuant to GAAP or required to be disclosed in filings made with the SEC, (iii) AVI has not altered its method of accounting or the identity of its auditors, (iv) AVI has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, and (v) AVI has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing AVI stock option and purchase plans.

(e) Disclosure. All disclosures provided to the Investor regarding AVI, its business and the transactions contemplated hereby, furnished by or on behalf of AVI are true and correct and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. None of the statements, documents, certificates or other items prepared or supplied by AVI with respect to the transactions contemplated hereby, including, without limitation, reports, data, analyses and correspondence relating to the Drug, contains an untrue statement of a material fact or omits a material fact necessary to make the statements contained therein not misleading. There is no fact which AVI has not disclosed to Investor and its counsel in writing and of which AVI is aware which could have a Material Adverse Effect.

(f) Nasdaq; Etc. AVI is in compliance with all applicable Nasdaq continued listing requirements for the Nasdaq Stock Market and is listed in good standing on the Nasdaq Stock Market. There are no proceedings pending or, to AVI's knowledge, threatened against AVI

relating to the continued listing of AVI's Common Stock on the Nasdaq National Market and AVI has not received any notice of, nor to the knowledge of AVI is there any basis for, the delisting of the Common Stock from the Nasdaq National Market.

4. REPRESENTATIONS AND WARRANTIES OF INVESTOR

(a) Investor hereby makes the following representations and warranties to AVI:

(i) Investor is a corporation duly organized, validly existing and in good standing under the laws of the State of Indiana.

(ii) Investor has the requisite corporate (or other entity) power and authority to enter into and perform this Agreement and to purchase the Common Stock in accordance with the terms hereof.

(iii) In making its investment decision in this offering, Investor and its advisors, if any, have relied solely on AVI's public filings as filed with the Securities and Exchange Commission and on the representations and warranties of AVI in this Agreement.

(iv) Investor is an accredited investor as such term is defined under the Securities Act and Investor is purchasing the Purchased Shares for its own account as principal, and not with a view towards distribution of such securities.

(v) Investor understands that the Purchased Shares have not been registered under the Securities Act or applicable state securities laws. Investor also understands that the Purchased Shares are being offered and sold pursuant to exemptions from registration contained in the Securities Act and applicable state securities laws in part upon Investor's representations contained in this Agreement.

5. COVENANTS

(a) Best Efforts. AVI will use its best efforts to satisfy in a timely fashion each of the conditions to be satisfied under Section 6 of this Agreement.

(b) Compliance With Nasdaq Listing Requirements. AVI will comply with all applicable Nasdaq continued listing requirements for the Nasdaq Stock Market and shall remain in good standing on the Nasdaq Stock Market so long as the Investor holds any of the Purchased Shares.

(c) Regulatory Approvals.

(i) Cooperation. AVI and Investor shall each use commercially reasonable efforts to take, or cause to be taken, all appropriate action, and do, or cause to be done, all things as may be necessary or appropriate under any applicable law, and will file and, if appropriate, use commercially reasonable efforts to have declared effective or approved all documents and notifications with any governmental or regulatory bodies that they deem necessary or appropriate for, the issuance of the Purchased Shares and each party shall give the other information

reasonably requested by such other party pertaining to it and its Affiliates to enable such other party to take such actions. The parties agree to make any such required filing a reasonable period of time prior to the anticipated date of the occurrence of any closing hereunder that gives rise to such required filing. It shall be a condition to the occurrence of any closing hereunder that any such actions or approvals required under any such law be declared effective or approved, or that any waiting periods (or extensions thereof) expire or terminate.

(ii) No Divestiture Required of Investor. Notwithstanding the foregoing or anything herein to the contrary, nothing shall require Investor to make or agree to make, any divestiture of any portion of any business or assets of Investor or its Affiliates to make arrangements for or to effect the cessation, sale, or other disposition of particular assets or categories of assets or businesses of Investor or its Affiliates in order to obtain any waiver, consent or approval, and neither Investor nor its Affiliate shall be required to take or commit to take any action that limits its freedom of action or rights with respect to AVI or the Purchased Shares.

(d) Exclusivity. AVI agrees that for a period commencing upon execution of this Agreement until the earlier of the Closing or termination of this Agreement in accordance with Section 8, AVI will not directly or indirectly encourage or solicit the submission of, or entertain inquiries, proposals or offers from any person or entity (other than Investor or its Affiliates), or otherwise provide information to or engage in discussions with any other Person, in any way relating to the sale, licensing, distribution or other disposition of the Drug in the Field, except as may otherwise be required under applicable fiduciary duties applicable to the AVI Board of Directors.

(e) Registration of Purchased Shares. AVI agrees to file a registration statement for the Purchased Shares under the Securities Act (the "Registration Statement") within thirty (30) days of the Closing Date and to use its best efforts to cause the registration statement to become effective as soon as practicable thereafter. Once the Registration Statement is declared effective by the SEC, AVI will cause the Registration Statement to remain continuously effective until the earlier of (i) the date on which all of the Purchased Shares have been sold by Investor or (ii) the first date on which all the Purchased Shares (in the opinion of AVI's counsel, which opinion is reasonably acceptable to Investor and its counsel) may be immediately sold by Investor without registration and without restriction (including without limitation as to volume by each holder thereof) as to the number of Purchased Shares to be sold, pursuant to Rule 144(k) under the Securities Act or any successor rule, or (iii) March , 2009. AVI will also use its best efforts to register and qualify the Purchased Shares under such other securities or blue sky laws of such jurisdictions as Investor reasonably requests and to cause such registrations and qualifications to remain effective for the same period of time that the registration with the SEC remains effective. AVI will bear all expenses, other than underwriting discounts and commissions and transfer taxes, if any, incurred in connection with the registration or qualification of the Purchased Shares as provided herein. AVI shall indemnify and hold harmless Investor and its officers, directors, shareholders, and "controlling persons" within the meaning of the Securities Act and the Exchange Act, from and against any loss damage, claim, expense or liability arising or alleged to arise under the Securities Act or the Exchange Act or otherwise as a result of any untrue statement or alleged untrue statement of material fact contained in the Registration Statement or any document filed with any state securities administrator in connection with the registration or

qualification of the Purchased Shares or any amendment or supplement to the Registration Statement or any such document or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided however, AVI shall have no obligation or liability under the foregoing with respect to any claims made with respect to information contained in the Registration Statement that is provided by Investor and, further, AVI's liability hereunder shall be limited to $5 million.

6. CONDITIONS TO CLOSING

(a) Conditions to Investor's Obligations. The obligations of Investor to purchase and pay for the Purchased Shares pursuant to Section 2 at the Closing are subject to the satisfaction or waiver of the conditions set forth below:

(i) Representations and Warranties to be True and Correct. The representations and warranties contained in Section 3 shall be true, complete and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and the President and Chief Financial Officer of AVI shall have certified to such effect to Investor in writing.

(ii) Performance. AVI shall have performed and complied with all terms and conditions contained in this Agreement and the Transaction Documents which are required to be performed or complied with by AVI prior to or at such Closing Date, and the President and Chief Financial Officer of AVI shall have certified to Investor in writing to such effect and to the further effect that all of the conditions set forth in this Section 6 have been satisfied.

(iii) Execution and Delivery of Transaction Documents. AVI shall have executed and delivered the Transaction Documents.

(iv) All Proceedings to be Satisfactory. All corporate and other proceedings to be taken by AVI in connection with the transactions contemplated hereby and all documents incident thereto shall be satisfactory in form and substance to Investor and its counsel, and Investor and its counsel shall have received all such counterpart originals or certified or other copies of such documents as they reasonably may request.

(v) Required Consents. AVI shall have obtained the written consent or approval of each Person whose consent or approval is required in connection with this Agreement and the Transaction Documents, including but not limited to expiration or termination of any waiting periods (and any extension thereof) under all applicable laws and all applicable consents and approvals, in form and content satisfactory to Investor, from the National Institute

of Health with respect to the assignment of the NIH License (as defined in the License and Development Agreement) to AVI, the grant of a sublicense by AVI to Investor with respect thereto and the modification of the benchmarks set forth in the NIH License in a manner acceptable to Investor.

(vi) Litigation Affecting Closing. No suit, action or other proceeding shall be pending or threatened by any third party or by or before any court or governmental agency in which it is sought to restrain or prohibit or to obtain damages or other relief in connection with this Agreement or the Transaction Documents, or the consummation of the transactions

contemplated hereby or thereby, and no investigation that might result in any such suit, action or other proceeding shall be pending or threatened.

(vii) Legislation. No statute, rule, regulation, order, or interpretation shall have been proposed, enacted, entered or deemed applicable by any domestic or foreign government or governmental or administrative agency or court which would make the transactions contemplated by this Agreement or the Transaction Documents illegal.

(viii) No Change of Control. Since the date hereof, there shall not have been any Change of Control.

(ix) No Material Adverse Changes. Since the date hereof, no event shall have occurred which may be reasonably expected to result in a Material Adverse Effect.

(x) No Default. Since the date hereof, no default (or event which, with the passage of time and/or the giving of notice, would constitute a default) of AVI shall have occurred under this Agreement or the Transaction Documents.

(xi) Opinion of AVI's Counsel. Investor shall have received from Davis Wright Tremaine LLP, counsel for AVI, an opinion dated as of such Closing Date in form and scope satisfactory to Investor and its counsel, substantially as set for in Exhibit A.

(b) Conditions to AVI's Obligations. The obligations of AVI to issue, sell and deliver certificates representing the Purchased Shares pursuant to Section 2 are subject to the satisfaction or waiver, on or before the Closing Date of the conditions set forth below:

(i) Execution of Transaction Documents. Investor shall have executed and delivered the Transaction Documents.

(ii) Representations and Warranties to be True and Correct. The representations and warranties contained in Section 4 shall be true, complete and correct in all material respects on and as of the Closing Date.

(iii) Performance. Investor shall have performed and complied with all terms and conditions contained in this Agreement and the Transaction Documents which are required to be performed or complied with by Investor prior to or at such Closing Date.

(iv) Proceedings to be Satisfactory. All corporate and other proceedings to be taken by Investor in connection with the transactions contemplated hereby and all documents incident thereto shall be satisfactory in form and substance to AVI and its counsel, and AVI and its counsel shall have received all such counterpart originals or certified or other copies of such documents as they reasonably may request.

(v) Required Consents. Investor shall have obtained the written consent or approval of each Person whose consent or approval is required in connection with this Agreement and the Transaction Documents.

(vi) Litigation Affecting Closing. No suit, action or other proceeding shall be pending or threatened by any third party or by or before any court or governmental agency in which it is sought to restrain or prohibit or to obtain damages or other relief in connection with this Agreement or the Transaction Documents, or the consummation of the transactions contemplated hereby or thereby, and no investigation that might result in any such suit, action or other proceeding shall be pending or threatened.

(vii) Legislation. No statute, rule, regulation, order, or interpretation shall have been proposed, enacted, entered or deemed applicable by any domestic or foreign government or governmental or administrative agency or court which would make the transactions contemplated by this Agreement or the Transaction Documents illegal.

(viii) No Change of Control. Since the date hereof, there shall not have been any Change of Control of Investor.

(ix) No Default. Since the date hereof, no default (or event which, with the passage of time and/or the giving of notice, would constitute a default) of Investor shall have occurred under this Agreement or the Transaction Documents.

7. INDEMNIFICATION

(a) Indemnification of Investor. AVI shall indemnify, defend and hold harmless Investor and each of its Affiliates, and their respective officers, directors and shareholders from and against and in respect of any and all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, interest and penalties, costs and expenses (including, without limitation, reasonable legal fees and disbursements incurred in connection therewith and in seeking indemnification therefor, and any amounts or expenses required to be paid or incurred in connection with any action, suit, proceeding, claim, appeal, demand, assessment or judgment) ("Indemnifiable Losses"), resulting from, arising out of, or imposed upon or incurred by any Person to be indemnified hereunder by reason of any breach of any representation, warranty, covenant or agreement of AVI contained in this Agreement or any agreement, certificate or document executed and delivered by AVI pursuant hereto.

(b) Indemnification of AVI. Investor shall indemnify, defend and hold harmless AVI and each of its Affiliates, and their respective officers, directors and shareholders from and against and in respect of any and all Indemnifiable Losses resulting from, arising out of, or imposed upon or incurred by

any Person to be indemnified hereunder by reason of any breach of any representation, warranty, covenant or agreement of Investor contained in this Agreement or any agreement, certificate or document executed and delivered by Investor pursuant hereto.

(c) Third-Party Claims. If a claim by a third party is made against Investor or AVI as the case may be and such claim does or may constitute an Indemnifiable Loss (an "Indemnified Party")and if the other party (the "Indemnifying Party") intends to seek indemnity with respect thereto under this Section 7, the Indemnified Party shall promptly notify Indemnifying Party of such claim; provided, however, that failure to give timely notice shall not affect the rights of the Indemnified Party so long as the failure to give timely notice does not materially and adversely affect the Indemnifying Party's ability to defend such claim against a third party. The

Indemnified Party shall not settle such claim without the consent of the Indemnifying Party. If the Indemnifying Party acknowledges in writing its indemnity obligations for Indemnifiable Losses resulting therefrom, the Indemnifying Party shall control all settlement discussions and litigation proceedings and the Indemnified Party may participate at its own cost and expense in such discussions or proceedings so long as such participation does not interfere with the reasonable judgment of the Indemnifying Party with respect to such discussions and proceedings.

(d) Cooperation as to Indemnified Liability. Each party hereto shall cooperate fully with the other party with respect to access to books, records, or other documentation within such party's control, if deemed reasonably necessary or appropriate by either party in the defense of any claim which may give rise to indemnification hereunder.

(e) Brokerage. AVI will indemnify and hold harmless Investor against and in respect of any claim for brokerage or other commissions relative to this Agreement or to the transactions contemplated hereby, based in any way on agreements, arrangements or understandings made or claimed to have been made by AVI with any third party.

(f) Limitation on Certain Claims. To the extent any Indemnified Party wishes to make a claim for indemnification under Section 7 with respect to the breach of an Indemnifying Party's representations and warranties deemed made as of the Closing Date, such claim for indemnification shall be made within one hundred and eighty (180) days after the Closing Date. However, the foregoing one hundred and eighty (180) day limitation shall not apply to any claim for indemnification arising out of any third party claim made against an Indemnified Party.

8. TERMINATION AND DEFAULT

(a) Termination. The obligation of the parties hereto to consummate the remaining transactions contemplated hereby may be terminated and abandoned at any time at or before the Closing if any of the following events occurs:

(i) by and at the option of Investor or AVI, if the Closing does not occur within five (5) days from the date hereof, provided that Investor or AVI, as the case may be, is not then in material default under this Agreement; or

(ii) by and at the option of Investor, if the Investor terminates the License and Development Agreement pursuant to Section 9.2(b) thereof; or

(iii) by and at the option of Investor, if AVI is in default under this Agreement or the Transaction Documents, and does not cure such default within thirty (30) days after having received a written notice from Investor regarding such default; or

(iv) by and at the option of AVI, if Investor is in default under this Agreement or the Transaction Documents, and does not cure such default within thirty (30) days after having received a written notice from AVI regarding such default; or

(v) by and at the option of Investor, if any event or circumstance occurs or exists that renders any condition to Investor's obligations set forth in Section 6 incapable of being satisfied; or

(vi) by and at the option of Investor if a Material Adverse Effect with respect to AVI shall have occurred; or

(vii) by the mutual written consent of the parties; or

(viii) by and at the option of either Investor or AVI if any governmental authority shall have issued an order, decree, or ruling or taken any other action restraining, enjoining or otherwise prohibiting in any material respects the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and nonappealable.

(b) Effect. Termination of this Agreement by a party shall not relieve the other parties hereto of any liability for breach of representation, warranty, covenant or agreement by such other parties including liability for monetary damages and/or specific performance. Investor's rights pursuant to the Transaction Documents shall survive any termination of this Agreement.

9. OTHER PROVISIONS

(a) Further Assurances. At such time and from time to time on and after the Closing Date, upon request by the other party, Investor and AVI will execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney and assurances that may be required for the better conveying, transferring, assigning, delivering, assuring and confirming to Investor, or to its respective successors and assigns, all of the Purchased Shares or to otherwise carry out the purposes of this Agreement.

(b) Complete Agreement. This Agreement and the Transaction Documents (including all schedules and exhibits hereto and thereto) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or

undertakings, other than those set forth or referred to herein or therein, with respect to the subject matter hereof and thereof. This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

(c) Survival of Representations, Warranties and Agreements. The representations, warranties, covenants and agreements contained in Sections 3 and 4 of this Agreement shall survive the Closing and remain in full force and effect. No independent investigation of AVI by Investor, its counsel, or any of its agents or employees shall in any way limit or restrict the scope of the representations and warranties made by AVI in this Agreement.

(d) Waiver, Discharge, Amendment, Etc. The failure of any party hereto to enforce at any time any of the provisions of this Agreement shall not, absent an express written waiver signed by the party making such waiver specifying the provision being waived, be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part thereof or the right of the party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach. This Agreement may be amended by AVI and Investor, by mutual action approved by their respective Boards of Directors or their respective officers authorized by such Board of

Directors, at any time. Any amendment to this Agreement shall be in writing and signed by AVI and Investor.

(e) Notices. All notices or other communications to a party required or permitted hereunder shall be in writing and shall be delivered personally or by telecopy (receipt confirmed) to an executive officer of such party or shall be sent by a reputable express delivery service or by certified mail, postage prepaid with return receipt requested, addressed as follows:

if to Investor to:	Cook Group Incorporated 750 Daniels Way Bloomington, Indiana 47402 Attn: Pete Yonkman Facsimile: (812) 339-5369
With a copy to:	Stephen J. Hackman Ice Miller LLP One American Square, Suite 3100 Indianapolis, Indiana 46282 Facsimile: (317) 592-4666
if to AVI to:	AVI BioPharma Inc. One SW Columbia, Suite 1105 Portland OR 97258 Attn: Alan Timmins Facsimile: (503) 227-0554
With a copy to:	Michael Phillips Davis Wright Tremaine LLP 1300 SW Fifth Avenue, Suite 2300 Portland OR 97201-5682 Facsimile: (503) 778-5299

Any party may change the above–specified recipient and/or mailing address by notice to the other party given in the manner herein prescribed. All notices shall be deemed given on the day when actually delivered as provided above (if delivered personally or by telecopy) or on the day shown on the return receipt (if delivered by mail or delivery service).

(f) Public Announcement. In the event either party proposes to issue any press release or public announcement concerning the existence of the terms and conditions of or the negotiations of the parties with respect to this Agreement or any of the Transaction Documents, such party shall so advise the other party hereto, and the parties shall thereafter use their best efforts to cause a mutually agreeable release or announcement to be issued; provided that neither party shall issue any such press release or public announcement if AVI notifies the Investor that it has been advised by counsel that the issuance of the proposed press release or the making of the proposed public announcement, under the circumstances existing at the time of the proposed disclosure, would result in a violation of applicable federal securities laws or require AVI to disclose material non-public information involving AVI that, in the good faith judgment of AVI's

Board of Directors, would be inadvisable or would be likely to materially and adversely affect AVI's business. If any press release or other public announcement is delayed under this Section 9(f), AVI shall notify the Investor as soon as the condition entitling AVI to delay disclosure is resolved and Investor shall thereafter be entitled to make such press release or public announcement in a form that is mutually agreeable to the parties.

(g) Expenses. AVI and Investor shall each pay their own expenses incident to this Agreement and the preparation for, and consummation of, the transactions provided for herein.

(h) Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of Oregon applicable to a contract executed and performed in such State, without giving effect to the conflicts of laws principles thereof.

(i) Titles and Headings; Construction. The titles and headings to the Sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. This Agreement shall be construed without regard to any presumption or other rule requiring construction hereof against the party causing this Agreement to be drafted.

(j) Benefit. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

(k) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed as original and all of which together shall constitute one instrument.

(l) Assignment. Neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto without the prior written consent of the other party hereto and any attempt to do so will be void, except (a) for assignments and transfers by operation of Law; (b) that Investor may assign any or all of its rights, interests and obligations hereunder without the AVI's consent (i) to Investor's direct or indirect parent, (ii) to any subsidiary of Investor at least 50% of the voting power of which is owned, directly or indirectly, by Investor or its Affiliates, (iii) to a wholly-owned, direct or indirect subsidiary of Investor, (iv) to an entity that acquires the entire equity interest or substantially all of the assets of Investor or Investor's parent, or (v) to any person who acquires the product line to which this Agreement and the Transaction Documents pertain, (c) that Investor may collaterally assign its rights under this Agreement to parties providing financing in connection with the transactions contemplated hereby. This Agreement is binding upon, inures to the benefit of and is enforceable by the parties hereto and their respective successors and assigns. Notwithstanding and in addition to the foregoing, Investor may separately assign its rights and indemnities under Section 5(d) to any Person who acquires at least 10,000 Purchased Shares from Investor.

(m) Jurisdiction; Venue. AVI consents to the jurisdiction of, and venue in, any state or federal court located within Marion County, Indiana, and waives personal service of any and all process made upon AVI. AVI waives any objection, which it may have to any proceeding commenced in a federal or state court located within Marion County, Indiana. Any judicial

proceeding by AVI against Investor involving, directly or indirectly, any matter or claim in any way arising out of, related to or connected herewith shall be brought only in the federal or state courts of the State of Indiana, situated in Marion County, Indiana.

(n) Non-Disclosure. Each party agrees not to disclose or use (except as permitted or required for performance by the party receiving such Confidential Information of its rights or duties hereunder or under the Transaction Documents) any Confidential Information of the other party obtained during the term of this Agreement until the expiration of three (3) years after the earlier of the Closing or the termination of this Agreement. Each party further agrees to take appropriate measures to prevent any such prohibited disclosure by its present and future employees, officers, agents, subsidiaries, or consultants during such term.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties has caused this Investment Agreement to be executed in the manner appropriate for each, and to be dated as of the date first above-written.

COOK GROUP INCORPORATED	AVI BIOPHARMA, INC.
By: _____	By: _____
Printed: _____	Printed: Alan P. Timmins
Title: _____	Title: President
Date: _____	Date: _____

EXHIBITS AND SCHEDULES:

Schedule A – Disclosure Schedule

EXHIBIT A
LEGAL OPINION OF AVI'S COUNSEL

(a) AVI is a corporation duly incorporated and validly existing under the laws of the state of Oregon. AVI has the corporate power and authority to execute, deliver and perform this Agreement and the Transaction Documents and to issue, sell and deliver the Purchased Shares.

(b) All necessary corporate action on the part of AVI and of its officers, directors and shareholders has been taken for the valid execution and delivery of this Agreement, the Transaction Documents, and the performance of the obligations of AVI hereunder and thereunder. This Agreement and the Transaction Documents have been validly executed and delivered and are legal, valid and binding obligations of AVI, enforceable against AVI in accordance with their respective terms, subject in each case to bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and subject to the exercise of judicial discretion in accordance with principles of equity. The execution and delivery of this Agreement and the Transaction Documents and the performance by AVI of its obligations hereunder and thereunder do not conflict with or result in the violation of AVI's Articles of Incorporation or Bylaws; or order, writ, judgment or decree known to such counsel to which AVI is a party or by which it is bound, or to such counsel's knowledge, violate any existing law or regulation.

(c) The Purchased Shares have been duly authorized by all necessary corporate action on the part of AVI and, upon delivery by AVI in accordance with the terms of this Agreement, will be duly and validly issued, fully paid and nonassessable.

(d) All consents, approvals, orders, authorizations or registrations, qualifications, designations, declarations or filings of or with any federal or state governmental authority on the part of AVI required in connection with the consummation of the transactions contemplated by this Agreement and the Transaction Documents have been made, obtained or effected (provided, however, that filings under applicable state securities laws may be made promptly after the Closing to the extent such filings are permitted to be made after the sale of the Purchased Shares). Based in part on the representations of Investor in Section 4 of this Agreement, the offer, sale and issuance by AVI of the Purchased Shares, all in conformity with the terms of this Agreement, do not require registration under Section 5 of the Securities Act of 1933, as amended.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
AVI BioPharma, Inc.:

We consent to the use of our reports dated March 15, 2006, with respect to the balance sheets of AVI BioPharma, Inc. as of December 31, 2005 and 2004, and the related statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2005, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005, and the effectiveness of internal control over financial reporting as of December 31, 2005, incorporated herein by reference and to the reference to our firm under the heading "Experts" in the prospectus.

(signed) KPMG LLP

Portland, Oregon
April 7, 2006

Exhibit 23.2

April 7, 2006

AVI BioPharma, Inc.
One S.W. Columbia Street, Suite 1105
Portland, Oregon 97258

Dear Ladies and Gentlemen:

We have acted as counsel to AVI BioPharma, Inc. (the "Company") in connection with the registration statement on Form S-3 to be filed by the Company with the Securities and Exchange Commission on April 11, 2006 (the "Registration Statement"), relating to the registration under the Securities Act of 1933, as amended, of 692,003 shares of the Company's Common Stock, par value $0.0001 per share (the "Shares"). Capitalized terms used herein that are not otherwise defined have the meanings ascribed thereto as set forth in the Registration Statement and the exhibits thereto.

We have examined such documents, papers, statutes and authorities as we have deemed necessary to form a basis for the opinions hereinafter expressed. This opinion letter is to be interpreted in accordance with the Guidelines for the Preparation of Closing Opinions issued by the Committee on Legal Opinions of the American Bar Association's Business Law Section as published in 57 Business Lawyer 875 (February 2002).

Based upon the foregoing, we are of the opinion that the Shares have been duly authorized for issuance by Company, and when issued and sold in the manner described in the Registration Statement, the Shares will be validly issued, fully paid and nonassessable.

This opinion is limited to the Oregon Business Corporation Act. We express no opinion with respect to the laws of any other country, state or jurisdiction.

This opinion letter is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated. This letter speaks only as of the date hereof and is limited to present statutes, regulations and administrative and judicial interpretations. We undertake no responsibility to update or supplement this letter after the date hereof.

We consent to the use of this opinion as an exhibit to the Registration Statement, and further consent to all references to us in the Registration Statement and any amendment thereto.

Very truly yours,

Davis Wright Tremaine LLP