

AVI BIOPHARMA INC
Form DEF 14A
May 04, 2010

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

AVI BIOPHARMA, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: AVI BIOPHARMA INC - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Edgar Filing: AVI BIOPHARMA INC - Form DEF 14A

Table of Contents

May 4, 2010

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of the Shareholders of AVI BioPharma, Inc., which will be held on June 7, 2010, at 2 p.m., local time, at the Country Inn, 19333 North Creek Parkway, Bothell, Washington 98011.

Details of the business to be conducted at the Annual Meeting are given in the attached Proxy Statement. The Company's Annual Report on Form 10-K and 10-K/A for the year ended December 31, 2009 is also enclosed.

Whether or not you plan to attend the meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign, date, and promptly return the enclosed proxy in the enclosed postage-paid envelope. If you decide to attend the Annual Meeting and vote in person, you will, of course, have that opportunity. If you receive more than one proxy card because your shares are registered in different names or at different addresses, please sign and return each such proxy so that all of your shares will be represented at the Annual Meeting.

On behalf of the Board of Directors, I would like to express our appreciation for your support of the Company.

Sincerely,

J. David Boyle II,
Interim President and Chief Executive Officer

Table of Contents

AVI BIOPHARMA, INC.

**NOTICE OF ANNUAL MEETING
To Be Held on June 7, 2010**

To the Shareholders of AVI BioPharma, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the shareholders of AVI BioPharma, Inc. (the "Company" or "AVI") will be held on June 7, 2010 at 2 p.m., local time, the Country Inn, 19333 North Creek Parkway, Bothell, Washington 98011 for the following purposes:

1. To consider and vote upon a proposal to elect four Group I Directors, each for a two-year term;
2. To consider and vote upon a proposal to ratify the appointment of KPMG LLP as independent registered public accounting firm for the Company for the year ending December 31, 2010; and
3. To transact such other business as may properly come before the meeting.

The Board of Directors has fixed March 31, 2010 as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting. Only shareholders of record at the close of business on that date will be entitled to notice of and to vote at the Annual Meeting or any adjournments thereof.

By Order of the Board of Directors

J. David Boyle II,
Interim President and Chief Executive Officer

Bothell, Washington
May 4, 2010

Table of Contents

TABLE OF CONTENTS

Item	Page
<u>General</u>	<u>1</u>
<u>Solicitation, Voting and Revocability of Proxies</u>	<u>1</u>
<u>AVI BIOPHARMA, INC. DIRECTORS, DIRECTOR NOMINEES AND EXECUTIVE OFFICERS</u>	<u>2</u>
<u>Directors, Director Nominees and Executive Officers</u>	<u>2</u>
<u>Board of Directors Meetings and Committees</u>	<u>6</u>
<u>Director Diversity and Qualification Standards</u>	<u>7</u>
<u>Leadership Structure of Board of Directors</u>	<u>8</u>
<u>Role of Board of Directors in Risk Oversight</u>	<u>9</u>
<u>Code of Business Conduct and Ethics</u>	<u>9</u>
<u>Communications to the Board of Directors</u>	<u>9</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>9</u>
<u>Compensation Committee Interlocks and Insider Participation in Compensation Decisions</u>	<u>10</u>
<u>COMPENSATION POLICIES, PRACTICES, RISKS AND RELATED ISSUES</u>	<u>10</u>
<u>EXECUTIVE COMPENSATION</u>	<u>11</u>
<u>Compensation Discussion and Analysis</u>	<u>11</u>
<u>Introduction</u>	<u>11</u>
<u>Overview</u>	<u>11</u>
<u>Significant Management Changes in Fiscal Year 2009</u>	<u>12</u>
<u>The Compensation Committee</u>	<u>12</u>
<u>Compensation Philosophy and Objectives</u>	<u>13</u>
<u>Role of Executive Officers in Compensation Decisions</u>	<u>14</u>
<u>Use of Compensation Consultants and Reports</u>	<u>14</u>
<u>Setting Executive Compensation</u>	<u>14</u>
<u>Performance Factors in 2009</u>	<u>15</u>
<u>Determining the Total Mix of Compensation</u>	<u>18</u>
<u>Analysis of Executive Compensation Components</u>	<u>18</u>
<u>Base Salaries</u>	<u>18</u>
<u>Performance-Based Cash Bonuses/Equity Awards</u>	<u>19</u>
<u>Equity Incentive Plan Compensation</u>	<u>20</u>
<u>Employee Stock Purchase Plan</u>	<u>21</u>
<u>401(k) Plan</u>	<u>21</u>
<u>Tax and Accounting Implications of the Executive Compensation Program</u>	<u>22</u>
<u>Repricing of Stock Options</u>	<u>22</u>
<u>Employment Agreements with Named Executive Officers Entered into by the Company in 2009</u>	<u>22</u>
<u>Employment Agreements with Named Executive Officers Entered into by the Company in 2008</u>	<u>24</u>
<u>Employment Agreements with Other Named Executive Officers in Prior Years</u>	<u>26</u>
<u>Post-Employment Benefits and Change in Control Arrangements for the Company's Named Executive Officers</u>	<u>27</u>
<u>Payment of Post-Employment Benefits for the Company's Terminated Named Executive Officers</u>	<u>29</u>
<u>Compensation Committee Report</u>	<u>30</u>
<u>Summary Compensation Table</u>	<u>30</u>
<u>Grants of Plan Based Awards in Fiscal Year 2009</u>	<u>31</u>
<u>Outstanding Equity Awards at 2009 Fiscal Year End</u>	<u>32</u>
<u>2009 Option Exercises and Stock Vested</u>	<u>33</u>
<u>2009 Pension Benefits</u>	<u>33</u>

Edgar Filing: AVI BIOPHARMA INC - Form DEF 14A

<u>2009 Nonqualified Deferred Compensation</u>	<u>33</u>
<u>Potential Payments Upon Termination or a Change in Control</u>	<u>33</u>

Table of Contents

Item	Page
<u>2009 Director Compensation</u>	<u>35</u>
<u>Director Compensation for Fiscal 2009</u>	<u>36</u>
<u>AUDIT COMMITTEE REPORT</u>	<u>37</u>
<u>PERFORMANCE GRAPH</u>	<u>41</u>
<u>Equity Compensation Plan Information</u>	<u>42</u>
<u>Stock Owned By AVI BioPharma, Inc. Management And Principal Shareholders</u>	<u>43</u>
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	<u>45</u>
<u>Related Party Transactions</u>	<u>45</u>
<u>Review, Approval or Ratification of Transactions with Related Persons</u>	<u>45</u>
<u>ELECTION OF AVI BIOPHARMA, INC. DIRECTORS (Proposal I)</u>	<u>46</u>
<u>Information As To Nominees And Continuing Directors</u>	<u>46</u>
<u>RATIFICATION OF APPOINTMENT OF AVI BIOPHARMA INDEPENDENT</u>	
<u>REGISTERED PUBLIC ACCOUNTING FIRM (Proposal II)</u>	<u>47</u>
<u>OTHER BUSINESS</u>	<u>47</u>
<u>SHAREHOLDER PROPOSALS AND SHAREHOLDER NOMINATIONS OF</u>	
<u>DIRECTORS</u>	<u>47</u>
<u>COST OF SOLICITATION</u>	<u>49</u>
<u>ADDITIONAL INFORMATION</u>	<u>49</u>

Table of Contents

AVI BIOPHARMA, INC.

**3450 Monte Villa Parkway, Suite 101
Bothell, Washington 98021**

**PROXY STATEMENT
for
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 7, 2010**

General

This Proxy Statement is furnished to shareholders of AVI BioPharma, Inc. (the "Company" or "AVI") in connection with the solicitation by the Board of Directors of proxies from the shareholders of record of the Company's outstanding shares of Common Stock, \$0.0001 par value (the "Common Stock"), for use at the Company's Annual Meeting of Shareholders to be held on June 7, 2010, at 2 p.m., local time, at the Country Inn, 19333 North Creek Parkway, Bothell, Washington 98011, and at any adjournments or postponements thereof (the "Annual Meeting").

At the Annual Meeting, shareholders will be asked to consider and vote upon proposals to (i) elect four members to Group I of the Board of Directors, each for a two-year term, (ii) ratify the appointment of KPMG LLP as independent registered public accounting firm for the Company for the year ending December 31, 2010, and (iii) transact such other business as may properly come before the meeting. This Proxy Statement, together with the enclosed proxy card, is first being mailed to the Company's shareholders on or about May 4, 2010.

Solicitation, Voting and Revocability of Proxies

The Board of Directors has fixed March 31, 2010 as the record date for the determination of the shareholders entitled to notice of and to vote at the Annual Meeting. Accordingly, only holders of record of shares of Common Stock at the close of business on such date will be entitled to notice of and to vote at the Annual Meeting or any adjournments thereof, with each such share entitling its owner to one vote on all matters properly presented at the Annual Meeting. On the record date, there were approximately 11,697 beneficial owners of the 110,374,160 shares of Common Stock then outstanding. The presence, in person or by proxy, of a majority of the total number of outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. If less than a majority of outstanding shares entitled to vote are represented at the Annual Meeting, a majority of the shares present at the Annual Meeting may adjourn the Annual Meeting to another date, time or place, and notice need not be given of the new date, time or place if the new date, time or place is announced at the Annual Meeting before an adjournment is taken.

If the enclosed form of proxy is properly executed and returned in time to be voted at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked therein. **EXECUTED BUT UNMARKED PROXIES WILL BE VOTED FOR (i) THE ELECTION OF THE DIRECTORS NAMED IN THE PROXY, AND (ii) RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2010.** The Board of Directors does not know of any matters other than those described in the Notice of Annual Meeting that are to come before the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in the proxy will vote the shares represented by such proxy in their discretion upon such matters.

The presence of a shareholder at the Annual Meeting will not automatically revoke such shareholder's proxy. A shareholder may, however, revoke a proxy at any time prior to its exercise by (i) filing a written notice of revocation, (ii) delivering a duly executed proxy bearing a later date to,

Table of Contents

Secretary, AVI BioPharma, Inc., 3450 Monte Villa Parkway, Suite 101, Bothell, Washington 98021, or (iii) attending the Annual Meeting and voting in person. In order to be effective, all revocations or later-filed proxies must be delivered to the Company at the Bothell, Washington address not later than 5:00 p.m. local time on the business day prior to the day of the Annual Meeting. All valid, unrevoked proxies will be voted at the Annual Meeting. Under Oregon law, shareholders are not entitled to dissenter's rights with respect to any of the proposals set forth in this Proxy Statement.

AVI BIOPHARMA, INC. DIRECTORS, DIRECTOR NOMINEES AND EXECUTIVE OFFICERS

Directors, Director Nominees and Executive Officers

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

Name	Age	Position(4)
J. David Boyle II	56	Interim Chief Executive Officer and President, Senior Vice President, and Chief Financial Officer
Patrick L. Iversen, Ph.D.	54	Senior Vice President of Strategic Alliances
Ryszard Kole, Ph.D.	63	Senior Vice President of Discovery Research
Paul Medeiros	48	Senior Vice President of Business Development, Chief Business Officer and Secretary
Stephen B. Shrewsbury, M.D.	53	Senior Vice President of Preclinical, Clinical and Regulatory Affairs and Chief Medical Officer
Dwight D. Weller, Ph.D.	59	Senior Vice President of Chemistry and Manufacturing
Michael D. Casey(1)(3)	64	Group I Director, Chairman of the Board
William A. Goolsbee(1)(3)	56	Group I Director
John C. Hodgman(2)	55	Group II Director
Gil Price, M.D.(2)	54	Group I Director
M. Kathleen Behrens, Ph.D.(2)	57	Group II Director
Christopher S. Henney, Ph.D., D.Sc.	69	Group I Director
Anthony Chase(3)	55	Group II Director
Chris Garabedian	43	Group I Director Nominee
Hans Wigzell	71	Group I Director Nominee

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

(3) Member of the Nominating and Corporate Governance Committee.

(4) The terms of Group I Directors expire as of the date of the 2010 Annual Meeting, and the terms of Group II Directors expire as of the date of the 2011 Annual Meeting.

J. David Boyle II, has served as Interim Chief Executive Officer and President since April 20, 2010, and as Senior Vice President and Chief Financial Officer of the Company since August 18, 2008. Mr. Boyle also previously served as the Company's Secretary from September 29, 2008 to April 20, 2010. In the five years prior to his appointment as the Company's Senior Vice President and Chief Financial Officer, Mr. Boyle worked for both XOMA Ltd., a biopharmaceutical company in the field of therapeutic antibody discovery and development, and Polycom, Inc., a worldwide high technology communications company. Mr. Boyle served as Chief Financial Officer of XOMA Ltd. from July 2005 to August 2008. Prior to his position as Chief Financial Officer, Mr. Boyle served as Vice President, Financial Operations of XOMA Ltd. from January 2005 to July 2005. Mr. Boyle joined XOMA Ltd. in January 2005 from Polycom, Inc. where he served from March 2002 to December 2004, most recently, as Vice President, Finance. Mr. Boyle also brings to the Company extensive global financial leadership

Table of Contents

experience in the pharmaceutical industry through previous senior leadership positions. Prior to his employment with Polycom, Inc., Mr. Boyle worked for Salix Pharmaceuticals, Ltd. in the U.S. and for Ares Serono Group both in the U.S. and Switzerland. Mr. Boyle holds a B.A. degree from Catholic University.

Patrick L. Iversen, Ph.D., has served as Senior Vice President of Strategic Alliances since April 10, 2008. From 1997 until April 10, 2008, Dr. Iversen previously served as the Company's Senior Vice President of Research and Development. He also served as a director of the Company from 1997 through May 2005. From 1987 through 1997, Dr. Iversen was on staff at the University of Nebraska Medical Center, most recently as a Professor in the College of Medicine. Dr. Iversen, who has published extensively on antisense research and development, additionally served as a consultant to various pharmaceutical and biotechnology companies, including GLAXO Inc., Innovir Pharmaceuticals, Lynx Therapeutics, and Isis Pharmaceuticals, as well as to the Company. He is a former member of the Leukemia Society of America Board of Directors. Dr. Iversen holds a B.S. in Biology from Westminster College and a Ph.D. in Biochemical Pharmacology and Toxicology from the University of Utah, followed by post-doctoral work at the Eppley Institute for Research in Cancer and Allied Diseases. Current services activities include being a reviewer for the ONC-L and BST-S study sections of the National Institutes of Health.

Ryszard Kole, Ph.D., has served as Senior Vice President of Discovery Research since April 10, 2008. Prior to his appointment as Senior Vice President of Discovery Research, Dr. Kole had served as a consultant to the Company after the closing of the Company's acquisition of Ercole Biotech, Inc., a privately held Delaware corporation ("Ercole"), on March 20, 2008. Prior to his service as a consultant with the Company and Ercole's acquisition by the Company, Dr. Kole served as President, Chief Scientific Officer and a member of the Board of Directors of Ercole from the time he founded Ercole in 2001. He served as a compensated consultant to Ercole from September 2007 until its acquisition in March 2008. As a member of Ercole's senior management, Dr. Kole had primary responsibility for managing Ercole's internal and collaborative research activities. At the time of its acquisition, Ercole had six full-time employees and two part-time consultants, including Dr. Kole. In addition to his work with Ercole, Dr. Kole had also been employed by the University of North Carolina at Chapel Hill ("UNC") in the Department of Pharmacology as a Professor from 1996 until April 2008. Dr. Kole holds a Ph.D. in Natural Sciences from the Institute of Biochemistry and Biophysics, Polish Academy of Sciences in Warsaw, Poland.

Paul Medeiros, has served as the Senior Vice President of Business Development and Chief Business Officer since May 19, 2009, and has served as Secretary since April 20, 2010. In the five years prior to his appointment as the Company's Senior Vice President of Business Development and Chief Business Officer, Mr. Medeiros worked for Schering-Plough. Most recently, Mr. Medeiros served as Vice President, Global Licensing and Strategic Alliances for Schering-Plough, where he led worldwide specialty product licensing and strategic partnering initiatives. Mr. Medeiros joined Schering-Plough in 1996 as marketing planning director, and subsequently held senior positions of increasing responsibility in marketing and business development. Prior to Schering-Plough, Medeiros was employed by Merck & Company, where he held positions in Field Sales, New Product Planning and Worldwide Human Health Marketing. Medeiros holds an A.B. with honors from Brown University and an M.B.A. from Columbia Business School. He is a member of the Licensing Executives Society and is a *Certified Licensing Professional*.

Stephen B. Shrewsbury, M.D., has served as Chief Medical Officer and Senior Vice President of Preclinical, Clinical and Regulatory Affairs since January 26, 2009. In the five years prior to his appointment as the Company's Chief Medical Officer and Senior Vice President of Preclinical, Clinical and Regulatory Affairs, Dr. Shrewsbury worked as a consultant to companies in the pharmaceutical industry from August 2008 to January 2009. Prior to his work as a consultant, Dr. Shrewsbury served as Chief Medical Officer & Senior Vice President, Clinical Development, Medical and Regulatory Affairs

Table of Contents

of Adamas Pharmaceuticals Inc. from March 2008 to August 2008. He joined Adamas Pharmaceuticals Inc. in March 2008 from MAP Pharmaceuticals Inc., where he served from February 2005 to March 2008 as Chief Medical Officer, Formerly Vice President, Clinical and Regulatory Affairs. Prior to his employment with MAP Pharmaceuticals, Inc., Dr. Shrewsbury worked as Senior Director of Clinical Development of Chiron Corporation from July 2002 until February 2005. Prior to joining Chiron, Dr. Shrewsbury held several senior positions at GlaxoSmithKline both in the UK and U.S. from 1993 until 2002. Dr. Shrewsbury holds a Bachelor of Medicine and a Bachelor of Surgery degree from the University of Liverpool, UK.

Dwight D. Weller, Ph.D., has served as Senior Vice President of Chemistry and Manufacturing of the Company since 1997, as Vice President of Research and Development of the Company from 1992 to 1997, and as a director of the Company from 1991 through May 2006. Dr. Weller received a B.S. in Chemistry from Lafayette College and a Ph.D. in Chemistry from the University of California at Berkeley, followed by postdoctoral work in Bio-Organic Chemistry at the University of Illinois. Dr. Weller was on the faculty of Oregon State University from 1978 to 1992.

Michael D. Casey, has served as a director of the Company since May 2006 and was appointed the Chairman effective March 10, 2008. In addition to serving as Chairman of the Board, Mr. Casey also serves as Chairman of the Compensation Committee. Mr. Casey's experience in leadership positions in public companies in the biopharmaceutical industry qualifies him for service as a member of the Board of Directors. Since 2002, Mr. Casey has served as a director of several public biopharmaceutical companies. Previously, Mr. Casey served four years as President, Chief Executive Officer and Chairman of Matrix Pharmaceutical, Inc., a biopharmaceutical company, until Chiron Corporation acquired Matrix in 2002. Prior to joining Matrix, Mr. Casey was President of two divisions of Schein Pharmaceutical, Inc. from 1995 to 1997, and President and Chief Operating Officer of Genetic Therapy, Inc. from 1993 to 1995 until it was sold to Sandoz (Novartis). Mr. Casey also spent 25 years with Johnson & Johnson, including serving as Vice President of Sales and Marketing of Ortho Pharmaceutical Corporation and President of McNeil Pharmaceuticals. Mr. Casey is a director of Celgene Corp. and Durect Corporation. In the past five years, Mr. Casey has also served as a director of Allos Therapeutics, Cholestech Corporation, Bone Care International, Inc., OrthoLogic Corporation, and Sicor, Inc.

William A. Goolsbee, has served as a director of the Company since October 2007. He also serves as the Chairman of the Nominating and Corporate Governance Committee. Mr. Goolsbee's 30-year career in the medical device and biopharmaceutical industries qualifies him for service as a member of the Board of Directors. Mr. Goolsbee was founder, chairman and Chief Executive Officer of Horizon Medical Inc. from 1987 until its acquisition by a unit of UBS Private Equity in 2002. Mr. Goolsbee was a founding director of ImmunoTherapy Corporation in 1993, becoming chairman of the board in 1995, a position he held until overseeing the successful acquisition of the company by the Company in 1998. Experience prior to 1987 includes a series of increasingly responsible executive positions with CooperVision Inc. and Cooper Laboratories Inc. Mr. Goolsbee holds a B.A. degree from the University of California at Santa Barbara. Mr. Goolsbee serves as chairman of privately held BMG Pharma LLC, a product development and licensing company.

John C. Hodgman, has served as a director of the Company since March 2004. He also serves as the Chairman of the Audit Committee and as the Audit Committee's financial expert. Mr. Hodgman's significant executive-level experience as a finance executive with biotechnology and biopharmaceutical companies qualifies him for service as a member of the Board of Directors. He has served as the Senior Vice President of Finance, Chief Financial Officer of InterMune, Inc., a biotechnology company, since August 2006. He served as the Chairman of Cygnus, Inc., a biopharmaceutical company, from 1999 to 2008, and as President and Chief Executive Officer of that company between 1998 and 2006. Mr. Hodgman joined Cygnus in 1994 as Vice President of Finance and Chief Financial Officer and between 1995 and 1998, he also served as President of Cygnus Diagnostics. He was President and Chief

Table of Contents

Executive Officer of Aerogen, Inc., a biopharmaceutical company, from June 2005 to October 2005 when the company was sold to Nektar, Inc. Mr. Hodgman holds a B.S. degree from Brigham Young University and an M.B.A. from the University of Utah. Mr. Hodgman is a director of Immersion Corporation. In the past five years, Mr. Hodgman has also served as a director of Inflazyme Pharmaceuticals, Ltd., Alpha Innotech Corporation, and Aerogen, Inc.

Gil Price, M.D., has served as a director of the Company since October 2007. Dr. Price's experience in the clinical, research and commercial sectors in the fields of medicine and pharmaceuticals qualifies him for service as a member of the Board of Directors. Dr. Price is a clinical physician trained in internal medicine with a long-standing interest in drug development, adverse drug reactions, drug utilization and regulation. Since 2002, he has been the Chief Executive Officer and Chief Medical Officer of Drug Safety Solutions. From 1997 to 2002, Dr. Price was the director of clinical development for oncology at MedImmune Inc. Prior to joining MedImmune, Dr. Price worked in the CRO sector. Dr. Price began his pharmaceutical career at GlaxoSmithKline Inc., where he worked for nearly nine years on both the commercial and research sides of the company. Dr. Price is a member of the American Medical Association, the Academy of Pharmaceutical Physicians and a past member of the American Society for Microbiology.

M. Kathleen Behrens, Ph.D., has served as a director of the Company since March 2009. Dr. Behrens' significant experience in the financial services and biotechnology sectors, as well as in healthcare policy, qualifies her for service as a member of the Board of Directors. Dr. Behrens served as a member of the President's Council of Advisors on Science and Technology (PCAST) from 2001 to early 2009 and she was Chair of PCAST's Subcommittee on Personalized Medicine. She has served as a public-market biotechnology securities analyst as well as venture capitalist focusing on healthcare, technology and related investments. She was instrumental in the founding of several biotechnology companies including Protein Design Labs, Inc. and COR Therapeutics, Inc. She worked for Robertson Stephens & Co. from 1983 through 1996, serving as a general partner and managing director. Dr. Behrens continued in her capacity as a General Partner for selected venture funds for RS Investments from 1996 through 2009, after management led a buyout of that firm from Bank of America. From 1997 to 2005, she was a director of the Board on Science, Technology and Economic Policy (STEP) for the National Research Council, and from 1993 to 2000 she was a director, President, Chair and Past Chair of the National Venture Capital Association. Dr. Behrens holds a Ph.D. in Microbiology from the University of California, Davis. Dr. Behrens is a director of Amylin Pharmaceuticals, Inc. In the past five years, Dr. Behrens has also served as a director of Abgenix, Inc.

Christopher S. Henney, Ph.D., D.Sc., has served as a director of the Company since March 2009. Dr. Henney's significant executive-level and board experience at biotechnology companies qualifies him to serve as a member of the Board of Directors. Dr. Henney co-founded three major publicly held U.S. biotechnology companies, Immunex Corporation, ICOS Corporation and Dendreon Corporation, and was a board member and held executive positions at each company. From 1995 to January 2003, Dr. Henney was Chairman and Chief Executive Officer of Dendreon Corporation. Dr. Henney also serves as Chairman of Oncothyreon Inc. Dr. Henney received a Ph.D. in experimental pathology from the University of Birmingham and a D.Sc. from the same university for contributions to the field of immunology. Dr. Henney serves as Chairman of Oncothyreon Inc., Chairman of Anthera Pharmaceuticals, and as Vice Chairman of Cyclacel Pharmaceuticals, Inc., formerly Xcyte Therapies, Inc. In the past five years, Dr. Henney also served as Chairman of SGX Pharmaceuticals, Inc.

Table of Contents

Anthony Chase, has served as a director of the Company April 20, 2010. Mr. Chase's experience in leadership positions in public companies qualifies him for service as a member of the Board of Directors. Since January 2009, Mr. Chase has served as Executive Vice President of Crest Investment Company. He is also Chairman of ChaseSource, L.P., a position he has held since October 2006, and ChaseSource Real Estate Services, L.P., a position he has held since January 2008. Previously, he was Chairman and Chief Executive Officer of ChaseCom, L.P. from January 1997 to December 2007, when ChaseCom, L.P. was acquired by AT&T. Mr. Chase is a tenured Professor at the University of Houston Law Center where he began teaching in 1990. He graduated with honors from Harvard College, received a law degree from Harvard Law School, and received an MBA from Harvard Business School. Mr. Chase is a member of the American Bar Association and State Bar of Texas. Mr. Chase serves as lead director of the Cornell Companies and is a director of Western Gas Partners. He is a member of the Council on Foreign Relations.

Christopher Garabedian, was nominated to serve on the Board in April 2010. Mr. Garabedian's experience serving in leadership positions within biopharmaceutical industry qualifies him to serve on the Board of Directors. Mr. Garabedian has served as Vice President of Corporate Strategy for Celgene Corporation since July 2007. From November 2005 to June 2007, Mr. Garabedian served as an independent consultant to early-stage biopharmaceutical companies. From 1997 to 1998 and from 1998 to November 2005, Mr. Garabedian worked at Gilead Sciences, Inc., where he served in a number of global leadership roles, including as Vice President of Corporate Development, Vice President of Marketing, and Vice President of Medical Affairs. Mr. Garabedian also held various commercial roles at COR Therapeutics, Inc. from 1998 to 1999 and at Abbott Laboratories from 1994 to 1997. He started his biopharmaceutical career as a consultant with Migliara/Kaplan Associates from 1991 to 1994. Mr. Garabedian received his B.S. in marketing from the University of Maryland.

Dr. Hans Wigzell, was nominated to serve on the Board in April 2010. Dr. Wigzell has been acting as Chairman of the Strategic Advisory Board of Company since August 2008. Dr. Wigzell's experience serving in leadership roles in various scientific and biotechnology institutions and companies in countries around the world qualifies him to serve as a member of the Board of Directors. Previously he was the President of the Karolinska Institute from 1995 through 2003, and he was General Director of the National Bacteriological Laboratory in Stockholm between 1987 and 1993. Dr. Wigzell is Chairman of the Board of Stockholm School of Entrepreneurship. He is an elected member of several national academies, including the Swedish Royal Engineering Academy, Sweden; the Royal Academy of Science, Sweden; the Danish Academy of Arts and Letters; American Academy of Arts and Sciences; the Finnish Science Society; and the European Molecular Biology Organization. He holds an M.D. and Ph.D. degree from Karolinska Institute in Stockholm and, in addition to being President of Karolinska Institute, his academic career includes being Chairman, Nobel Prize Committee, Karolinska Institute and Distinguished External Advisory Professor, Ehime University, Japan. Additionally, Dr. Wigzell was appointed Chairman of the Nobel Assembly in 2000. He received honorary doctors degrees at University "Tor Vergata" in Rome, Italy and Turku University in Finland. In the past five years, Dr. Wigzell has served as a director of Probi AB, RaySearch Laboratories AB, Biovitrum AB, and at Diamyd Medical AB.

Board of Directors Meetings and Committees

During 2009, AVI's Board of Directors held 15 meetings. During the time that they were members of the Board in 2009, each director attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings held by all committees of the Board of Directors on which each such director served.

The Board of Directors has a separately designated standing Audit Committee, established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. The Audit Committee conducted four meetings during the fiscal year ended December 31,

Table of Contents

2009. As of the date hereof, the members of the Audit Committee are Mr. Hodgman, Dr. Price, and Dr. Behrens. Former director Dr. Fara also served on the Audit Committee during 2009. Dr. Fara decided not to stand for reelection in March 2009, and ceased to be a member of the Audit Committee when his term as a director expired on May 19, 2009. Mr. Hodgman serves as the Audit Committee's Chairman and the Audit Committee's designated financial expert. All members of the Audit Committee are independent directors, as defined under applicable listing requirements of the Nasdaq Stock Market. The Audit Committee oversees the annual and quarterly financial reporting process, retains and replaces the Company's independent auditors, discusses with the auditors their independence from management and reviews the scope of the independent annual audit. The Audit Committee operates under an amended and restated written charter adopted by the Board of Directors on March 30, 2004, a copy of which is posted on the Company's website (www.avibio.com). The Audit Committee reviewed and reassessed the charter for effectiveness during 2009.

The Board of Directors also has a standing Compensation Committee, which reviews and makes recommendations to the full Board of Directors regarding compensation for the Company's executive officers and directors and administers the Company's stock option and employee stock purchase plans. During the fiscal year ended December 31, 2009, the Compensation Committee held eight meetings. As of the date hereof, the members of the Compensation Committee are Mr. Casey (Chair) and Mr. Goolsbee. A copy of the Compensation Committee charter is posted on the Company's website (www.avibio.com).

The Board of Directors also has a standing Nominating and Corporate Governance Committee, which is responsible for considering and making recommendations to the Board of Directors concerning the appropriate size, functions and needs of the Board of Directors and to ensure compliance with the Company's Code of Ethics and other corporate governance policies. During the fiscal year ended December 31, 2009, the Nominating and Corporate Governance Committee held two meetings. As of the date hereof, the members of the Nominating and Corporate Governance Committee are Mr. Goolsbee (Chair), Mr. Casey, and Mr. Chase. Former director Dr. Fara also served on the Nominating and Corporate Governance Committee during 2009. Dr. Fara decided not to stand for reelection in March 2009, and ceased to be a member of the Nominating and Corporate Governance Committee when his term as a director expired on May 19, 2009. Dr. Henney served on the Nominating and Corporate Governance Committee during 2009 following his election to the Board of Directors until he stepped down effective April 20, 2010. The Nominating and Corporate Governance Committee operates under an amended and restated written charter adopted by the Board of Directors on February 16, 2006, a copy of which is posted on the Company's website (www.avibio.com).

Director Diversity and Qualification Standards

The Board believes that the Board, as a whole, should possess a combination of skills, professional experience, and diversity of backgrounds necessary to oversee the Company's business. In addition, the Board believes that there are certain attributes that every director should possess, as reflected in the Board's membership criteria. Accordingly, the Board and the Nominating and Corporate Governance Committee consider the qualifications of directors and director candidates individually and in the broader context of the Board's overall composition and the Company's current and future needs.

The Nominating and Corporate Governance Committee is responsible for developing and recommending Board membership criteria to the Board for approval. The criteria include the candidate's business experience, qualifications, attributes and skills relevant to the management and oversight of the Company's business, independence, judgment and integrity, the ability to commit sufficient time and attention to Board activities, and any potential conflicts with the Company's business and interests. In addition, the Board and the Committee annually evaluate the composition of the Board to assess the skills and experience that are currently represented on the Board, as well as the

Table of Contents

skills and experience that the Board will find valuable in the future, given the Company's current situation and strategic plans. While not maintaining a specific policy on Board diversity requirements, the Board and the Nominating and Corporate Governance Committee believe that diversity is an important factor in determining the composition of the Board and, therefore, seek a variety of occupational and personal backgrounds on the Board in order to obtain a range of viewpoints and perspectives and to enhance the diversity of the Board. This annual evaluation of the Board's composition enables the Board and the Committee to update the skills and experience they seek in the Board as a whole, and in individual directors, as the Company's needs evolve and change over time and to assess the effectiveness of efforts at pursuing diversity. In identifying director candidates from time to time, the Board and the Nominating and Corporate Governance Committee may identify specific skills and experience that it believes the Company should seek in order to constitute a balanced and effective board.

The members of the Audit, Nominating and Corporate Governance, and Compensation Committees are independent as defined under applicable listing requirements of the Nasdaq Stock Market, and all members of the Audit Committee have the requisite financial experience.

Although we do not have a formal policy regarding attendance by members of the Board of Directors at our annual meetings of shareholders, directors are encouraged to attend the annual meetings. All directors other than Dr. Henney attended the Company's 2009 annual meeting of shareholders.

Leadership Structure of Board of Directors

Currently, the Company's current Interim President and Chief Executive Officer, David Boyle, does not serve as a director. Throughout 2008 and 2009, the Company's Chief Executive Officer, Dr. Leslie Hudson, served as a director but not as its Chairman of the Board. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day-to-day leadership and performance of the Company, while the Chairman of the Board provides guidance to the Chief Executive Officer and sets the agenda for Board meetings and presides over meetings of the Board. The Company's Chief Executive Officer also was not and the Company's Interim Chief Executive Officer is not a member of any of the standing committees of the Board of Directors. The Board believes that this leadership structure is appropriate because it allows the Company to speak externally to its various constituents, as well as internally to its officers and employees, on a unified and consistent basis, and fosters clear accountability and effective decision-making. At the same time, the Company's Board structure incorporates appropriate Board independence and programs for risk management oversight of the Company's overall operations, including its compensation programs. It is not certain at this time whether the Company's permanent Chief Executive Officer will become a member of the Board but if he/she does become such a member, the Company expects that he or she will not be the Chairman and will not be a member of any Board committee.

The Company has been, and continues to be, a strong advocate of Board independence and has put into place measures to see that its directors provide independent oversight. The Board believes that it also has established substantial independent oversight of management. For example, all of the Company's current directors, as well as the director nominees identified in this Proxy Statement, are independent under the Nasdaq guidelines. In addition, each of the Board's three standing committees, Audit, Compensation and Nominating and Corporate Governance, are comprised solely of independent directors. Each of the standing committees operates under a written charter adopted by the Board. Also, the Company's non-management directors meet in executive session periodically without management in attendance. This means that oversight of critical matters, such as the integrity of the Company's financial statements, employee compensation, including compensation of the executive officers, the selection of directors and the evaluation of the Board and key committees is entrusted to independent directors.

Table of Contents

Role of Board of Directors in Risk Oversight

The Board and each of its standing committees (Audit, Compensation, and Nominating and Corporate Governance) oversee the management of risks inherent in the operation of the Company's business. The Board has delegated certain risk management responsibilities to the Board committees. The Board and the Audit Committee evaluate Company policies with respect to risk assessment and risk management, and monitor the Company's liquidity risk, regulatory risk, operational risk and enterprise risk by regular reviews with management and external auditors and other advisors. In its periodic meetings with the independent accountants, the Audit Committee discusses the scope and plan for the audit and includes management in its review of accounting and financial controls, assessment of business risks and legal and ethical compliance programs. The Board and the Governance and Nominating Committee monitor the Company's governance and succession risk by regular review with management and outside advisors. As part of its responsibilities as set forth in its charter, the Compensation Committee reviews the impact of the Company's executive compensation program and the associated incentives to determine whether they present a significant risk to the Company. The Compensation Committee has concluded, based on its reviews and analysis of the Company's compensation policies and procedures, that such policies and procedures are not reasonably likely to have a material adverse effect on the Company.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics (the "Code"). The Code applies to all directors and employees, including all officers, managers and supervisors, and is intended to better ensure full, fair, accurate, timely and understandable disclosures in our public documents and reports, compliance with applicable laws, prompt internal reporting of violations of these standards and accountability for adherence to standards. The Company has contracted with Ethicspoint to provide a method for employees and others to report violations of the Code anonymously. A copy of the Code is posted on the Company's website (*www.avibio.com*).

Communications to the Board of Directors

The Board of Directors welcomes and encourages shareholders to share their thoughts regarding the Company. While the Board of Directors encourages such communication, for a variety of reasons, including compliance with securities laws, fiduciary duties of the directors, and good business practices relating to corporate communications, the Company's preference is that shareholders communicate with the Board of Directors in compliance with its communications policy. The Company's communications policy, as adopted by the Board of Directors, provides that all communications should first be directed to the Company's Investor Relations Department. Investor Relations will then distribute a copy of the communication to the Chairman of the Board, the Chairman of the Audit Committee and the Company's outside counsel. Based on the input and decision of these persons, along with the entire Board of Directors if it is deemed necessary, the Company, through its Investor Relations Department, will respond to the communication.

Section 16(a) Beneficial Ownership Reporting Compliance

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

Based solely on its review of the copies of such reports received by it with respect to fiscal year 2009, or written representations from certain reporting persons, AVI believes that all filing

Table of Contents

requirements applicable to its directors, officers and persons who own more than ten percent (10%) of a registered class of AVI's equity securities have been complied with for fiscal 2009.

Compensation Committee Interlocks and Insider Participation

As of December 31, 2009, the Compensation Committee was composed of three directors, namely, Mr. Casey, Mr. Forrest and Mr. Goolsbee. Prior to his appointment as the Company's Interim Chief Executive Officer, Mr. Forrest served on the Company's Compensation Committee. On March 27, 2007, in connection with his appointment as the Company's Interim Chief Executive Officer, Mr. Forrest resigned as a member of the Compensation Committee and Mr. Casey was appointed as his replacement. On March 10, 2008, having completed his tenure as the Company's Interim Chief Executive Officer, Mr. Forrest was again appointed to the Compensation Committee. There were no employee directors on the Compensation Committee and no interlocks.

COMPENSATION POLICIES, PRACTICES, RISKS AND RELATED ISSUES

Overview

The Company is a biopharmaceutical company developing products in the growing field of RNA therapeutics. Current applications of the Company's technology platform include clinical trials for genetic diseases (Duchenne muscular dystrophy), and earlier programs in infectious diseases (Ebola and Marburg viruses), H1N1 and other early discovery targets. We operate in a highly complex business environment and believe that a competitive compensation program is an important tool to help attract, retain, recognize and reward the talented employees we need to achieve our mission and deliver value to our shareholders.

The Company intends that total compensation and each of its components, including base salary, incentive cash compensation, equity compensation, benefits and perquisites be competitive in the marketplace for suitable talent and in accord with the Company's short and long term goals. We seek to attract, retain, develop and reward employees whose performance helps the Company to achieve such goals and to provide value to our shareholders. While base compensation, benefits and perquisites are primarily a factor of being competitive in the marketplace for employees, incentive compensation is primarily merit based, with actual compensation a function of the achievement of defined and agree