

AVI BIOPHARMA INC  
Form 10-Q  
May 11, 2009  
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## UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 10-Q

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2009

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-14895

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# AVI BIOPHARMA, INC.

(Exact name of registrant as specified in its charter)

**Oregon**

(State or other jurisdiction of incorporation or organization)

**93-0797222**

(I.R.S. Employer Identification No.)

**4575 SW Research Way, Suite 200, Corvallis, Oregon**

(Address of principal executive offices)

**97333**

(Zip Code)

Issuer's telephone number, including area code: **541-753-3635**

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Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer, and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934 (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller Reporting Company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Common Stock with \$.0001 par value**  
(Class)

**85,644,698**  
(Outstanding at May 8, 2009)



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## AVI BIOPHARMA, INC.

(A Development Stage Company)

## BALANCE SHEETS

(unaudited)

(in thousands, except per share data)

	March 31, 2009	December 31, 2008
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 24,723	\$ 11,192
Short-term securities available-for-sale	285	282
Accounts receivable	3,126	4,971
Other current assets	645	599
Total Current Assets	28,779	17,044
Property and Equipment, net of accumulated depreciation and amortization of \$13,207 and \$12,919	4,934	5,189
Patent Costs, net of accumulated amortization of \$1,959 and \$1,927	3,269	3,268
Other assets	35	35
Total Assets	\$ 37,017	\$ 25,536
<b>Liabilities and Shareholders Equity</b>		
Current Liabilities:		
Accounts payable	\$ 1,279	\$ 2,014
Accrued employee compensation	964	1,306
Long-term debt, current portion	75	74
Warrant liability	6,815	1,254
Deferred revenue	2,159	2,190
Other liabilities	324	450
Total Current Liabilities	11,616	7,288
Commitments and Contingencies		
Long-term debt, non-current portion	1,981	2,001
Other long-term liabilities	530	515
Shareholders Equity:		
Preferred stock, \$.0001 par value, 20,000,000 shares authorized; none issued and outstanding		
Common stock, \$.0001 par value, 200,000,000 shares authorized; 85,644,698 and 71,101,738 issued and outstanding	9	7
Additional paid-in capital	274,118	266,035
Accumulated other comprehensive income		
Deficit accumulated during the development stage	(251,237)	(250,310)
Total Shareholders Equity	22,890	15,732
Total Liabilities and Shareholders Equity	\$ 37,017	\$ 25,536

See accompanying notes to financial statements

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AVI BIOPHARMA, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share amounts)

	Three months ended March 31,		July 22, 1980
	2009	2008	(Inception) through March 31, 2009
Revenues from license fees, grants and research contracts	\$ 3,150	\$ 5,625	\$ 45,374
Operating expenses:			
Research and development	4,495	6,903	210,531
General and administrative	2,220	2,553	67,544
Acquired in-process research and development		9,916	29,461
	6,715	19,372	307,536
Other income (loss):			
Interest income and other, net	16	167	8,793
Gain (loss) on warrant liability	2,622	(1,435)	15,270
Realized gain on sale of short-term securities available-for-sale			3,863
Write-down of short-term securities available-for-sale			(17,001)
	2,638	(1,268)	10,925
Net loss	\$ (927)	\$ (15,015)	\$ (251,237)
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.23)	
Weighted average number of common shares outstanding for computing basic and diluted loss per share (in thousands)	80,759	65,188	

See accompanying notes to financial statements.

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## AVI BIOPHARMA, INC.

(A Development Stage Company)

## STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Three months ended March 31,		For the Period
	2009	2008	July 22, 1980 (Inception) through March 31, 2009
<b>Cash flows from operating activities:</b>			
Net loss	\$ (927)	\$ (15,015)	\$ (251,237)
Adjustments to reconcile net loss to net cash flows used in operating activities:			
Depreciation and amortization	367	349	16,670
Loss on disposal of assets	183	1	1,141
Realized gain on sale of short-term securities available-for-sale			(3,863)
Write-down of short-term securities available-for-sale			17,001
Impairment charge on real estate owned			800
Issuance of common stock and warrants to vendors			2,903
Compensation expense on issuance of common stock and partnership units	45	118	1,073
Compensation expense to non-employees on issuance of options and warrants to purchase common stock or partnership units	78	104	3,213
Stock-based compensation	442	1,279	13,699
Conversion of interest accrued to common stock			8
Acquired in-process research and development		9,916	29,461
(Gain) loss on warrant liability	(2,622)	1,435	(15,270)
(Increase) decrease in:			
Accounts receivable and other current assets	1,799	(1,408)	(3,687)
Other assets			(35)
Net increase in accounts payable, accrued employee compensation, and other liabilities	(980)	(1,205)	3,982
Net cash used in operating activities	(1,615)	(4,426)	(184,141)
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(37)	(150)	(16,975)
Patent costs	(259)	(189)	(6,439)
Purchase of marketable securities	(3)	(2)	(112,989)
Sale of marketable securities			117,613
Acquisition costs		(12)	(2,389)
Net cash used in investing activities	(299)	(353)	(21,179)
<b>Cash flows from financing activities:</b>			
Proceeds from sale of common stock, warrants, and partnership units, net of offering costs, and exercise of options and warrants	15,464		230,561
Repayments of long-term debt	(19)	(63)	(132)



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Buyback of common stock pursuant to rescission offering			(289)
Withdrawal of partnership net assets			(177)
Issuance of convertible debt			80
Net cash provided by (used in) financing activities	15,445	(63)	230,043
Increase (decrease) in cash and cash equivalents	13,531	(4,842)	24,723
Cash and cash equivalents:			
Beginning of period	11,192	24,803	