

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): June 13, 2006

Arrowhead Research Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-21898
(Commission
File Number)

46-0408024
(I.R.S. Employer
Identification No.)

201 South Lake Avenue, Pasadena, CA 91101
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (626) 304-3400

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On June 13, 2006, Arrowhead Research Corporation (the “**Company**”) executed a Series A Preferred Stock Purchase Agreement (“**Agreement**”) with NanoPolaris, Inc. (“**NanoPolaris**”), a Delaware company and majority owned subsidiary of the Company. Pursuant to the Agreement, the Company purchased 2,889,000 shares of NanoPolaris’ Series A Preferred Stock for an initial investment of \$3 million. In addition, the Company entered into an agreement to provide up to \$4 million of additional capital to NanoPolaris, with \$2 million to be paid on the first anniversary of closing and the remaining \$2 million to be paid on the second anniversary of closing. In the event the Company fails to make a required capital contribution as set forth in such agreement, the Company’s Series A Preferred Stock will be adjusted resulting in a reduction of its percentage ownership of NanoPolaris. The terms and provisions for the payment of the \$4 million of additional capital are included in an Agreement to Provide Additional Capital, also executed on June 13, 2006.

The above-described investment in NanoPolaris was made in connection with NanoPolaris’ acquisition of substantially all of Unidym’s net assets, including its intellectual property, prototypes, and equipment. Unidym is a Los Angeles company that develops carbon nanotube-based electronics founded by Dr. George Gruener. Dr. Gruener is a distinguished UCLA professor and will be the Chief Technical Officer of the combined company under NanoPolaris. NanoPolaris purchased the net assets of Unidym for a purchase price consisting of cash and shares of NanoPolaris common stock equal to 10% of NanoPolaris’ outstanding voting stock at closing.

The foregoing is a general description only and is subject to the detailed terms and conditions, and is qualified in its entirety by reference, to the Agreement, attached as Exhibit 10.1, and the Agreement to Provide Additional Capital, attached as Exhibit 10.2. A copy of the press release announcing NanoPolaris’ net asset acquisition of Unidym and the Company’s additional investment in NanoPolaris is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 2.01. Completion of Acquisition or Disposition of Assets.

The information set forth in Item 1.01 above is incorporated herein by this reference.

Item 9.01. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Series A Preferred Stock Purchase Agreement by and between the Company and NanoPolaris.
10.2	Agreement to Provide Additional Capital by and between the Company and NanoPolaris.
99.1	Press Release, announcing the Company’s additional investment in NanoPolaris and NanoPolaris’ net asset acquisition of Unidym.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 16, 2006

ARROWHEAD RESEARCH CORPORATION

By: /s/ Joseph T. Kingsley
Joseph T. Kingsley, President

NANOPOLARIS, INC.

SERIES A PREFERRED STOCK PURCHASE AGREEMENT

June 13, 2006

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EXHIBIT A	Amended and Restated Certificate of Incorporation
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EXHIBIT C	Voting Agreement
EXHIBIT D	Agreement to Provide Additional Capital

SERIES A PREFERRED STOCK PURCHASE AGREEMENT

THIS SERIES A PREFERRED STOCK PURCHASE AGREEMENT (this "**Agreement**") is made on the 13th day of June, 2006, among NanoPolaris, Inc., a Delaware corporation (the "**Company**"), and Arrowhead Research Corporation, a Delaware corporation ("**Investor**").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Purchase and Sale of Stock.

1.1 Sale and Issuance of Series A Preferred Stock.

(a) The Company shall adopt and file with the Secretary of State of the State of Delaware on or before the Closing (as defined below) the Amended and Restated Certificate of Incorporation in the form attached hereto as Exhibit A (the "**Restated Certificate**").

(b) Subject to the terms and conditions of this Agreement, Investor agrees to purchase at the Closing (as defined herein) and the Company agrees to sell and issue to Investor at the Closing, Two Million Eight Hundred Eighty-Nine Thousand (2,889,000) shares of the Company's Series A Preferred Stock for a purchase price of \$1.0384 per share.

1.2 Closing. The purchase and sale of the Series A Preferred Stock hereunder shall take place at the offices of Arrowhead Research Corporation, 201 South Lake Avenue, Suite 703, Pasadena, California, 91101, at 10:00 A.M. on June 1, 2006, or at such other time and place as the Company and Investor mutually agree upon orally or in writing (which time and place are designated as the "**Closing**"). At the Closing, the Company shall deliver to Investor a certificate representing the Series A Preferred Stock that such Investor is purchasing against payment of the purchase price therefor by wire transfer.

2. Representations and Warranties of Investor. Investor hereby represents, warrants and covenants that:

2.1 Authorization. Such Investor has full power and authority to enter into this Agreement, the Investors' Rights Agreement (as defined below) and the Voting Agreement (as defined below), and each such agreement constitutes its valid and legally binding obligation, enforceable in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies, and (iii) to the extent the indemnification provisions contained in the Investors' Rights Agreement and the Voting Agreement may be limited by applicable federal or state securities laws.

2.2 Purchase Entirely for Own Account. This Agreement is made with such Investor in reliance upon such Investor's representation to the Company, which by such Investor's execution of this Agreement, such Investor hereby confirms that the Series A Preferred Stock to be received by such Investor and the Common Stock issuable upon conversion

thereof (collectively, the “**Securities**”) will be acquired for investment for such Investor’s own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that such Investor has no present intention of selling, granting any participation in or otherwise distributing the same. By executing this Agreement, such Investor further represents that such Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities.

2.3 Disclosure of Information. Such Investor believes it has received all the information it considers necessary or appropriate for deciding whether to purchase the Series A Preferred Stock. Such Investor further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Series A Preferred Stock and the business, properties, prospects and financial condition of the Company.

2.4 Investment Experience. Such Investor is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Series A Preferred Stock. If other than an individual, such Investor also represents it has not been organized for the purpose of acquiring the Series A Preferred Stock.

2.5 Accredited Investor. Such Investor is an “accredited investor” within the meaning of SEC Rule 501 of Regulation D, as presently in effect.

2.6 Restricted Securities. Such Investor understands that the Securities it is purchasing are characterized as “restricted securities” under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such Securities may be resold without registration under the Securities Act of 1933, as amended (the “**Act**”), only in certain limited circumstances. In the absence of an effective registration statement covering the Securities or an available exemption from registration under the Act, the Series A Preferred Stock (and any Common Stock issued on conversion thereof) must be held indefinitely.

2.7 Legends. It is understood that the certificates evidencing the Securities may bear one or all of the following legends:

(a) “These securities have not been registered under the Securities Act of 1933, as amended. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or an opinion of counsel satisfactory to the Company that such registration is not required or unless sold pursuant to Rule 144 of such Act.”

(b) Any legend required by applicable laws.

3. Conditions of Investor's Obligations at Closing. The obligations of Investor under Section 1.1(b) of this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions:

3.1 Performance. The Company shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

3.2 Compliance Certificate. The President of the Company shall deliver to Investor at the Closing a certificate stating that the conditions specified in Section 3.1 has been fulfilled.

3.3 Qualifications. All authorizations, approvals or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Securities in the Closing pursuant to this Agreement shall be duly obtained and effective as of the Closing, other than such authorizations, approvals or permits or other filings which may be timely made after the Closing.

3.4 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to the Investor, and it shall have received all such counterpart original and certified or other copies of such documents as it may reasonably request.

3.5 Restated Certificate. The Restated Certificate of the Company shall have been filed with the Secretary of State of the State of Delaware and shall continue to be in full force and effect as of the Closing.

3.6 Secretary's Certificate. Investor shall have received from the Company's Secretary a certificate having attached thereto (i) the Company's Certificate of Incorporation as in effect at the time of the Closing, (ii) the Company's Bylaws as in effect at the time of the Closing, (iii) resolutions approved by the Board of Directors authorizing the transactions contemplated hereby, and (iv) resolutions approved by the Company's stockholders authorizing the filing of the Restated Certificate.

3.7 Investors' Rights Agreement. The Company and Investor shall have entered into the Investors' Rights Agreement in the form attached hereto as Exhibit B (the "**Investors' Rights Agreement**").

3.8 Voting Agreement. Unidym, Inc., a California corporation ("**Unidym**"), Investor and the Company shall each have entered into the Voting Agreement in the form attached hereto as Exhibit C (the "**Voting Agreement**").

3.9 Agreement to Provide Additional Capital. The Company and Investor shall have entered into the Agreement to Provide Additional Capital attached hereto as Exhibit D (the "**Additional Capital Agreement**").

4. Conditions of the Company's Obligations. The obligations of the Company to Investor under this Agreement in connection with the Closing are subject to the fulfillment on or before the Closing of each of the following conditions:

4.1 Representations and Warranties. The representations and warranties of Investor contained in Section 2 shall be true on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the Closing.

4.2 Payment of Purchase Price. Investor shall have delivered to the Company the purchase price specified in Section 1.1(b) on or prior to the Closing.

4.3 Qualifications. All authorizations, approvals or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Securities in the Closing pursuant to this Agreement shall be duly obtained and effective as of the Closing, other than such authorizations, approvals or permits or other filings which may be timely made after the Closing.

4.4 Investors' Rights Agreement. The Company and Investor shall have entered into the Investors' Rights Agreement.

4.5 Voting Agreements. Unidym, Investor and the Company shall each have entered into the Voting Agreement.

4.6 Additional Capital Agreement. The Company and Investor shall have entered into the Additional Capital Agreement.

5. Miscellaneous.

5.1 Survival. The warranties, representations and covenants of the Company and Investor contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of Investor or the Company.

5.2 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

5.3 Governing Law. This Agreement shall be governed by and construed under the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

5.4 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

5.5 Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (iii) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the address as set forth on the signature page hereof or at such other address as such party may designate by ten days' advance written notice to the other parties hereto.

5.6 Finder's Fee. Each party represents that it neither is nor will be obligated for any finders' fee or commission in connection with this transaction. Investor agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finders' fee (and the costs and expenses of defending against such liability or asserted liability) for which such Investor or any of its officers, partners, employees or representatives is responsible. The Company agrees to indemnify and hold harmless Investor from any liability for any commission or compensation in the nature of a finders' fee (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees or representatives is responsible.

5.7 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of a majority of the Common Stock that is issuable or issued upon conversion of the Series A Preferred Stock sold pursuant to this Agreement. Any amendment or waiver effected in accordance with this Section 5.7 shall be binding upon each holder of any securities purchased under this Agreement at the time outstanding (including securities into which such securities are convertible), each future holder of all such securities and the Company.

5.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

5.9 Aggregation of Stock. All shares of the Series A Preferred Stock or Common Stock issued upon conversion thereof held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

5.10 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations or covenants except as specifically set forth herein or therein.

5.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY:

NANOPOLARIS, INC.
a Delaware corporation

By: /s/ R. Bruce Stewart
President

Address: 201 South Lake Avenue, Suite 703
Pasadena, CA 91101
Fax No. (626) 304-3401

INVESTOR:

ARROWHEAD RESEARCH CORPORATION
a Delaware corporation

By: /s/ R. Bruce Stewart
R. Bruce Stewart
Chief Executive Officer

Address: 201 South Lake Avenue, Suite 703
Pasadena, CA 91101
Fax No. (626) 792-5554

AGREEMENT TO PROVIDE ADDITIONAL CAPITAL

THIS AGREEMENT TO PROVIDE ADDITIONAL CAPITAL (this "Agreement") is made and entered into as of June 13, 2006, by and between **ARROWHEAD RESEARCH CORPORATION**, a Delaware corporation ("Arrowhead"), and **NANOPOLARIS, INC.**, a Delaware corporation (the "Company").

A. Concurrent with the execution and delivery hereof, Arrowhead has entered into that certain Series A Preferred Stock Purchase Agreement of even date herewith (the "Purchase Agreement"), pursuant to which, among other things, Arrowhead has agreed to purchase 2,889,000 shares of Series A Preferred Stock of the Company (the "Preferred Stock").

B. The Purchase Agreement has been entered into in contemplation of and in consideration of this Agreement, whereby Arrowhead agrees to contribute \$4,000,000 of additional capital to the Company on the terms and conditions set forth herein, provided the Company meets certain milestones set forth herein.

C. This Agreement is being executed and delivered by the parties hereto as contemplated by the Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements set forth below, the parties hereto agree as follows:

1. Commitment to Provide Additional Capital. Arrowhead agrees to provide up to \$4,000,000 of additional capital to the Company, on the following terms and subject to the following conditions:

(a) Attached hereto as Appendix I is a schedule setting forth specified events, the occurrence of which will require future contributions of capital to be made (the "Milestones"). The date upon which each such Milestone shall have been reached is hereinafter referred to as a "Milestone Date."

(b) Within ten (10) business days following each Milestone Date, the Company shall deliver to Arrowhead a certificate of the Chief Executive Officer of the Company setting forth, in reasonable detail, sufficient information for Arrowhead to evaluate whether the Company has achieved the specific Milestone to be achieved by the Milestone Date in question.

(c) Arrowhead will have a period of thirty (30) business days following receipt of the certificate specified in subparagraph 1(b) to evaluate the information provided to Arrowhead by the Company in the certificate. In the event that Arrowhead determines, to its reasonable satisfaction, that the Milestone in question was achieved by the Company, Arrowhead shall, within such 30-day period, provide to the Company, in cash, by corporate check(s) or wire transfer, the amount of additional capital set forth on Appendix I opposite the Milestone in question.

(d) Any and all amounts provided by Arrowhead to the Company pursuant to this Agreement shall be deemed contributions to the capital of the Company by Arrowhead, as an existing holder of capital stock of the Company. It is understood and agreed that no capital stock or other security of the Company shall be issued to Arrowhead in consideration or on account of any additional capital provided by Arrowhead to the Company pursuant to the provisions of this Agreement, and that none of such funds shall be considered a loan by Arrowhead to the Company, or otherwise be repayable by the Company to Arrowhead.

2. Failure of Arrowhead to Make a Required Contribution. In the event that Arrowhead fails to provide, on a timely basis, any amount of additional funding that Arrowhead is obligated to provide pursuant to the provisions of paragraph 1 above (the "Adjustment Event"), then appropriate adjustments will be made to the Preferred Stock pursuant to the terms of the Company's Certificate of Incorporation then in effect (the "Certificate"). In the event Arrowhead previously converted all or a portion of its Preferred Stock into Common Stock prior to such Adjustment Event, then, as provided in this paragraph 2 below, Arrowhead will be required to surrender a portion of its shares of Common Stock to the Company to the extent it no longer holds enough Preferred Stock to provide for the necessary adjustments set forth in the Certificate. If Arrowhead shall have converted a portion, but not all, of its Preferred Stock into Common Stock prior to an Adjustment Event and, after making the adjustments in the Certificate as a result of the Adjustment Event, the shares of Preferred Stock held by Arrowhead would convert into a negative number of shares of Common Stock (the "Negative Conversion Shares"), then Arrowhead shall surrender to the Company that number of shares of Common Stock equal to the Negative Conversion Shares. In the event Arrowhead shall have converted all of its Preferred Stock into Common Stock prior to such Adjustment Event (and therefore the conversion adjustment cannot be calculated), then Arrowhead shall surrender that number of shares of Common Stock equal to (A) the number of shares of Common Stock issued upon conversion of its Preferred Stock, multiplied by (B) the amount of the additional funding Arrowhead failed to provide in connection with the Adjustment Event, divided by (C) \$7,000,000. The Company shall not have any additional rights or remedies in connection with Arrowhead's failure to make a contribution as required by this Agreement.

3. Optional Contribution. In the event the Company does not achieve one or more of the milestones, Arrowhead may, in its sole discretion, contribute all or a portion of the \$4,000,000 of additional capital to the Company. In addition, nothing herein shall prevent the Company and Arrowhead from agreeing to a future financing transaction on other terms.

4. Miscellaneous.

(a) Subject to the terms and conditions of this Agreement, each of the parties hereto shall use its best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws, rules and regulations to consummate and make effective the transactions contemplated by this Agreement.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto, the heirs, personal representatives, successors and permitted assigns of each of the parties hereto, but shall not confer, expressly or by implication, any rights or remedies upon any

other party. Neither this Agreement nor any of the rights, interests or obligations of either party hereunder may be assigned without the prior written consent of the other party.

(c) This Agreement shall be governed by and construed in accordance with the General Corporation Law of the State of Delaware as to matters within the scope thereof, without regard to its principles of conflicts of laws.

(d) To the extent any Common Stock of the Company is issued to Arrowhead as a result of a conversion of the shares of Preferred Stock of the Company, the certificates evidencing such securities may bear legends deemed appropriate acknowledging the terms of this Agreement.

(e) All notices, requests or demands and other communications hereunder must be in writing and shall be deemed to have been duly made if personally delivered or mailed, postage prepaid, to the parties at their respective addresses set forth on the signature page hereof. Any party hereto may change its address by written notice to the other party given in accordance with this subsection 3(e).

(f) This Agreement, together with the exhibits attached hereto, contains the entire agreement between the parties and supersedes all prior agreements, understandings and writings between the parties with respect to the subject matter hereof and thereof. Each party hereto acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting with authority on behalf of any party, which are not embodied herein or in an exhibit hereto, and that no other agreement, statement or promise may be relied upon or shall be valid or binding. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated orally. This Agreement may be amended or any term hereof may be changed, waived, discharged or terminated only by an agreement in writing signed by each of the parties hereto.

(g) The captions and headings used herein are for convenience only and shall not be construed as a part of this Agreement.

(h) In the event of any litigation between the parties hereto, the non-prevailing party shall pay the reasonable expenses, including the attorneys' fees, of the prevailing party in connection therewith.

(i) This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute but one and the same document.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

COMPANY:

NANOPOLARIS, INC.
a Delaware corporation

By: /s/ R. Bruce Stewart
President

Address: 201 South Lake Avenue, Suite 703
Pasadena, CA 91101
Fax No. (626) 304-3401

ARROWHEAD:

ARROWHEAD RESEARCH CORPORATION
a Delaware corporation

By: /s/ R. Bruce Stewart
Chief Executive Officer

Address: 201 South Lake Avenue, Suite 703
Pasadena, CA 91101
Fax No. (626) 792-5554

[SIGNATURE PAGE TO AGREEMENT TO PROVIDE ADDITIONAL CAPITAL]

APPENDIX I
MILESTONES

	<u>Description</u>	<u>Capital to be Contributed</u>
Milestone 1	12 months	\$ 2,000,000.00
Milestone 2	24 months	\$ 2,000,000.00



**Arrowhead Research's NanoPolaris Acquires Assets of Unidym,
A Carbon Nanostructure Electronics Company**

Arrowhead Commits \$7 Million To Scale Up Production and Device Integration

Pasadena, CA — June 14, 2006 — Arrowhead Research (NASDAQ:ARWR) announced today that NanoPolaris, its wholly-owned subsidiary, acquired substantially all the assets of Unidym, a Los Angeles company that develops carbon nanotube based electronics. Dr. George Grüner, Unidym founder and distinguished UCLA professor, will be the Chief Technical Officer of the combined company. The first product, transparent and conductive nanotube networks, could enable the next generation of flat panel displays, touch screens, light emitting diodes, and solar cells.

Prior to this transaction, NanoPolaris had assembled exclusive commercial rights to nanotube materials and processes developed at the California Institute of Technology, University of California at Los Angeles, Duke University, Pennsylvania State University, University at Buffalo, University of Toronto, Rensselaer Polytechnic Institute and Tsinghua University. As appropriate, NanoPolaris will continue to execute its strategy of consolidating key technologies and intellectual property in this field.

“Combining the recent product development achievements by Dr. Grüner with the NanoPolaris patent portfolio creates significant value,” said R. Bruce Stewart, Arrowhead’s Chairman. “We believe carbon nanomaterials represent the next technological revolution.”

Existing products such as flat panel displays, touch screens, and solar cells use indium tin oxide (ITO) as the transparent electrode. ITO, however, has limitations in its performance, a dramatically increasing price, and is not optimally suited for integration into many existing and new device architectures. Unidym’s carbon nanotube networks are mechanically flexible, can be deposited on lightweight plastics instead of heavy glass, and could be substantially more conductive than ITO.

“Our transparent and conductive nanotube networks are just the beginning of the transition to an electronics industry based on carbon. Expected subsequent products include nanotube thin film transistors that enable palm pilots to bend, electronic brochures to roll up, or low cost RFID tags. As one looks to the future, there is a strong possibility that carbon nanomaterials might be used to replace metal interconnects and silicon transistors,” said Dr. Grüner. “Our strategy is to leverage our knowledge of these materials to develop and bring to market increasingly sophisticated electronic devices.”

NanoPolaris acquired substantially all of Unidym’s net assets, including its intellectual property, prototypes and equipment, for a purchase price consisting of cash and shares of NanoPolaris common stock equal to 10% of NanoPolaris’ outstanding voting stock at closing. At the closing of this acquisition, Arrowhead Research invested \$3 million in NanoPolaris and committed up to \$4 million of additional capital to NanoPolaris, with \$2 million to be paid on the first anniversary of closing and the remaining \$2 million to be paid on the second anniversary of closing.

About Arrowhead Research Corporation

Arrowhead Research Corporation (www.arrowheadresearch.com) is a diversified nanotechnology company structured to commercialize products expected to have revolutionary impacts on a variety of industries, including electronics, life sciences, and energy.

There are three strategic components to Arrowhead's business model:

- **Outsourced R&D Program**: Arrowhead identifies patented or patent-pending technologies at universities or government labs and funds additional development of those technologies in exchange for exclusive rights to commercialize the resulting prototypes. Leveraging the resources and infrastructure of these institutions provides Arrowhead with a cost-effective development pipeline. Currently, Arrowhead is supporting efforts in drug discovery tools, stem cell technology and nanoelectronics at the California Institute of Technology, Stanford University and Duke University, respectively.
- **Commercialization Program**: After prototypes have been sufficiently developed in the laboratories, Arrowhead forms or acquires majority-owned subsidiaries to commercialize the technology and provides the subsidiaries with strategic, managerial and operational support. By doing so, each research team is able to maintain focus on its specific technology and each management team can focus on specific markets, increasing the likelihood of successful technological development and commercialization. At present, Arrowhead owns majority interest in subsidiaries commercializing diverse technologies, including anti-cancer drugs, RNAi therapeutics, compound semiconductor materials and nanotube technology.
- **The Patent Toolbox**: Arrowhead has acquired or exclusively licensed patents and patent applications covering a broad range of nanotechnology. The Company actively adds to its intellectual property portfolio.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:

This news release contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based upon our current expectations and speak only as of the date hereof. Our actual results may differ materially and adversely from those expressed in any forward-looking statements as a result of various factors and uncertainties, including the recent economic slowdown affecting technology companies, the future success of our scientific studies, our ability to successfully develop products, rapid technological change in our markets, changes in demand for our future products, legislative, regulatory and competitive developments and general economic conditions. Our Annual Report on Form 10-K and 10-K/A, recent and forthcoming Quarterly Reports on Form 10-Q and 10-Q/A, recent Current Reports on Forms 8-K and 8-K/A, our Registration Statement on Form S-3, and other SEC filings discuss some of the important risk factors that may affect our business, results of operations and financial condition. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

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