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) March 31, 2006

Arrowhead Research Corporation

(Exact name of registrant as specified in its charter)

Delaware	**0-21898**	**46-0408024**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

201 South Lake Avenue, Suite 703, Pasadena, California	**91101**
(Address of principal executive offices)	**(Zip Code)**

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

N/A
(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))

Item 1.01. Entry into a Material Definitive Agreement.

On March 31, 2006, Arrowhead Research Corporation (the "**Company**") executed a Series A Preferred Stock Purchase Agreement ("**Agreement**") with its majority owned subsidiary, Calando Pharmaceuticals Inc. ("**Calando**"), a Delaware corporation. Calando is a nanobiotechnology company focused on developing and commercializing exclusively licensed proprietary technologies for the therapeutic use of RNA interference, or "RNAi."

The Company purchased 5,000,000 shares of Calando's Series A Preferred Stock for an initial investment of $3,000,000. In addition, the Company entered into an agreement to provide up to $7,000,000 of additional capital to Calando subject to the achievement of certain milestones. 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 Calando. The terms and provisions for the payment of the $7,000,000 of additional capital are included in an Agreement to Provide Additional Capital, also executed on March 31, 2006.

In connection with the Company's purchase of Series A Preferred Stock from Calando, the Company also entered into Common Stock Transfer Agreements with Mark Davis, John Petrovich and other minority common stockholders of Calando, pursuant to which the Company acquired 984,000 outstanding shares of Common Stock of Calando at a purchase price of $2.00 per share, or $1,968,000 in the aggregate. The purchase price for the Calando Common Stock was payable in a combination of $890,668 and the issuance of 208,382 shares of common stock of the Company. Dr. Davis is a member of Calando's board of directors, a director and Chief Scientific Officer of Insert Therapeutics, a majority owned subsidiary of the Company and a member of the Company's Scientific Advisory Board. Mr. Petrovich is the President and Chief Executive Officer of Calando and the President of Insert.

As a result of the transactions described above, the Company currently holds approximately 83.17% of the outstanding capital stock of Calando, which is subject to adjustment if the Company fails to make a required contribution pursuant to the Agreement to Provide Additional Capital. In addition, two founders of Calando, Mark Davis and John Petrovich have warrants outstanding totaling 2,700,000 shares which, if exercised, will reduce the Company's holdings approximately to 68.3%. Calando has currently outstanding options and has reserved an option pool for the purpose of granting options or shares in the future to employees, directors, consultants or other service providers. However, even if all options are issued and exercised and the founders' warrants are exercised, the Company will hold a majority of the outstanding shares of Calando.

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 Series A Preferred Stock Purchase Agreement, attached as Exhibit 10.1, the Agreement to Provide Additional Capital, attached as Exhibit 10.2, and the Common Stock Transfer Agreement attached as Exhibit 10.3. A copy of the press release announcing the additional funding for Calando 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. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.	Description
10.1	Series A Preferred Stock Purchase Agreement by and between the Company and Calando.
10.2	Agreement to Provide Additional Capital by and between the Company and Calando.
10.3	Common Stock Transfer Agreement by and among the Company, Calando, Mark Davis, John Petrovich and John Rossi.
99.1	Press Release, announcing the additional funding for Calando.

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.

ARROWHEAD RESEARCH CORPORATION
(Registrant)

Dated: April 6, 2006

/s/ JOSEPH T. KINGSLEY
Joseph T. Kingsley
Chief Financial Officer

Exhibit 10.1

CALANDO PHARMACEUTICALS INC.

SERIES A PREFERRED STOCK PURCHASE AGREEMENT

March 31, 2006

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SERIES A PREFERRED STOCK PURCHASE AGREEMENT

THIS SERIES A PREFERRED STOCK PURCHASE AGREEMENT (this "***Agreement***") is made on the 31st day of March, 2006, among Calando Pharmaceuticals 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, Five Million (5,000,000) shares of the Company's Series A Preferred Stock for a purchase price of $0.60 per share.

1.2 Closing. The purchase and sale of the Series A Preferred Stock hereunder shall take place at the offices of Dorsey & Whitney LLP, 38 Technology Drive, Irvine, California, 92618, at 1:00 P.M. on March 31, 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 the Company. The Company hereby represents and warrants to Investor that, except as set forth on the Schedule of Exceptions (the "***Schedule of Exceptions***") furnished to Investor prior to execution hereof and attached hereto as Schedule A, which exceptions shall be deemed to be representations and warranties as if made hereunder:

2.1 Organization, Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on its business or properties.

2.2 Capitalization and Voting Rights

(a) Authorized Stock. Immediately prior to the Closing, the authorized capital of the Company consists, or will consist, of:

(i) Preferred Stock. Five Million (5,000,000) shares of Preferred Stock, par value $0.0001 (the "***Preferred Stock***"), all of which have been designated Series A Preferred Stock (the "***Series A Preferred Stock***") which will be sold in the Closing pursuant to this Agreement. The rights, privileges and preferences of the Series A Preferred Stock will be as stated in the Company's Restated Certificate.

(ii) Common Stock. Eighteen Million (18,000,000) shares of Common Stock, par value $0.0001 ("***Common Stock***"), of which Seven Million Four Hundred Forty Thousand (7,440,000) shares are issued and outstanding.

(b) Security Holders. The outstanding shares of Common Stock are owned by the stockholders and in the numbers specified in Exhibit B hereto.

(c) Valid Issuance. The outstanding shares of Common Stock are all duly and validly authorized and issued, fully paid and nonassessable, and were issued in compliance with all applicable state and federal laws concerning the issuance of securities.

(d) Rights to Acquire. Except for (i) the conversion privileges of the Series A Preferred Stock to be issued under this Agreement, (ii) the rights provided in the Investors' Rights Agreement to be entered into in connection with the Closing, (iii) currently outstanding warrants to purchase an aggregate of Two Million Seven Hundred Thousand (2,700,000) shares of Common Stock and (iv) currently outstanding options to purchase One Hundred Thirty Seven Thousand Five Hundred (137,500) shares of Common Stock granted to employees, consultants and/or directors pursuant to the Company's 2005 Stock Option/Stock Issuance Plan (the "***Option Plan***"), there are not outstanding any options, warrants, rights (including conversion or preemptive rights) or agreements for the purchase or acquisition from the Company of any shares of its capital stock. The Company has reserved One Million Three Hundred Eighty Thousand (1,380,000) shares of its Common Stock for issuance under the Option Plan.

(e) Voting of Shares. Other than the Voting Agreement dated February 22, 2005, which will be amended and restated in connection with the Closing, the Company is not a party or subject to any agreement or understanding and, to the Company's knowledge, there is no agreement or understanding between any persons and/or entities which affects or relates to the voting or giving of written consents with respect to any security or by a director of the Company.

(f) Market Stand-Off / Right of First Refusal. To the Company's best knowledge, all outstanding securities of the Company, including, without limitation, all outstanding shares of the capital stock of the Company, all shares of the capital stock of the Company issuable upon the conversion or exercise of all convertible or exercisable securities and all other securities that the Company is obligated to issue, are subject to (i) a one hundred eighty (180) day "market stand-off" restriction upon an initial public offering of the Company's securities pursuant to a registration statement filed with the Securities and Exchange

Commission ("***SEC***") pursuant to the Act and (ii) a right of first refusal in favor of the Company with respect to any transfer of such securities.

2.3 Subsidiaries. The Company does not presently own or control, directly or indirectly, any interest in any other corporation, association, or other business entity. The Company is not a participant in any joint venture, partnership, or similar arrangement.

2.4 Authorization. All corporate action on the part of the Company, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement, the Amended and Restated Investors' Rights Agreement in the form attached as Exhibit C (the "***Investors' Rights Agreement***"), the Right of First Refusal and Co-Sale Agreement in the form attached as Exhibit D (the "***Co-Sale Agreement***") and the Amended and Restated Voting Agreement in the form attached as Exhibit E (the "***Voting Agreement***" and collectively with the Investors' Rights Agreement and Co-Sale Agreement, the "***Related Agreements***") the performance of all obligations of the Company hereunder and thereunder, and the authorization, sale and issuance of the Series A Preferred Stock being sold hereunder and the Common Stock issuable upon conversion of the Series A Preferred Stock has been taken or will be taken prior to the Closing. This Agreement and the Related Agreements constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective 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 Related Agreements may be limited by applicable federal or state securities laws.

2.5 Valid Issuance of Preferred and Common Stock. The Series A Preferred Stock that is being purchased by Investor hereunder, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and nonassessable and will be free of restrictions on transfer, other than restrictions on transfer (i) under this Agreement and the Related Agreements, (ii) under applicable state and federal securities laws and (iii) otherwise imposed as a result of actions taken by Investor. The Common Stock issuable upon conversion of the Series A Preferred Stock purchased under this Agreement has been duly and validly reserved for issuance and, upon issuance in accordance with the terms of the Restated Certificate, will be duly and validly issued, fully paid and nonassessable and will be free of restrictions on transfer, other than restrictions on transfer (i) under this Agreement and the Related Agreements, (ii) under applicable state and federal securities laws and (iii) otherwise imposed as a result of actions taken by Investor.

2.6 Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement, except for such consents, approvals, orders, authorizations, registrations, qualifications, designations, declarations or filings which are not required to be obtained prior to the Closing and such filings as are required pursuant to applicable federal and state securities laws and blue sky laws, which filings will be effected within the required statutory period.

2.7 Offering. Subject in part to the truth and accuracy of Investor's representations set forth in Section 3 of this Agreement, the offer, sale and issuance of the Series A Preferred Stock as contemplated by this Agreement are exempt from the registration requirements of the Securities Act of 1933, as amended (the "***Act***"), and the qualification or registration requirements of applicable state blue sky laws, as such registration requirements and laws currently exist.

2.8 Litigation. There is no action, suit, proceeding or investigation pending, or to the Company's knowledge, currently threatened against the Company that questions the validity of this Agreement or the Related Agreements, or the right of the Company to enter into such agreements or to consummate the transactions contemplated hereby, or that might result, either individually or in the aggregate, in any material adverse changes in the business, assets or condition of the Company, financially or otherwise, or any change in the current equity ownership of the Company. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. There is no action, suit, proceeding or investigation by the Company currently pending or that the Company intends to initiate.

2.9 Proprietary Information Agreements. Each employee of the Company has executed a Proprietary Information and Inventions Agreement in substantially the form provided to Investor. The Company is not aware that any such employee is in violation thereof.

2.10 Patents and Trademarks. To its knowledge (but without having conducted any special investigation or search), the Company possesses all patents, patent rights, trademarks, trademark rights, service marks, service mark rights, trade names, trade name rights, copyrights, trade secrets, licenses, information and other proprietary rights and processes (collectively, the "***Intellectual Property***") necessary for its business, as now conducted and as presently proposed to be conducted, without any conflict with or infringement of the valid rights of others, except for Intellectual Property that the Company does not now possess, but that the Company reasonably believes can be acquired on commercially reasonable terms. The Company has not received any notice of infringement upon or conflict with the asserted rights of others with respect to Intellectual Property. To the Company's knowledge, all of the issued patents to which the Company has an exclusive license or right to use are valid and enforceable.

2.11 Compliance with Other Instruments. The Company is not in violation of any material provision of its Restated Certificate or Bylaws nor, to its knowledge, of any instrument, judgment, order, writ, decree or contract, statute, rule or regulation to which the Company is subject and a violation of which would have a material adverse effect on the condition, financial or otherwise, or operations of the Company. The execution, delivery and performance of this Agreement and the Related Agreements, and the consummation of the transactions contemplated hereby and thereby will not result in any such violation, or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision or an event that results in the creation of any lien, charge or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture or nonrenewal of any material permit, license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties.

2.12 Agreements; Action

(a) Except for agreements explicitly contemplated hereby and documents entered into in connection with the founding of the Company, there are no agreements or understandings between the Company and any of its officers, directors, affiliates or any affiliate thereof.

(b) There are no agreements, understandings, instruments, contracts, judgments, orders, writs or decrees to which the Company is a party or by which it is bound that may involve (i) obligations (contingent or otherwise) of, or payments to the Company, in excess of $10,000, other than obligations of, or payments to, the Company arising from purchase or sale agreements entered into in the ordinary course of business, or (ii) provisions materially restricting the development, manufacture or distribution of the Company's products or services.

(c) The Company has not (i) declared or paid any dividends or authorized or made any distribution upon or with respect to any class or series of its capital stock, (ii) incurred any indebtedness for money borrowed or any other liabilities individually in excess of $10,000 or, in the case of indebtedness and/or liabilities individually less than $10,000, in excess of $25,000 in the aggregate, (iii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iv) sold, exchanged or otherwise disposed of any of its assets or rights.

(d) For the purposes of subsections (b) and (c) above, all indebtedness, liabilities, agreements, understandings, instruments and contracts involving the same person or entity (including persons or entities the Company has reason to believe are affiliated therewith) shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections.

2.13 Related-Party Transactions. No employee, officer or director of the Company or member of his or her immediate family is indebted to the Company, nor is the Company indebted (or committed to make loans or extend or guarantee credit) to any of them. To the best of the Company's knowledge, other than in Investor or in any of Investor's subsidiaries, none of such persons has any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship, or any firm or corporation that competes with the Company, except that employees, officers or directors of the Company and members of their immediate families may own stock in publicly traded companies that may compete with the Company. No member of the immediate family of any officer or director of the Company is directly or indirectly interested in any material contract with the Company.

2.14 No Undisclosed Liabilities. Except as set forth in the consolidated financial statements of Arrowhead Research Corporation at December 31, 2005 and for the three months then ended, the Company does not have any liabilities (whether accrued, absolute, unliquidated, contingent or otherwise, whether or not known to the Company, whether due or to become due and regardless of when asserted) arising out of transactions entered into at or prior to the Closing, or any action or inaction at or prior to the Closing or any state of facts existing at or

prior to the Closing other than (i) liabilities and obligations that have arisen after December 31, 2005 in the ordinary course of business (none of which is material and none of which is a liability resulting from breach of contract, breach of warranty, tort, infringement, claim or lawsuit), and (ii) obligations under contracts and commitments incurred in the ordinary course of business that would not be required to be reflected in financial statements prepared in accordance with generally accepted accounting principles. The Company is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation.

2.15 Permits. The Company has all franchises, permits, licenses and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties or financial condition of the Company, and the Company believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as proposed to be conducted. The Company is not in default in any material respect under any of such franchises, permits, licenses or other similar authority.

2.16 Environmental and Safety Laws. To its knowledge, the Company is not in violation of any applicable statute, law or regulation relating to the environment or occupational health and safety, and to its knowledge, no material expenditures are or will be required in order to comply with any such existing statute, law or regulation.

2.17 Disclosure. The Company has fully provided Investor with all the information that such Investor has requested for deciding whether to purchase the Series A Preferred Stock. Neither this Agreement (including all the exhibits and schedules hereto) nor any other statements or certificates made or delivered in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they were made.

2.18 Registration Rights. Except as provided in the Investors' Rights Agreement, the Company has not granted or agreed to grant any registration rights, including piggyback rights, to any person or entity.

2.19 Corporate Documents; Minute Books. Except for amendments necessary to satisfy representations and warranties or conditions contained herein, the Restated Certificate and Bylaws of the Company are in the form previously provided to special counsel for Investor. The minute books of the Company provided to Investor contain a complete summary of all meetings or actions of directors and stockholders since the time of incorporation and reflect all transactions referred to in such minutes accurately in all material respects.

2.20 Title to Property and Assets. The property and assets the Company owns are owned by the Company free and clear of all mortgages, liens, loans and encumbrances, except (i) for statutory liens for the payment of current taxes that are not yet delinquent, and (ii) for liens, encumbrances and security interests that arise in the ordinary course of business and minor defects in title, none of which, individually or in the aggregate, materially impair the Company's ownership or use of such property or assets. With respect to the property and assets it leases, the Company is in material compliance with such leases and, to its knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances, subject to clauses (i)-(ii).

2.21 Labor Agreements and Actions. The Company is not bound by or subject to any contract, commitment or arrangement with any labor union, and no labor union has requested or, to the Company's knowledge, has sought to represent any of the employees, representatives or agents of the Company. There is no strike or other labor dispute involving the Company pending, or to the Company's knowledge, threatened, that could have a material adverse effect on the assets, properties, financial condition, operating results or business of the Company, nor is the Company aware of any labor organization activity involving its employees. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any of the foregoing. The employment of each officer and employee of the Company is terminable at the will of the Company. The Company is not a party to or bound by any currently effective employment contract, deferred compensation agreement, bonus plan, incentive plan, profit sharing plan, retirement agreement or other employee compensation agreement. To its knowledge, the Company has complied in all material respects with all applicable state and federal equal employment opportunity and other laws related to employment.

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

3.1 Authorization. Such Investor has full power and authority to enter into this Agreement and the Related Agreements, 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 Related Agreements may be limited by applicable federal or state securities laws.

3.2 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.

3.3 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. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 2 of this Agreement or the right of Investor to rely thereon.

3.4 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.

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

3.6 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 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.

3.7 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.

4. 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:

4.1 Representations and Warranties. The representations and warranties of the Company 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 date of such Closing.

4.2 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.

4.3 Compliance Certificate. The President of the Company shall deliver to Investor at the Closing a certificate stating that the conditions specified in Sections 4.1 and 4.2 have been fulfilled.

4.4 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.

4.5 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.

4.6 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 and shall provide that the Board of Directors of the Company shall consist of three (3) persons.

4.7 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.

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

4.9 Co-Sale Agreement. Mark E. Davis, John Rossi, John G. Petrovich, Jeremy Heidel, Patricia Hess, Matthew Vincent, Mark E. Davis and Mary P. Davis Living Trust dated September 20, 1995, and John G. Petrovich and Rebecca J. Petrovich Revocable Trust dated August 31, 2000 (each, a "***Founder***" and collectively, the "***Founders***"), the Company and Investor shall each have entered into the Co-Sale Agreement.

4.10 Voting Agreement. The Founders, Investor and the Company shall have entered into the Voting Agreement.

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

4.12 Common Stock Transfer Agreement – Form A. The Company, Investor and certain of the holders of the Company's Common Stock shall have entered into the Common Stock Transfer Agreement – Form A attached hereto as Exhibit G (the "***Form A Transfer Agreement***").

4.13 Common Stock Transfer Agreement – Form B. The Company, Investor and certain of the holders of the Company's Common Stock shall have entered into the Common Stock Transfer Agreement – Form B attached hereto as Exhibit H (the "***Form B Transfer Agreement***").

5. 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:

5.1 Representations and Warranties. The representations and warranties of Investor contained in Section 3 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.

5.2 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.

5.3 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.

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

5.5 Co-Sale Agreements. The Founders, Investor and the Company shall have entered into the Co-Sale Agreement.

5.6 Voting Agreements. The Founders, Investor and the Company shall have entered into the Voting Agreement.

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

5.8 Form A Transfer Agreement. The Company, Investor and certain of the holders of the Company's Common Stock shall have entered into the Form A Transfer Agreement.

5.9 Form B Transfer Agreement. The Company, Investor and certain of the holders of the Company's Common Stock shall have entered into the Form B Transfer Agreement.

6. Miscellaneous.

6.1 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.

6.2 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.

6.3 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.

6.4 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.

6.5 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.

6.6 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.

6.7 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 6.7 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.

6.8 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.

6.9 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.

6.10 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.

6.11 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.

[SIGNATURE PAGE FOLLOWS]

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

COMPANY:

CALANDO PHARMACEUTICALS INC.
a Delaware corporation

By: /s/ JOHN G. PETROVICH
John G. Petrovich
Chief Executive Officer

Address: 1701 Flower Avenue, Suite #100
Duarte, CA 91010
Fax No. (626) 305-9094

INVESTOR:

ARROWHEAD RESEARCH CORPORATION
a Delaware corporation

By: /s/ LEON EKCHIAN
Leon Ekchian
President

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

[SIGNATURE PAGE TO SERIES A PREFERRED STOCK PURCHASE AGREEMENT]

SCHEDULE A

SCHEDULE OF EXCEPTIONS

The following are the exceptions of Calando Pharmaceuticals Inc. (the "***Company***") to the representations and warranties as set forth in that certain Series A Preferred Stock Purchase Agreement (the "***Agreement***") dated as of March 31, 2006. The section numbers in this Schedule of Exceptions correspond to section numbers in the Agreement. Disclosure of any matters in this Schedule of Exceptions does not constitute an admission that such matter is necessarily required to be disclosed in order for any representation or warranty in the Agreement to be true and correct to the extent required in the Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

Section 2.12(b)

License Agreement with Benitec Australia, Ltd. dated as of June 17, 2005.

Section 2.12(c)

License Agreement with Benitec Australia, Ltd. dated as of June 17, 2005.

Exhibit 10.2

AGREEMENT TO PROVIDE ADDITIONAL CAPITAL

THIS AGREEMENT TO PROVIDE ADDITIONAL CAPITAL (this "Agreement") is made and entered into as of March 31, 2006, by and between **ARROWHEAD RESEARCH CORPORATION**, a Delaware corporation ("Arrowhead"), and **CALANDO PHARMACEUTICALS 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 5,000,000 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 $7,000,000 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 $7,000,000 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) $10,000,000. 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 $7,000,000 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:

CALANDO PHARMACEUTICALS INC.
a Delaware corporation

By: /s/ JOHN G. PETROVICH
John G. Petrovich
Chief Executive Officer

Address: 1710 Flower Avenue, Suite #100
Duarte, CA 91010
Fax No. (626) 305-9094

ARROWHEAD:

ARROWHEAD RESEARCH CORPORATION
a Delaware corporation

By: /s/ LEON EKCHIAN
Leon Ekchian
President

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

MILESTONE S

	Description	Capital to be Contributed
Milestone 1	The commencement of IND-enabling toxicity studies for the first internally developed RNAi therapeutic.	$1,000,000.00
Milestone 2	The filing of the first Investigational New Drug application with the FDA for the first internally developed RNAi therapeutic.	$3,000,000.00
Milestone 3	Following the occurrence of Milestone 1, the first to occur of: (i) submission of documents to FDA to request approval to commence Phase II clinical trials for an internally developed RNAi therapeutic; and (ii) the filing of a second Investigational New Drug application with the FDA (whether for an internally developed therapeutic or through a collaboration).	$3,000,000.00*

* If Milestone 3 has been satisfied and less than six months has passed since the date upon which Milestone 2 shall have been satisfied, then the contribution of capital associated with Milestone 3 shall be made on the six month anniversary of the date upon which Milestone 2 shall have been satisfied.

Exhibit 10.3

COMMON STOCK TRANSFER AGREEMENT

THIS COMMON STOCK TRANSFER AGREEMENT (this "***Agreement***") is made as of this 31st day of March, 2006, by and among Calando Pharmaceuticals Inc., a Delaware corporation (the "***Company***"), Arrowhead Research Corporation, a Delaware corporation ("***Investor***"), and those individuals set forth on Schedule A attached hereto (each a "***Stockholder***" and collectively, the "***Stockholders***"). Capitalized terms used herein which are not defined shall have the meanings ascribed to such terms in the Series A Purchase Agreement (as defined below).

RECITALS

WHEREAS, the Company and Investor have entered into that certain Series A Preferred Stock Purchase Agreement of even date herewith (the "***Series A Purchase Agreement***"), pursuant to which Investor will purchase shares of the Company's Series A Preferred Stock;

WHEREAS, certain of the obligations of the parties to the Series A Purchase Agreement are conditioned upon the execution and delivery of this Agreement;

WHEREAS, the Stockholders acquired their shares of the Company's Common Stock ("***Common Stock***") pursuant to that certain Stock Purchase Agreement dated February 10, 2005 between the Company and certain Stockholders, as amended by that certain Amendment to Warrant and Stock Purchase Agreement dated February 28, 2005 between the Company and the Mark E. Davis and Mary P. Davis Living Trust Dated September 20, 1995, and as amended by that certain Amendment to Warrant and Stock Purchase Agreement dated February 28, 2005 between the Company and the John G. Petrovich and Rebecca J. Petrovich Revocable Trust Dated August 31, 2000 (collectively, the "***Purchase Agreements***"). The Purchase Agreements each contain a right of first refusal exercisable by the Company in connection with any proposed transfer of the shares acquired pursuant to such agreements (the "***Refusal Rights***"); and

WHEREAS, the parties to this Agreement have reached certain agreements and understandings with respect to the sale and transfer of certain shares of Common Stock now held by each Stockholder to Investor in exchange for cash and/or Common Stock of Investor as further described below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the promises and covenants contained herein, the sufficiency of which is hereby acknowledged, all parties hereto agree as follows:

A. **TRANSFER OF SHARES**

1. **The Shares**. Subject to the terms and conditions herein contained, the Stockholders agree to transfer to the Investor at the Closing that number of shares of Common Stock of the Company set forth opposite each Stockholder's name on Schedule A attached hereto (the "***Calando Shares***"), and Investor agrees to purchase such Calando Shares at a purchase price equal to $2.00 per share (the "***Purchase Price***"). The Purchase Price shall be payable as follows:

(a) For all Stockholders, one-third (1.3) of the Purchase Price shall be payable in cash (by check or wire transfer) and two-thirds (2/3) of the Purchase Price shall be payable in shares of Common Stock of Investor ("***ARC Shares***").

(b) For purposes of determining number of ARC Shares issuable as payment of Purchase Price, an ARC Share shall be valued based on the average of the closing prices of the Common Stock of Investor during the last ten trading days prior to the Closing.

(c) The aggregate Purchase Price payable to each Stockholder and the form of payment is set forth in Schedule A.

2. **Closing**. The transfer of the Calando Shares hereunder shall take place at the offices of Dorsey & Whitney LLP, 38 Technology Drive, Irvine, California, 92618, at 1:00 P.M. on March 31, 2006, or at such other time and place as the Company, the Stockholders and Investor mutually agree upon orally or in writing (which time and place are designated as the "***Closing***"). At the Closing, the Stockholders shall deliver to Investor certificates representing the Calando Shares duly endorsed for transfer, and Investor shall deliver to the Stockholders the cash portion of the Purchase Price for such shares (by check or wire transfer), and Investor shall concurrently authorize its transfer agent to issue stock certificates registered in the name of each Stockholder receiving ARC Shares, representing the number of ARC Shares such Stockholder is entitled to receive as set forth on Schedule A hereto.

3. **Transfer/Waiver**. The Company hereby waives it Refusal Rights with respect to the transfer of the Calando Shares to Investor and consents to such transfer, and the Company hereby agrees that, notwithstanding any contrary provision in the Purchase Agreements, the Calando Shares transferred to Investor shall no longer be subject to the terms and conditions of such Purchase Agreements. Nothing herein shall be deemed to be a waiver by the Company of the Refusal Rights (or any other rights) it may have with respect to any other shares held by any Stockholders pursuant to the Purchase Agreements or otherwise.

B. **REPRESENTATIONS AND WARRANTIES OF INVESTOR**

Investor hereby represents, warrants and covenants that:

1. **Authorization**. Investor has full power and authority to enter into this Agreement, and 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 and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

2. **Accredited Investor**. Investor is an "accredited investor" within the meaning of the SEC Rule 501 of Regulation D, as presently in effect.

3. **Restricted Securities**. Investor understands that the Calando Shares it is purchasing are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired in a transaction not involving a public offering and that under such laws and applicable regulations such Calando Shares 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 Calando Shares or an available exemption from registration under the Act, the Calando Shares must be held indefinitely.

4. **Purchase for Own Account**. The Calando Shares are being acquired for investment for Investor's own account, not as a nominee or agent, and not with a view to the public resale or distribution thereof within the meaning of the Act.

5. **Investment Experience**. Investor understands that the purchase of the Calando Shares involves substantial risk. Investor has experience as an investor in securities of companies and acknowledges that (i) it can bear the economic risk of its investment in the Calando Shares and can bear the risk of holding the Calando Shares for an indefinite period of time and (ii) it has such knowledge, sophistication and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Calando Shares and protecting its own interests in connection with this investment.

6. **Legends**. It is understood that the certificates evidencing the Calando Shares may bear a legend in substantially the following form (in addition to any legends required by applicable laws):

"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."

7. **ARC Shares**. The ARC Shares will be, when issued in accordance with the terms of this Agreement, duly authorized, validly issued, fully paid and non-assessable shares.

C. **REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS**

Each Stockholder hereby represents, warrants and covenants that:

1. **Authorization**. Stockholder has full power and authority to enter into this Agreement, and 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 and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

2. **Ownership of the Shares**. Such Stockholder is the sole owner of the Calando Shares it is selling pursuant to this Agreement and has full power and authority to convey such shares free and clear of all liens, encumbrances, restrictions and claims of every

kind and, upon delivery of and payment for such shares as herein provided, Investor will acquire good and valid title thereto, free and clear of all liens, encumbrances, restrictions and claims of every kind. Except as provided in any applicable Purchase Agreement, there is no outstanding subscription, warrant, call, commitment, option or other agreement or right of any kind to purchase or otherwise to receive or acquire from Stockholder any interest in such Calando Shares.

3. **Accredited Investor**. Stockholder is an "accredited investor" within the meaning of SEC Rule 501 of Regulation D, as presently in effect.

4. **Purchase for Own Account**. The ARC Shares are being acquired for investment for such Stockholder's own account, not as a nominee or agent, and not with a view to the public resale or distribution thereof within the meaning of the Act.

5. **Investment Experience**. Such Stockholder understands that the purchase of the ARC Shares involves substantial risk. Such Stockholder has experience as an investor in securities of companies and acknowledges that (i) it can bear the economic risk of its investment in the ARC Shares and can bear the risk of holding the ARC Shares for an indefinite period of time and (ii) it has such knowledge, sophistication and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the ARC Shares and protecting its own interests in connection with this investment.

6. **Reliance Upon Stockholder's Representations**. The Stockholder understands and acknowledges that the offer, issuance and sale of the ARC Shares to it will not be registered under the Securities Act on the ground that such offer, issuance and sale will be exempt from registration under the Securities Act pursuant to Regulation D thereunder and Section 4(2) thereof, and that Investor's reliance on such exemption is based on the accuracy and truthfulness of each Stockholder's representations set forth herein.

7. **Receipt of Information**. Stockholder acknowledges it has received from Investor or obtained independently, and has carefully reviewed, copies of the SEC Documents. Stockholder has had an opportunity to ask questions and receive answers from Investor regarding the terms and conditions of the issuance and sale of the ARC Shares and the business, properties, prospects and financial condition of Investor and to obtain any additional information requested and has received and considered all information it deems relevant to make an informed decision to purchase the ARC Shares. The "***SEC Documents***" consist of Form 10-KSB for the fiscal year ended September 30, 2005, Form 10-Q for the quarterly period ended December 31, 2005, Form 8-K filed as of January 18, 2006, Form 8-K filed as of January 24, 2006, Form 8-K filed as of February 28, 2006 and Schedule 14A filed as of January 18, 2006. Stockholder further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the business, properties, prospects and financial condition of the Company and to obtain any additional information requested and has received and considered all information it deems relevant to make an informed decision to sell its Calando Shares.

8. **Restricted Securities**. Stockholder understands that the ARC Shares it is purchasing are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from Investor in a transaction not involving a public offering and that

under such laws and applicable regulations such ARC Shares may be resold without registration under the Act only in certain limited circumstances. In the absence of an effective registration statement covering the ARC Shares or an available exemption from registration under the Act, the ARC Shares must be held indefinitely. In addition, Stockholder agrees that Investor may place stop transfer orders with its transfer agents with respect to such certificates in order to implement the restrictions on transfer set forth in this Agreement.

9. **Legends**. It is understood that the certificates evidencing the ARC Shares may bear a legend in substantially the following form (in addition to any legends required by applicable laws):

"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."

10. **Tax Advisors**. Stockholder has reviewed with Stockholder's own tax advisors the federal, state and local tax consequences of the sale of Calando Shares for cash and/or ARC Shares pursuant to this Agreement, and the transactions contemplated by this Agreement. Stockholder is relying solely on such advisors and not on any statements or representations of Investor, the Company or any of their agents and understands that Stockholder (and not Investor or the Company) shall be responsible for its own tax liability that may arise as a result of the sale of Calando Shares and the transactions contemplated by this Agreement. Stockholder represents that it has never been notified by the Internal Revenue Service that it is subject to 20% backup withholding.

11. **Stockholder Counsel**. Stockholder acknowledges that Stockholder has had the opportunity to review this Agreement, the exhibits and the schedules attached hereto and the transactions contemplated by this Agreement with Stockholder's own legal counsel. Stockholder is relying solely on Stockholder's legal counsel and not on any statements or representations of the Company, Investor or their agents or counsel for legal advice with respect to the sale of Calando Shares or the transactions contemplated by this Agreement.

D. **PIGGY-BACK REGISTRATION RIGHTS**

1. **Arrowhead Registration**. If Investor proposes to register (including for this purpose a registration effected by Investor for stockholders other than the Stockholders) any of its common stock under the Act in connection with the public offering of such securities solely for cash (other than a registration statement relating either to the sale of securities to employees of Investor pursuant to a stock option, stock purchase or similar plan or an SEC Rule 145 transaction, a registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities or a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities which are also being registered), Investor shall, at such time, promptly give each Stockholder written notice of such registration. Upon the written request of each Stockholder given within twenty (20) days after mailing of such

notice by Investor, Investor shall, subject to the provisions of Section D.3, cause to be registered under the Act all of the Registrable Securities that each such Stockholder has requested to be registered. Investor shall have the right to terminate or withdraw any registration initiated by it under this Section D.1 prior to the effectiveness of such registration whether or not any Stockholder has elected to include securities in such registration. For purposes hereof, "***Registrable Securities***" means the ARC Shares issued to the Stockholders pursuant to this Agreement and any common stock of Investor issued as a dividend or other distribution with respect to, or in exchange for or in replacement of such ARC Shares.

2. **Expenses of Registration**. Investor shall bear and pay all expenses incurred in connection with any registration, filing or qualification of Registrable Securities with respect to the registrations pursuant to Section D.1 hereof, including (without limitation) all registration, filing, and qualification fees, printers and accounting fees relating or apportionable thereto and the fees and disbursements (not to exceed $5,000) of one counsel for the selling Stockholders selected by them, but excluding underwriting discounts and commissions relating to the Registrable Securities.

3. **Underwriting Requirements**. In connection with any offering involving an underwriting of shares of Investor's capital stock pursuant to Section D.1, Investor shall not be required to include any of the Stockholders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between Investor and its underwriters, and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by Investor, subject to the limitations set forth below. If the total number of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the amount of securities to be sold other than by Investor that the underwriters determine in their reasonable discretion is compatible with the success of the offering, then Investor shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and Investor determine in their sole discretion will not jeopardize the success of the offering. In no event shall any Registrable Securities be excluded from such offering unless all other stockholders' securities have been first excluded. In the event that the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be apportioned pro rata among the selling Stockholders based on the number of Registrable Securities held by all selling Stockholders or in such other proportions as all selling Stockholders shall mutually be agree. Notwithstanding the foregoing, in no event shall the amount of securities of the selling Stockholders included in the offering be reduced below twenty percent (20%) of the total amount of securities included in such offering. For purposes of the preceding parenthetical concerning apportionment, for any selling stockholder which is a Stockholder of Registrable Securities and which is an investment fund, partnership, limited liability company or corporation, the partners, members, retired partners, retired members, stockholders and affiliates of such Stockholder, or the estates and family members of any such partners, retired partners, members and retired members and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling Stockholder", and any pro-rata reduction with respect to such "selling Stockholder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling Stockholder," as defined in this sentence.

4. **Termination of Registration Rights**. The right of any Stockholder to exercise any right provided for in this Section D, including the right to request inclusion in a registration, shall terminate on such date as all shares of Registrable Securities held by such Stockholder may immediately be sold under Rule 144 during any 90-day period.

E. **MISCELLANEOUS PROVISIONS**

1. **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. 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.

2. **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.

3. **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.

4. **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. **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, Investor and the Stockholders. Any amendment or waiver effected in accordance with this Section E.5 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.

6. **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.

7. **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.

8. **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.

[SIGNATURE PAGES FOLLOW]

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

COMPANY:

CALANDO PHARMACEUTICALS INC.
a Delaware corporation

By: /s/ JOHN PETROVICH
John G. Petrovich
Chief Executive Officer

Address: 1710 Flower Avenue, Suite #100
Duarte, CA 91010
Fax No. (626) 305-9094

INVESTOR:

ARROWHEAD RESEARCH CORPORATION
a Delaware corporation

By: /s/ LEON EKCHIAN
Leon Ekchian
President

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

[SIGNATURE PAGE TO COMMON STOCK TRANSFER AGREEMENT]

STOCKHOLDERS:

/s/ MARK DAVIS
MARK E. DAVIS

/s/ JOHN G. PETROVICH
JOHN G. PETROVICH

/s/ JOHN ROSSI
JOHN ROSSI

SCHEDULE A

SCHEDULE OF STOCKHOLDERS

STOCKHOLDER	CALANDO SHARES SOLD	PURCHASE PRICE (CASH)	PURCHASE PRICE (ARC SHARES)*
Mark E. Davis	628,000	$ 418,667	$ 837,333
John G. Petrovich	60,000	$ 40,000	$ 80,000
John Rossi	120,000	$ 80,000	$ 160,000

* For purposes of determining number of ARC Shares issuable as payment of Purchase Price, an ARC Share shall be valued based on the average of the closing prices of the Common Stock of Arrowhead Research Corporation during the last ten trading days prior to the Closing.

Exhibit 99.1

PRESS RELEASE
April 3, 2006
7:00 am

Arrowhead Research
CORPORATION

Arrowhead Research Agrees to Provide $10 Million Additional Funding for Calando Pharmaceuticals, Inc.

Capital to be used to accelerate preclinical trials and facilitate collaborations

PASADENA, Calif., April 3, 2006 — Arrowhead Research Corporation (Nasdaq:ARWR) announced today that it has agreed to contribute up to $10 million in additional capital to its majority-owned subsidiary Calando Pharmaceuticals, Inc. The additional capital will allow Calando to accelerate preclinical testing of its RNAi therapeutics and to facilitate additional collaborations with large biotech and pharmaceutical companies.

“Calando has generated a great deal of excitement in both the scientific and investment communities over the last year,” said R. Bruce Stewart, Arrowhead’s Chairman. “Calando’s technology offers the potential of an enabling and powerful solution to the systemic delivery of RNAi—an effective, targeting delivery system.”

“In addition to providing financial resources, the partnership with Arrowhead enables us to concentrate our efforts on the development of RNAi therapeutics while not having to be burdened with many day to day administrative issues,” said John Petrovich, Calando’s CEO. “Arrowhead provides complementary management, financial and strategic planning expertise which will be invaluable to Calando’s long term success”.

Calando’s proprietary platform for the delivery of siRNA therapeutics is based on linear cyclodextrin polymers. The polymers and siRNAs self-assemble into nanoparticles of approximately 50-100 nm diameter that protect the siRNAs from degradation in the bloodstream. Targeting ligands steer the RNA-containing nanoparticles to targeted cells, and the nanoparticles are taken into the cells. Once inside the cells, chemistry built into the polymers functions to unpackage and release the siRNAs enabling them to perform their gene-silencing function.

For more information about Calando and its technology, please visit Calando’s website at www.calandopharma.com.

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 materials, 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.

Contact

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