
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): August 20, 2008

Arrowhead Research Corporation

(Exact name of registrant as specified in its charter)

0-21898

(Commission File Number)

Delaware

(State or other jurisdiction of incorporation)

46-0408024

(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

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 August 20, 2008, August 21, 2008 and August 22, 2008, Arrowhead Research Corporation (the "Company") entered into subscription agreements with certain investors (the "Investors") and with three members of management relating to the offering and sale of a total of 2,459,586 units, with each unit consisting of one share of common stock and a warrant to purchase one share of common stock. Of the 2,459,586 units sold in the offering, 2,281,990 units were sold to Investors at a purchase price of \$1.80 per unit and 177,596 units were sold to three members of the Company's management at a purchase price of \$1.83 per unit. The last reported sale price of the Company's common stock on the NASDAQ Global Market on August 15, 2008, the day the offering was launched, was \$1.70. The warrants, which represent the right to acquire a total of 2,459,586 shares of common stock, have an exercise price of \$2.00 per share and have a five-year term. The gross offering proceeds are approximately \$4.4 million and the offering proceeds to the Company, net of estimated fees, will be approximately \$4.2 million. The offering was made directly by the Company without an underwriter or placement agent. The Company paid finders fees of 7.5% of the gross proceeds.

The Company's press release announcing the offering dated August 26, 2008 is filed herewith as Exhibit 10.1 to this report, the form of subscription agreement for the offering is filed herewith as Exhibit 10.2 to this report, and the form of warrant issued in the offering is filed herewith as Exhibit 10.3 to this report. The above description of the terms of the offering is qualified in its entirety by reference to the form of subscription agreement and the form of warrant filed herewith as exhibits.

The offering was made pursuant to the Company's effective shelf registration statement on Form S-3 (Registration No. 333-148218) previously filed with, and declared effective by, the Securities and Exchange Commission. Pursuant to Rule 424(b) under the Securities Act of 1933, on August 19, 2008 the Company filed with the Securities and Exchange Commission a prospectus and prospectus supplement relating to the registration statement. The offering was made under this prospectus and prospectus supplement. The Company may sell up to an additional 3,095,968 units in follow-on offerings at \$1.80 per unit (or \$1.83 per unit if purchased by a director or officer). The offering is expected to remain ongoing until September 15, 2008 and the Company will make additional filings to report follow-on investments.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.* The following exhibits are filed with this report on Form 8-K:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.1	Form of Subscription Agreement
10.2	Form of Common Stock Warrant
99.1	Press release announcing the offering, dated August 26, 2008

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: August 26, 2008

ARROWHEAD RESEARCH CORPORATION

By: /s/ Paul McDonnel
Paul McDonnel, Chief Financial Officer

3.

**FORM OF
SUBSCRIPTION AGREEMENT**

This SUBSCRIPTION AGREEMENT (this "Agreement") is entered into as of August __, 2008, by and among Arrowhead Research Corporation, a Delaware corporation (the "Company"), and the investors listed on the Schedule of Buyers attached hereto (each, a "Buyer" and collectively, the "Buyers").

WHEREAS, the Company has registered on Form S-3 (SEC File No. 333-148218) (the "Registration Statement") the issuance and sale of up to \$50,000,000 of certain types of securities, including shares of its Common Stock, \$0.001 par value per share ("Common Stock");

WHEREAS, the Company has authorized the issuance of (i) up to _____ shares (the "Shares") of the Company's common stock, \$0.001 par value per share (the "Common Stock"), and (ii) warrants, in the form attached hereto as Exhibit A (the "Warrants" and together with the Shares the "Securities") to purchase up to _____ shares of Common Stock (the "Warrant Shares") pursuant to the terms of this Agreement, with the offer and sale to be made pursuant to the prospectus, dated January 30, 2008, contained in the Registration Statement, as supplemented by the Company's prospectus supplement, dated August __, 2008, a copy of which has been delivered to each Buyer concurrently with this Agreement (the "Prospectus"); and

WHEREAS, the Buyers wish to purchase, upon the terms and subject to the conditions set forth in this Agreement, the Securities in the respective amounts set forth opposite each Buyer's name on the Schedule of Buyers attached hereto.

1. PURCHASE AND SALE OF SECURITIES.

1.1. Purchase of Securities. Subject to the satisfaction (or waiver) of the conditions set forth in Sections 5 and 6 below, at the closing (the "Closing") the Company shall issue and sell to each Buyer, and each Buyer severally and not jointly with the other Buyers agrees to purchase from the Company, (A) the respective number of Shares set forth opposite such Buyer's name on the signature page attached hereto, and (B) a Warrant entitling the Buyer to purchase that number of Warrant Shares set forth opposite such Buyer's name on the signature page, for the aggregate purchase price (the "Purchase Price") set forth opposite such Buyer's name on the signature page.

1.2. Closing Date. Unless the Company and a Buyer agree otherwise and subject to the conditions set forth in Sections 5 and 6, the date and time of the Closing (the "Closing Date") shall be as soon as practicable after the date hereof, but in no event later than noon Pacific Time on August __, 2008. The Closing shall occur at the offices of Goodwin Procter LLP, counsel to the Company, located at 10250 Constellation Boulevard, 21st Floor Los Angeles, California 90067. The Closing need not occur at the same time with respect to all Buyers and references in this Agreement to the Closing Date shall refer to the date of Closing for each particular Buyer, as determined pursuant to this Section 1.2.

1.3. Form of Payment. On the Closing Date, (i) each Buyer shall pay an amount equal to the Purchase Price to the Company for the Securities to be issued and sold to such Buyer at the Closing, by wire transfer of immediately available funds in accordance with the Company's written wire instructions, (ii) the Company shall instruct its transfer agent to issue and deliver to each Buyer the number of the Shares that such Buyer is then purchasing (as indicated opposite such Buyer's name on the signature page), and (iii) the Company shall issue the Warrants and deliver same to each Buyer. The Company shall deliver the Shares, and the Warrant Shares upon exercise of the Warrants, to each Buyer by electronic transfer (e.g., DWAC), unless a Buyer requests delivery of physical certificates.

2. BUYERS' REPRESENTATIONS AND WARRANTIES.

Each Buyer represents and warrants, severally and not jointly, that:

2.1. Information. Buyer and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities that have been requested by Buyer. Buyer and its advisors, if any, have been afforded the opportunity to ask questions of the Company. Buyer understands that its investment in the Securities involves a high degree of risk, including the risks identified under the caption "Risk Factors" in the Prospectus. Neither such inquiries nor any other investigation conducted by or on behalf of Buyer or its advisors shall modify, amend or affect Buyer's right to rely on the truth, accuracy and completeness of the disclosure made to Buyer or its advisors in respect of the Company or this transaction and the Company's representations and warranties contained in this Agreement.

2.2. Investment for Own Account. Buyer represents that it is acquiring the Securities for its own account, or an account over which it has investment discretion, and does not have any agreement or understanding, directly or indirectly, with any person or entity to distribute any of the Securities.

2.3. No Short Sales. Neither Buyer nor any person acting on behalf of, or pursuant to any understanding with or based upon any information received from, Buyer has, directly or indirectly, as of the date hereof, engaged in any transactions in the securities of the Company (including, without limitation, any Short Sales involving the Company's securities) since the time that Buyer was first contacted by the Company or its representatives with respect to the transactions contemplated hereby. "Short Sales" include, without limitation, all "short sales" as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act. Buyer covenants that neither it, nor any person acting on behalf of, or pursuant to any understanding with or based upon any information received from, Buyer will engage in any transactions in the securities of the Company (including, without limitation, Short Sales) prior to the time that the transactions contemplated by this Agreement are publicly disclosed. Buyer agrees that it will not use any of the Securities acquired pursuant to this Agreement to cover any short position in the Common Stock if doing so would be in violation of applicable securities laws.

2.4. No Governmental Review. Buyer understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

2.5. Validity; Enforcement. Buyer has the requisite right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly authorized, executed and delivered on behalf of Buyer and, assuming due execution and delivery hereof by the Company, is a valid and binding agreement of Buyer enforceable against Buyer in accordance with its terms, subject as to enforceability to general principles of equity and to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

2.6. Residency. Buyer, if a natural person, is a resident of that state or country specified in its address on the signature page.

2.7. Legal, Tax or Investment Advice. Buyer understands that nothing in this Agreement or any other materials presented to Buyer in connection with the purchase and sale of the Securities constitutes legal, tax or investment advice. Buyer has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of the Securities.

2.8. No Material Relationships. Buyer represents that, except as set forth below, (i) it has had no position, office or other material relationship within the past three years with the Company or persons known to it to be affiliates of the Company, (ii) it is not a, and it has no direct or indirect affiliation or association with any, FINRA member or an Associated Person (as such term is defined under FINRA Membership and Registration Rules Section 1011) as of the date hereof, and (iii) neither it nor any group of investors (as identified in a public filing made with the Commission) of which it is a member, acquired, or obtained the right to acquire, 20% or more of the Common Stock (or securities convertible or exercisable for Common Stock) or the voting power of the Company on a post-transaction basis.

Exceptions:

(If no exceptions, write "none." If left blank, response will be deemed to be "none.")

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each of the Buyers that:

3.1. Good Standing; Qualification. The Company is duly organized and validly existing in good standing under the laws of the State of Delaware. Each of the Company and its subsidiaries (as defined in Rule 405 under the Securities Act of 1933 (the "Securities Act")) has full power and authority to own, operate and occupy its properties and to conduct its business as presently conducted and as described in the documents filed by the Company under the Securities Exchange Act of 1934 (the "Exchange Act"), since September 30, 2007 through the date hereof, including, without limitation, its most recent Annual Report on Form 10-K,

subsequent quarterly reports on Form 10-Q and most recent Proxy Statement on Schedule 14-A, each as filed with the U.S. Securities and Exchange Commission (the “Exchange Act Documents”) and is registered or qualified to do business and in good standing in each jurisdiction in which the nature of the business conducted by it or the location of the properties owned or leased by it requires such qualification and where the failure to be so qualified would have a material adverse effect upon the condition (financial or otherwise), earnings, or business (such business being as described in the Exchange Act Documents), properties or operations of the Company and its subsidiaries, considered as one enterprise, or impair the Company’s ability to perform on a timely basis its obligations under this Agreement (any of the foregoing, a “Material Adverse Effect”), and no proceeding has been instituted in any such jurisdiction, revoking, limiting or curtailing, or seeking to revoke, limit or curtail, such power and authority or qualification.

3.2. Due Authorization and Valid Issuance. The Company has all requisite power and authority to execute, deliver and perform its obligations hereunder, and this Agreement has been duly authorized and validly executed and delivered by the Company and, assuming due execution and delivery hereof by the Buyers, shall constitute a legal, valid and binding agreement of the Company enforceable against the Company in accordance with their terms, except as rights to indemnity and contribution may be limited by state or federal securities laws or the public policy underlying such laws, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ and contracting parties’ rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Shares being purchased by the Buyer hereunder will, upon issuance and payment therefor pursuant to the terms hereof, be duly authorized, validly issued, fully-paid and nonassessable. The Warrant Shares will, upon exercise of the Warrants and the payment of the applicable exercise price pursuant to the terms thereof, be duly authorized, validly issued, fully-paid and nonassessable.

3.3. Non-Contravention. The execution and delivery of this Agreement, the sale of the Securities, the fulfillment of the terms of this Agreement and the consummation of the transactions contemplated hereby will not (A) conflict with or constitute a violation of, or default (with the passage of time or otherwise) under, (i) any contract, agreement or other instrument filed or incorporated by reference as an exhibit to any of the Exchange Act Documents (any such contract, agreement or instrument, an “Exchange Act Exhibit”), (ii) the charter, by-laws or other organizational documents of the Company or any subsidiary, or (iii) assuming the correctness of the representations and warranties of the Buyers set forth herein, any law, administrative regulation, ordinance or order of any court or governmental agency, arbitration panel or authority applicable to the Company or any subsidiary or their respective properties, except in the case of clauses (i) and (iii) for any such conflicts, violations or defaults which do not have or would be reasonably likely to result in a Material Adverse Effect or (B) result in the creation or imposition of any lien, encumbrance, claim, security interest or restriction whatsoever upon any of the material properties or assets of the Company or any subsidiary or an acceleration of indebtedness pursuant to any obligation, agreement or condition contained in any Exchange Act Exhibit. Assuming the correctness of the representations and warranties of the Buyers set forth herein, no consent, approval, authorization or other order of, or registration, qualification or filing with, any regulatory body, administrative agency, or other governmental body in the United States or any

other person is required for the execution and delivery of this Agreement and the valid issuance and sale of the Securities to be sold hereunder, other than such as have been made or obtained, and except for any post-closing securities filings or notifications required to be made under federal or state securities laws.

3.4. Capitalization. The capitalization of the Company as of June 30, 2008 is as set forth in the Prospectus, increased as set forth in the next sentence. Other than in the ordinary course of business, the Company has not issued any capital stock since that date other than pursuant to (i) employee benefit plans disclosed in the Exchange Act Documents, or (ii) outstanding warrants, options or other securities disclosed in the Exchange Act Documents. Except as set forth in the Prospectus, there are no outstanding rights (including, without limitation, preemptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any unissued shares of capital stock or other equity interest in the Company or any subsidiary, or any contract, commitment, agreement, understanding or arrangement of any kind to which the Company is a party and relating to the issuance or sale of any capital stock of the Company or any subsidiary, any such convertible or exchangeable securities or any such rights, warrants or options. Without limiting the foregoing, no preemptive right, co-sale right, right of first refusal, registration right, or other similar right exists with respect to the Securities or the issuance and sale thereof. No further approval or authorization of any shareholder, the Board of Directors of the Company or others is required for the issuance and sale of the Securities. Except as disclosed in the Prospectus, there are no shareholder agreements, voting agreements or other similar agreements with respect to the voting of the Shares or the Warrant Shares to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's shareholders.

3.5. Legal Proceedings. There is no material legal or governmental proceeding pending or, to the knowledge of the Company, threatened to which the Company or any subsidiary is or may be a party or of which the business or property of the Company or any subsidiary is subject that is not disclosed in the Prospectus.

3.6. No Violations. Neither the Company nor any subsidiary is in violation of its charter, bylaws, or other organizational document, or in violation of any law, administrative regulation, ordinance or order of any court or governmental agency, arbitration panel or authority applicable to the Company or any subsidiary, which violation, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect, or is in default (and there exists no condition which, with the passage of time or otherwise, would constitute a default) in any material respect in the performance of Exchange Act Exhibit, which would have or reasonably likely to result in a Material Adverse Effect.

3.7. Governmental Permits, Etc. Each of the Company and its subsidiaries has all necessary franchises, licenses, certificates and other authorizations from any foreign, federal, state or local government or governmental agency, department, or body that are currently necessary for the operation of the business of the Company and its subsidiaries as currently conducted and as described in the Prospectus, except where the failure to currently possess could not have or reasonably be expected to result in a Material Adverse Effect.

3.8. Intellectual Property. Except as specifically disclosed in the Prospectus, (i) each of the Company and its subsidiaries owns or possesses sufficient rights to use all patents, patent rights, trademarks, copyrights, licenses, inventions, trade secrets, trade names and know-how (collectively, "Intellectual Property") described or referred to in the Prospectus as owned or possessed by it or that are necessary for the conduct of its business as described in the Prospectus, except where the failure to currently own or possess would not have or reasonably be expected to result in a Material Adverse Effect, (ii) to the knowledge of the Company, neither the Company nor any of its subsidiaries is infringing any rights of a third party with respect to any Intellectual Property, (iii) neither the Company nor any of its subsidiaries has received any notice of, or has any knowledge of, any asserted infringement by the Company or any of its subsidiaries of, any rights of a third party with respect to any Intellectual Property that would, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect if determined adversely to the Company and (iv) neither the Company nor any of its subsidiaries has received any notice of, or has any knowledge of, infringement by a third party with respect to any Intellectual Property rights of the Company or of any subsidiary that, individually or in the aggregate, would have or reasonably be expected to result in a Material Adverse Effect.

3.9. Financial Statements. The financial statements of the Company and the related notes contained in the Prospectus present fairly, in accordance with generally accepted accounting principles, the financial position of the Company and its subsidiaries as of the dates indicated, and the results of its operations and cash flows for the periods therein specified consistent with the books and records of the Company and its subsidiaries, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which are not expected to be material in amount. Such financial statements (including the related notes) have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods therein specified, except as may be disclosed in the notes to such financial statements, or in the case of unaudited statements, as may be permitted by the Securities and Exchange Commission (the "SEC") on Form 10-Q under the Exchange Act and except as disclosed in the Prospectus.

3.10. No Material Adverse Change. Except as disclosed in the Prospectus, since June 30, 2008, there has not been (i) any material adverse change in the financial condition or earnings of the Company and its subsidiaries considered as one enterprise, (ii) any obligation, direct or contingent, that is material to the Company and its subsidiaries considered as one enterprise, incurred by the Company, except obligations incurred in the ordinary course of business, (iii) any dividend or distribution of any kind declared, paid or made on the capital stock of the Company or any of its subsidiaries, or (iv) any loss or damage (whether or not insured) to the physical property of the Company or any of its subsidiaries which has been sustained which has had or reasonably would be expected to result in a Material Adverse Effect; *provided, however*, that changes in the ordinary course of business, including but not limited to the use of cash and increases in liabilities in the ordinary course of business, shall not be deemed to be a material adverse change or to have a Material Adverse Effect.

3.11. Disclosure. The representations and warranties of the Company contained in this Section 3 as of the date hereof and as of the Closing Date, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3.12. Securities Exchange Compliance. The Common Stock is registered pursuant to Section 12(b) of the Exchange Act and is accepted for quotation on The NASDAQ Global Market (the "NASDAQ"), and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or de-listing the Shares from the NASDAQ, nor has the Company received any notification that the SEC or the NASDAQ is contemplating terminating such registration or listing.

3.13. Reporting Status. The Company has filed in a timely manner all documents that the Company was required to file under the Exchange Act during the 12 months preceding the date of this Agreement. All such filings complied in all material respects with the SEC's requirements as of their respective filing dates, and the information contained therein as of the date thereof did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made not misleading.

3.14. Listing. The Company shall comply with all requirements of the NASDAQ with respect to the issuance of the Shares and the Warrant Shares and the listing thereof on the NASDAQ. The Company is in compliance with the listing and maintenance requirements for continued listing of the Common Stock on the NASDAQ. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the NASDAQ and no approval of the shareholders of the Company is required for the Company to issue and deliver to the Buyers the maximum number of Shares contemplated by this Agreement and the maximum number of Warrant Shares contemplated by the Warrants.

3.15. No Manipulation of Stock. The Company has not taken and will not, in violation of applicable law, take, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Shares or the Warrant Shares.

3.16. Contracts. Neither the Company nor, to the Company's knowledge, any other party to such contracts is in breach of or default under any of such contracts which would have or reasonably be expected to result in a Material Adverse Effect.

3.17. Taxes. The Company has filed all necessary federal, state and foreign income and franchise tax returns and has paid or accrued all taxes shown as due thereon, and the Company has no knowledge of a tax deficiency which has been or might be asserted or threatened against it.

3.18. Transfer Taxes. On the Closing Date, all stock transfer or other taxes (other than income taxes) which are required to be paid in connection with the sale and transfer of the Securities to be sold to the Buyers hereunder will be, or will have been, fully paid or provided for by the Company and all laws imposing such taxes will be or will have been fully complied with.

3.19. Disclosure Controls and Procedures; Internal Controls. The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and designed such disclosure controls and procedures to ensure that material information relating to the Company, including its subsidiaries, is made known to the certifying officers by others within those entities, particularly during the period in which the Form 10-K or Form 10-Q, as the case may be, is being prepared. The Company's certifying officers have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the periods covered by such reports (such date, the "Evaluation Date"). The Company presented in the Form 10-Q for the quarter ended June 30, 2008 the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in the Company's internal controls (as such term is used in Item 307(b) of Regulation S-K under the Exchange Act) or, to the Company's knowledge, in other factors that could significantly affect the Company's internal controls.

3.20. No Additional Agreements. The Company does not have any agreement or understanding with any Buyer with respect to the transactions contemplated by this Agreement other than as specified in this Agreement.

3.21. Investment Company. The Company is not, and is not an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

3.22. Compliance. Neither the Company nor any subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any subsidiary under), nor has the Company or any subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any order of any court, arbitrator or governmental body, or (iii) is or has been in violation of any statute, rule or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect.

3.23. Registration Statement Effective. The Registration Statement has been declared effective and no stop orders have been issued with respect to the Company or the Registration Statement.

4. COVENANTS.

4.1. Commercially Reasonable Efforts. Each party shall use commercially reasonable efforts to timely satisfy each of the conditions to be satisfied by it as provided in Sections 5 and 6 of this Agreement.

4.2. Listing. The Company shall, on or before the Closing Date, take such actions necessary, if any, to secure the listing of the Shares and Warrant Shares on the NASDAQ and shall use commercially reasonable efforts to maintain the listing of the Common Stock on the NASDAQ or other national securities exchange or quotation service.

4.3. Maintenance of Registration Statement Effectives. The Company shall, for a period of at least one year from the Closing Date, use commercially reasonable efforts to maintain the effectiveness of the Registration Statement.

4.4. Resale of Warrant Shares. If all or any portion of a Warrant is exercised at a time when there is an effective registration statement to cover the issuance or resale of the Warrant Shares, such Warrant Shares shall be issued free of all legends.

4.5. Reservation of Warrant Shares. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of common stock for the purpose of enabling the Company to issue the Warrant Shares pursuant to any exercise of the Warrants.

5. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

The obligation of the Company hereunder to issue and sell the Securities to each Buyer at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing each Buyer with prior written notice thereof:

5.1. Each Buyer shall have delivered to the Company the Purchase Price for the Securities being purchased by each Buyer at the Closing by wire transfer of immediately available funds pursuant to the wire instructions provided by the Company.

5.2. The representations and warranties of each Buyer shall be true and correct in all material respects (except to the extent that any of such representations and warranties is already qualified as to materiality in Section 2 above, in which case, such representations and warranties shall be true and correct without further qualification) as of the date when made and as of the Closing Date, as though made at that time (except for representations and warranties that speak as of a specific date), and each Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by such Buyer at or prior to the Closing Date.

5.3. The Company shall have received the approval for the listing of the Shares and Warrant Shares on the NASDAQ, as provided in Section 4.2.

6. CONDITIONS TO EACH BUYER'S OBLIGATION TO PURCHASE.

The obligation of each Buyer hereunder to purchase the Securities at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions, provided that these conditions are for each Buyer's sole benefit and may be waived by such Buyer at any time in its sole discretion by providing the Company with prior written notice thereof:

6.1. The Company shall have executed this Agreement and delivered same to such Buyer.

6.2. The NASDAQ shall not have suspended trading in the Common Stock.

6.3. The representations and warranties of the Company shall be true and correct in all material respects (except to the extent that any of such representations and warranties is already qualified as to materiality in Section 3 above, in which case, such representations and warranties shall be true and correct without further qualification) as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date.

6.4. The Company shall have made all filings under all applicable federal and state securities laws necessary, if any, to consummate the issuance of the Securities pursuant to this Agreement in compliance with such laws and no stop-order shall have been issued by the SEC with respect to the Registration Statement.

6.5. The Buyer shall have received a customary opinion from the Company's legal counsel to the effect that the Company is duly incorporated and in good standing, that the Securities have been duly authorized and validly issued, that the Shares and Warrant Shares will be, when issued and paid for in accordance with the terms of this Agreement and the Warrants, fully paid and non-assessable, that this Agreement has been validly executed and delivered by the Company.

7. GOVERNING LAW; MISCELLANEOUS.

7.1. Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding arising under or relating to this Agreement (a "Proceeding") by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If either party shall commence a Proceeding to enforce any provisions of this Agreement, then the prevailing party in such Proceeding shall be reimbursed by the other party for its reasonable attorney's fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Proceeding. Each party agrees that all Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective affiliates, employees or agents) shall be commenced exclusively in the state and federal courts sitting in New York, New York (the "Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction

of the Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any Proceeding, any claim that it is not personally subject to the jurisdiction of any such Court, or that such Proceeding has been commenced in an improper or inconvenient forum.

7.2. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other parties; provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

7.3. Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

7.4. Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

7.5. Entire Agreement; Amendments. This Agreement (including the exhibits hereto) supersedes all other prior oral or written agreements between the Buyers, the Company, their affiliates and persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the agreements and instruments referenced herein, contain the entire understanding of the parties with respect to the matters covered herein. No provision of this Agreement may be amended other than by an instrument in writing signed by the Company and the Buyers holding or, prior to Closing, having the right to purchase, at least a majority of the Shares, and no provision hereof may be waived other than by an instrument in writing signed by the party against whom enforcement is sought.

7.6. Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one business day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Arrowhead Research Corporation
201 South Lake Avenue
Suite 703
Pasadena, California 91101
Attention: Chief Executive Officer
Facsimile No.: 626-304-3401

If to a Buyer: at the address and facsimile number set forth on the signature page attached hereto, with copies to such Buyer's representatives, if any, specified on the signature page,

or at such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party in accordance with the above provisions five (5) days prior to the effectiveness of such change.

7.7. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any purchasers of the Securities. A Buyer may not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Company, except for assignments to affiliates of Buyer or to other Buyers.

7.8. No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

7.9. Publicity. The Company and each Buyer shall have the right to approve before issuance any press releases or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of any Buyer, to make any press release or other public disclosure with respect to such transactions as is required by applicable law and regulations.

7.10. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

7.11. Termination. In the event that the Closing shall not have occurred with respect to a Buyer within ten business days from the date of this Agreement due to the Company's or such Buyer's failure to satisfy the conditions set forth in Sections 6 and 7 above (and the non-breaching party's failure to waive such unsatisfied condition(s)), the non-breaching party shall have the option to terminate this Agreement with respect to such breaching party at the close of business on such date without liability of any party to any other party.

7.12. Remedies. Each Buyer and each holder of the Securities shall have all rights and remedies set forth in this Agreement and all of the rights that such holders have under any law. Any person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law.

7.13. Obligations of Buyers Several and Not Joint. The obligations of each Buyer hereunder are several and not joint with the obligations of any other Buyer, and no Buyer shall be responsible in any way for the performance of the obligations of any other Buyer under any Agreement. Nothing contained herein, and no action taken by any Buyer hereto, shall be

deemed to constitute the Buyers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Buyers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated hereby, provided that such obligations or the transactions contemplated hereby may be modified, amended or waived in accordance with Section 7.5 of this Agreement. Each Buyer shall be entitled to independently protect and enforce its rights, including without limitation the rights arising out of this Agreement (provided, that such rights may be modified, amended or waived in accordance with Section 7.5), and it shall not be necessary for any other Buyer to be joined as an additional party in any proceeding for such purpose.

* * *

SIGNATURE PAGE
(All information must be completed)

I HEREBY REPRESENT THAT I HAVE READ AND UNDERSTOOD THE SUBSCRIPTION AGREEMENT FOR ARROWHEAD RESEARCH CORPORATION.

Subscription: I hereby subscribe for the following number of Units at the Purchase Price indicated:

Number of Units	Price per Unit	Total Purchase Price
-----------------	----------------	----------------------

Subscriber (Print exact name to appear on the stock and warrant certificates)

Tax ID

Contact Name

Telephone

Address of Record

Alternative Telephone

City, State, Zip Code

Fax

Country

e-mail address

Date: _____

Signature of Subscriber

Signature of proposed Joint Owner
(if any)

[SIGNATURE PAGE TO SECURITIES PURCHASE AGREEMENT]

ACCEPTANCE OF SUBSCRIPTION

Agreed and Accepted this day of __ of _____ 2008.

COMPANY:

ARROWHEAD RESEARCH CORPORATION

By: _____
Name: _____
Title: _____

Sales of the Securities purchased hereunder were made pursuant to a Registration Statement(s) or in a transaction in which a final prospectus would have been required to have been delivered in the absence of Rule 172 promulgated under the Securities Act.

[COMPANY ACCEPTANCE OF SUBSCRIPTION]

ARROWHEAD RESEARCH CORPORATION
COMMON STOCK WARRANT

This certifies that _____ (the "**Holder**"), or assigns, for value received, is entitled to purchase from Arrowhead Research Corporation (the "**Company**"), subject to the terms set forth below, a maximum of _____ fully-paid and non-assessable shares (subject to adjustment as provided herein) of the Company's Common Stock, \$0.001 par value, (the "**Warrant Shares**") for cash at a price of \$2.00 per share (the "**Exercise Price**") (subject to adjustment as provided herein) at any time or from time to time on or after _____, 6 months and one day after issuance date (the "**Initial Exercise Date**"), and up to and including 5:00 p.m. (New York City Time) on _____, 5 years from issuance date (the "**Expiration Date**") upon surrender to the Company at its principal office (or at such other location as the Company may advise the Holder in writing) of this Warrant properly endorsed with the Notice of Subscription attached hereto duly completed and signed and upon payment in cash or by check of the aggregate Exercise Price for the number of shares for which this Warrant is being exercised determined in accordance with the provisions hereof. The Exercise Price is subject to adjustment as provided in Section 4 of this Warrant. This Warrant is issued subject to the following terms and conditions:

1. **Exercise, Issuance of Certificates.** The Holder may exercise this Warrant at any time or from time to time on or after the Initial Exercise Date and on or prior to the Expiration Date, for all or any part of the Warrant Shares (but not for a fraction of a share) which may be purchased hereunder, as that number may be adjusted pursuant to Section 4 of this Warrant. The Company agrees that the Warrant Shares purchased under this Warrant shall be and are deemed to be issued to the Holder hereof as the record owner of such Warrant Shares as of the close of business on the date on which this Warrant shall have been surrendered, properly endorsed, the completed and executed Notice of Subscription delivered, and payment in cash made for such Warrant Shares (such date, a "**Date of Exercise**"). Certificates for the Warrant Shares so purchased, together with any other securities or property to which the Holder hereof is entitled upon such exercise, shall be delivered to the Holder hereof by the Company at the Company's expense as soon as practicable after the rights represented by this Warrant have been so exercised, but in any event not later than the third trading day following the Date of Exercise. In case of a purchase of less than all the Warrant Shares which may be purchased under this Warrant, the Company shall cancel this Warrant and execute and deliver to the Holder hereof within a reasonable time a new Warrant or Warrants of like tenor for the balance of the Warrant Shares purchasable under the Warrant surrendered upon such purchase. Each stock certificate so delivered shall be registered in the name of such Holder and issued with or without legends in accordance with the Subscription Agreement pursuant to which this Warrant was originally issued (the "**Subscription Agreement**").

2. Cashless Exercise during Restrictive Event.

2.1. **Cashless Exercise.** If a "Restrictive Event" (as defined below) exists at a time when this Warrant is exercised, then the Warrant shall be exercised at such time only by means of a "cashless exercise" in which the Holder shall be entitled to receive a certificate for the number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the closing price of the Company's Common Stock (the "**Common Stock**") on the business day immediately prior to the Exercise Date (the "**Fair Market Value**");

(B) = the Exercise Price of the Warrants, as adjusted; and

(X) = the number of Warrant Shares issuable upon exercise of the Warrants in accordance with the terms of this Warrant.

2.2. Company-Elected Conversion. The Company shall provide to the Holder prompt written notice of any time that the Company is unable to issue Warrant Shares because (a) the Securities and Exchange Commission (the “**Commission**”) has issued a stop order with respect to the Registration Statement (as defined in the Subscription Agreement), (b) the Commission otherwise has suspended or withdrawn the effectiveness of the Registration Statement, either temporarily or permanently, (c) the Company has suspended or withdrawn the effectiveness of the Registration Statement, either temporarily or permanently or (d) for any other reason (each, a “**Restrictive Event**”). To the extent that a Restrictive Event occurs after the Holder has exercised this Warrant in accordance with Section 1 but prior to the delivery of the Warrant Shares, the Company shall (i) if the Fair Market Value of the Warrant Shares is greater than the Exercise Price, provide written notice to the Holder that the Company will deliver that number of Warrant Shares to the Holder as should be delivered in a “cashless exercise” in accordance with Section 2.1, and return to the Holder all consideration paid to the Company in connection with the Holder’s attempted exercise of this Warrant pursuant to Section 1 (a “**Company-Elected Conversion**”), or (ii) at the election of the Holder to be given within five (5) days of receipt of notice of a Company-Elected Conversion, the Holder shall be entitled to rescind the previously submitted Notice of Exercise and the Company shall return all consideration paid by Holder for such shares upon such rescission.

3. Shares to be Fully Paid; Reservation of Shares. The Company covenants and agrees that all Warrant Shares, will, upon issuance and, if applicable, payment of the applicable Exercise Price, be duly authorized, validly issued, fully paid and non-assessable, and free of all preemptive rights, liens and encumbrances, except for restrictions on transfer provided for herein. The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of providing for the exercise of the rights to purchase all Warrant Shares granted pursuant to this Warrant, such number of shares of Common Stock as shall, from time to time, be sufficient therefor.

4. Adjustment of Exercise Price and Number of Shares. The Exercise Price and the total number of Warrant Shares shall be subject to adjustment from time to time upon the occurrence of certain events described in this Section 4. Upon each adjustment of the Exercise Price, the Holder of this Warrant shall thereafter be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of shares obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares purchasable pursuant hereto immediately prior to such adjustment, and dividing the product thereof by the Exercise Price resulting from such adjustment.

4.1. Subdivision or Combination of Stock. In the event the outstanding shares of the Company’s Common Stock shall be increased by a stock dividend payable in Common Stock, stock split, subdivision, or other similar transaction occurring after the date hereof into a greater number of shares of Common Stock, the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced and the number of Warrant Shares issuable hereunder proportionately increased. Conversely, in the event the outstanding shares of the Company’s Common Stock shall be decreased by reverse stock split, combination, consolidation, or other similar transaction occurring after the date hereof into a lesser number of shares of Common Stock, the Exercise Price in effect immediately prior to such combination shall be proportionately increased and the number of Warrant Shares issuable hereunder proportionately decreased.

4.2. **Reclassification.** If any reclassification of the capital stock of the Company or any reorganization, consolidation, merger, or any sale, lease, license, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all, of the business and/or assets of the Company (each, a “**Reclassification Event**”) shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities, or other assets or property, then, as a condition of such Reclassification Event lawful and adequate provisions shall be made whereby the Holder hereof shall thereafter have the right to purchase and receive (in lieu of the shares of Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby) such shares of stock, securities, or other assets or property as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby. In any Reclassification Event, appropriate provision shall be made with respect to the rights and interests of the Holder of this Warrant to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Exercise Price and of the number of Warrant Shares), shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities, or assets thereafter deliverable upon the exercise hereof.

4.3. **Notice of Adjustment.** Upon any adjustment of the Exercise Price or any increase or decrease in the number of Warrant Shares, the Company shall give written notice thereof at the address of such Holder as shown on the books of the Company. The notice shall be prepared and signed by the Company’s Chief Executive Officer or Chief Financial Officer and shall state the Exercise Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of this Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

5. **Redemption.**

5.1. Subject to the provisions of this Section 5, at any time after the Initial Exercise Date, if (i) the last reported sale price of the Common Stock on the principal stock exchange or quotation service on which the Common Stock trades is greater than \$5.00 (subject to adjustment pursuant to Section 4 hereof) for at least twenty (20) trading days during any consecutive sixty (60)-day period and (ii) the Company has fully honored, in accordance with the terms of this Warrant, all Notices of Subscription delivered prior to 5:00 p.m. (New York City time) on the Call Date (as defined below), then the Company may redeem this Warrant at a price of \$1.00 (the “**Redemption Price**”). To exercise this right, the Company shall, not less than thirty (30) days prior to the Call Date, deliver to the Holder an irrevocable written notice (the “**Call Notice**”) informing the Holder that the Common Stock has traded at the required levels for the specified time periods and specifying the date on which the Company shall redeem this Warrant in accordance with this Section 5 (the “**Call Date**”). If the Warrant is not exercised on or before the Call Date, then this Warrant shall be cancelled at 5:00 p.m. (New York City time) on the Call Date, and the Company shall thereafter deliver the Redemption Price to such Holder at its address of record. The Company covenants and agrees that it will honor all Notices of Subscription with respect to Warrant Shares that are tendered from the time of delivery of the Call Notice through 5:00 p.m. (New York City time) on the Call Date. For the avoidance of doubt, the Company’s delivery to Holder of the Redemption Price of \$1.00 shall be effective to redeem this Warrant in its entirety pursuant to this Section 5, without regard to the number of Warrant Shares then potentially issuable upon exercise of the Warrant.

5.2. If (A) the Holder timely delivers to the Company a notice of exercise and tenders the applicable purchase price on or before the Call Date, and (B) the Company is unable to issue the full number of Warrant Shares potentially issuable as of the Call Date solely due to the limitations in Section 6.1 regarding the Holder’s acquisition of more than 19.99% of the Company’s issued and outstanding Common Stock (without regard to any potential lowering of the Maximum Percentage as permitted in Section 6.3), then in such instance, the Company shall honor the exercise only to the extent allowed under Section 6.1 based on the total shares outstanding at the close of business on the Call Date and shall

promptly return that portion of the exercise price not applied to the purchase of Warrant Shares. The Warrant Shares that cannot be acquired as of the Call Date shall remain issuable hereunder and the Warrant shall not be redeemed with respect to those Warrant Shares.

6. Limitation on Exercise.

6.1. Holder's 20% Restrictions. The Company shall not effect any exercise of this Warrant, and the Holder shall not have the right to exercise any portion of this Warrant, to the extent that as a result of giving effect to such exercise, such Holder (together with such Holder's affiliates, and any other person or entity acting as a group together with such Holder or any of such Holder's affiliates) would beneficially own in excess of 19.99% (the "**Maximum Percentage**") of the shares of Common Stock outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the aggregate number of shares of Common Stock beneficially owned (directly or indirectly through Warrant Shares or otherwise) by such Holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (A) exercise of the remaining, unexercised portion of this Warrant beneficially owned by such Holder or any of its affiliates and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company (including, without limitation, any other preferred stock or warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by such Holder or any of its affiliates. The limitations contained in this Section 6.1 shall apply only to the extent required under NASDAQ Marketplace Rule 4350(i)(1)(B). The provisions of this paragraph shall be implemented in a manner otherwise than in strict conformity with the terms of this Section 6.1 to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this Section 6.1 shall apply to a successor Holder of this Warrant.

6.2. Calculation of Ownership. Except as set forth in the preceding Section, for purposes of this Section 6, beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to such Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and such Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 6 applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by such Holder) and of which a portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Subscription shall be deemed to be such Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by such Holder) and of which portion of this Warrant is exercisable, in each case subject to such aggregate percentage limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 6, in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Form 10-Q or Form 10-K, as the case may be, (y) a more recent public announcement by the Company or (z) any other notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of the Holder, the Company shall within two trading days confirm orally and in writing to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by such Holder or its affiliates since the date as of which such number of outstanding shares of Common Stock was reported.

6.3. Reductions to Maximum Percentage. The Holder may, at any time and upon providing the Company with written notice, lower the Maximum Percentage to any percentage below 19.99% (such amount being the “**Adjusted Maximum Percentage**”). Upon providing the Company with at least 61 days prior written notice, the Holder may increase the Adjusted Maximum Percentage, up to 19.99% of the shares of Common Stock outstanding immediately after giving effect to such exercise.

6.4. Liquidation Event. Notwithstanding the limitations set forth in this Section 6, but subject to NASDAQ Marketplace Rule 4350(i)(1)(B), this Warrant shall be fully exercisable upon a Liquidation Event (defined below). For purposes of this Section 6.4, “**Liquidation Event**” shall mean the consummation of any of the following transactions: (a) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the shareholders of the Company), (b) the sale of all or substantially all of the assets of the Company, or (c) the acquisition, sale, or transfer of more than 50% of the outstanding shares of the Company by tender offer or similar transaction.

7. No Voting or Dividend Rights. Nothing contained in this Warrant shall be construed as conferring upon the holder hereof the right to vote or to consent to receive notice as a shareholder of the Company on any other matters or any rights whatsoever as a shareholder of the Company. No dividends or interest shall be payable or accrued in respect of this Warrant or the interest represented hereby or the shares purchasable hereunder until, and only to the extent that, this Warrant shall have been exercised.

8. Compliance with Securities Act. The Holder of this Warrant, by acceptance hereof, agrees that this Warrant is being acquired for Holder’s own account and not for any other person or persons, for investment purposes and that it will not offer, sell, or otherwise dispose of this Warrant except under circumstances which will not result in a violation of the Securities Act of 1933 or any applicable state securities laws.

9. Modification and Waiver. This Warrant and any provision hereof may be changed, waived, discharged, or terminated only by an instrument in writing signed by the party against whom enforcement of the same is sought.

10. Notices. Any notice, request, or other document required or permitted to be given or delivered to the Holder hereof or the Company shall be delivered by hand or messenger or shall be sent by certified mail, postage prepaid, or by overnight courier to each such Holder at its address as shown on the books of the Company or to the Company at its principal place of business or such other address as either may from time to time provide to the other. Each such notice or other communication shall be treated as effective or having been given: (i) when delivered if delivered personally, (ii) if sent by registered or certified mail, at the earlier of its receipt or three business days after the same has been registered or certified as aforesaid, (iii) if sent by overnight courier, on the next business day after the same has been deposited with a nationally recognized courier service, or (iv) the date of transmission, if such notice or communication is delivered via facsimile prior to 5:00 p.m. (New York City time) on a trading day at a facsimile number as either may from time to time provide to the other and a confirming copy of such notice is sent the same day by first class mail.

11. Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each

party agrees that all legal proceedings concerning the interpretations, enforcement and defense of this Warrant and the transactions herein contemplated (“**Proceedings**”) (whether brought against a party hereto or its respective Affiliates, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York (the “**Courts**”). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any Proceeding, any claim that it is not personally subject to the jurisdiction of any Court, or that such Proceeding has been commenced in an improper or inconvenient forum. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Warrant or the transactions contemplated hereby. If either party shall commence a Proceeding to enforce any provisions of this Warrant, then the prevailing party in such Proceeding shall be reimbursed by the other party for its reasonable attorney’s fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Proceeding.

12. Lost or Stolen Warrant. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Company, at its expense, will make and deliver a new Warrant, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant.

13. Fractional Shares. No fractional shares shall be issued upon exercise of this Warrant. The Company shall, in lieu of issuing any fractional share, pay the Holder entitled to such fraction a sum in cash equal to such fraction (calculated to the nearest 1/100th of a share) multiplied by the then effective Exercise Price on the date the Notice of Subscription is received by the Company.

14. Acknowledgement. Upon the request of the Holder, the Company will at any time during the period this Warrant is outstanding acknowledge in writing, in form satisfactory to Holder, the continued validity of this Warrant and the Company’s obligations hereunder.

15. Successors and Assigns. This Warrant and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and assigns of the Holder. The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant, and shall be enforceable by any such Holder.

16. Severability of Provisions. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its officer, thereunto duly authorized on this ____ day of August 2008.

ARROWHEAD RESEARCH CORPORATION,
a Delaware corporation

By: _____
Chris Anzalone
President and Chief Executive Officer

NOTICE OF SUBSCRIPTION

(To be signed only upon exercise of Warrant)

To: Arrowhead Research Corporation

The undersigned, the holder of the attached Common Stock Warrant, hereby elects to exercise the purchase right represented by such Warrant for, and to purchase thereunder, _____¹ shares of Common Stock of Arrowhead Research Corporation and either (check one):

_____ makes payment of \$_____ therefor; or

_____ makes a "cashless exercise" as required by Section 2 of the Warrant.

By its delivery of this Notice of Subscription, the undersigned represents and warrants to the Company that in giving effect to the exercise evidenced hereby the Holder will not beneficially own in excess of the number of shares of Common Stock (determined in accordance with Section 13(d) of the Securities Exchange Act of 1934) permitted to be owned under Warrant to which this notice relates.

The undersigned requests that certificates for such shares be issued in the name of, and delivered to: _____ whose address is: _____

DATED: _____

(Signature must conform in all respects to name of Holder as specified on the face of the Warrant)

Name: _____

Title: _____

¹ Insert here the number of shares called for on the face of the Warrant (or, in the case of a partial exercise, the portion thereof as to which the Warrant is being exercised), in either case without making any adjustment for any stock or other securities or property or cash which, pursuant to the adjustment provisions of the Warrant, may be deliverable upon exercise.

**PRESS RELEASE**

August 26, 2008
7:00 am

Contact: Virginia Dadey
Telephone: 212-541-3707
vdadey@arrowres.com

ARROWHEAD ANNOUNCES \$4.4 MILLION INVESTMENT BY CURRENT SHAREHOLDERS

Pasadena, CA — Arrowhead Research Corporation (NASDAQ:ARWR) announced today that it sold 2.5 million units consisting of common stock and common stock purchase warrants in a registered direct offering to investors, the large majority of whom are long-standing Arrowhead shareholders. Gross proceeds will be approximately \$4.4 million. Members of Arrowhead's senior management participated in the offering, including CEO Chris Anzalone, who invested over \$300,000. Net proceeds from this offering will help fund operations and contribute to Arrowhead's runway to monetization events of its subsidiaries.

"We thought it prudent to increase our liquidity during this time of general market uncertainty," said Arrowhead CEO, Chris Anzalone. "However, we are also sensitive to dilution of our shareholders, so we were careful with the amount of capital raised at this time. We are proud that this offering was completed entirely from current shareholders and senior management."

The non-management investors purchased 2,281,990 units at a per unit price of \$1.80. Each unit consisted of one share of common stock and a warrant to purchase an additional share of common stock at an exercise price of \$2.00 per share. Members of Arrowhead's senior management purchased 177,596 units at a per unit price of \$1.83. The offering was made pursuant to the Company's effective shelf registration statement on Form S-3 (Registration No. 333-148218) previously filed with, and declared effective by, the Securities and Exchange Commission. Pursuant to Rule 424(b) under the Securities Act of 1933, on August 19, 2008 the Company filed with the Securities and Exchange Commission a prospectus and prospectus supplement relating to the registration statement. The offering was made under the foregoing prospectus and prospectus supplement.

The Company may sell up to an additional 3,095,968 units in follow-on offerings at \$1.80 per unit (or \$1.83 per unit if purchased by a director or officer). The offering is expected to remain ongoing until September 15, 2008 and the Company will make additional SEC filings to report follow-on investments. Such additional securities may be offered only by means of a prospectus supplement.

Copies of the final prospectus supplement and accompanying base prospectus relating to this offering may be obtained at the Securities and Exchange Commission's website at <http://www.sec.gov> or from the company at 201 South Lake Avenue, Suite 703, Pasadena, CA 91101. This news release is not an offer to sell or the solicitation of an offer to buy the shares of common stock or warrants to purchase shares of common stock or any other securities of the Company.

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About Arrowhead Research Corporation

Arrowhead Research Corporation (www.arrowheadresearch.com) (NASDAQ:ARWR) is a publicly-traded nanotechnology company commercializing new technologies in the areas of life sciences, electronics, and energy. Arrowhead is building value for shareholders through the progress of majority owned subsidiaries. Currently, Arrowhead has four subsidiaries commercializing nanotech products and applications and investments in two minority-owned subsidiaries.

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 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. Arrowhead Research Corporation's 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 Statements 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.