UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2003.

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

COMMISSION FILE NUMBER 000-21898

ARROWHEAD RESEARCH CORPORATION
(Name of small business issuer in its charter)

Delaware	46-0408024
(State of incorporation)	(I.R.S. Employer Identification No.)

150 S. Los Robles, Suite 480
Pasadena, California 91101
(626) 792-5549
(Address and telephone number of principal executive offices)

Check whether the issuer (1) filed all reports required to be filed by Section13or15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 12,338,787, as of February 11, 2004.

Transitional Small Business Disclosure Format (Check one): Yes No X

ARROWHEAD RESEARCH CORPORATION

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

On January 12, 2004, the Company issued shares of Common Stock and Warrants in exchange for all of the issued and outstanding securities of Arrowhead Research Corporation, a California corporation (the "California corporation"). As a result of this transaction, the California corporation became a wholly-owned subsidiary of the Company, and the former shareholders of the California corporation acquired approximately 88.9% of the Company's Common Stock outstanding immediately thereafter. Since the transaction resulted in such a significant change in control of the Company, it has been accounted for as though the California corporation acquired the Company, through a purchase of the net assets of the Company by the California corporation. Therefore, the financial statements of the Company, a Delaware corporation whose name has been changed to "Arrowhead Research Corporation," are deemed to be those of the California corporation from its inception, and will reflect consolidated operations of the two companies only from and after January 12, 2004. Accordingly, the following financial statements are filed herewith:

ARROWHEAD RESEARCH CORPORATION
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET
DECEMBER 31, 2003

ASSETS	
Cash	$1,428,551
Marketable securities	437,390
Prepaid expenses, net of accumulated amortization of $60,750	259,875
Office equipment, net of accumulated depreciation of $270	1,845
TOTAL ASSETS	2,127,661
LIABILITIES & STOCKHOLDERS' EQUITY	
LIABILITIES	
Accounts payable	14,875
Payroll tax payable	3,856
Income tax payable	1,600
TOTAL LIABILITIES	20,331
COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDERS' EQUITY	
Common stock, $0.001 par value, 20,000,000 shares authorized, 5,730,000 shares issued and outstanding	5,730
Additional paid-in capital	2,402,770
Accumulated deficit during the development stage	(301,170)
TOTAL STOCKHOLDERS' EQUITY	2,107,330
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$2,127,661

ARROWHEAD RESEARCH CORPORATION(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED DECEMBER 31, 2003

COSTS AND EXPENSES	
Salaries	$ 15,000
Consulting	25,000
General and administrative expenses	41,772
Research and development	60,750
TOTAL COSTS AND EXPENSES	142,522
OTHER LOSSES	
Unrealized losses on marketable securities	62,610
NET ORDINARY INCOME (LOSS) BEFORE INCOME TAX PROVISION	(205,132)
PROVISION FOR INCOME TAXES	800
NET INCOME (LOSS)	$(205,932)
EARNINGS (LOSSES) PER SHARE	$ (0.04)

ARROWHEAD RESEARCH CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE QUARTER ENDED DECEMBER 31, 2003

	Common Stock		Additional Paid-in Capital	Accumulated Deficit During the Development Stage	Totals
	Shares	Amount			
BALANCES AS OF SEPTEMBER 30, 2003	4,680,000	4,680	$1,510,320	$ (95,238)	$1,419,762
Common stock issued for cash at $0.20 per share	75,000	75	14,925	-	15,000
Common stock issued for cash at $1 per share	475,000	475	474,525	-	475,000
Common stock issued for marketable securities at $1 per share	500,000	500	499,500	-	500,000
Stock issuance costs charged to additional paid-in capital	-	-	(96,500)	-	(96,500)
Net income (loss)	-	-	-	(205,932)	(205,932)
BALANCES AS OF DECEMBER 31, 2003	5,730,000	$ 5,730	$2,402,770	$(301,170)	$2,107,330

ARROWHEAD RESEARCH CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income (loss)	$ (205,932)
Adjustments to reconcile net income (loss) to net cash used in operating activities:	
Depreciation	180
Unrealized gain (loss) on marketable securities	62,610
(Increase) decrease in:	
Prepaid expenses	(101,250)
(Decrease) increase in:	
Income taxes payable	800
Accounts payable and accrued expenses	(76,646)
Total adjustments	(114,306)
NET CASH USED BY OPERATING ACTIVITIES	(320,238)
CASH FLOW FROM INVESTING ACTIVITIES	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of common stock	550
Proceeds from additional paid-in capital, net	392,950
NET CASH PROVIDED BY FINANCING ACTIVITIES	393,500
NET INCREASE (DECREASE) IN CASH	73,262
CASH AT THE BEGINNING OF PERIOD	1,355,289
CASH AT THE END OF THE PERIOD	$1,428,551
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the period for	
Interest	$ -
Income taxes	$ -
NON-CASH TRANSACTION	

The company accepted 80,255 shares of marketable security, valued at $500,000, from its shareholder in exchange for 500,000 shares on the Company's common stock.

ARROWHEAD RESEARCH CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

General

Arrowhead Research Corporation (the Company) is a development stage company that was incorporated under the laws of the State of California on May 7, 2003 for the primary purpose of seeking favorable opportunities to make investments in, or acquisitions of, publicly or privately owned businesses. It is anticipated that most candidates will appear to have the potential, if adequately financed, for rapid growth in sales and profitability, or possess other attributes that management believes offer prospects for substantial returns to the Company and an increase in the value of the Company's investment. The company's principal executive offices are located in Pasadena, California.

As part of its effort to identify emerging technologies and markets, the Company has had extensive discussions with various representatives of the California Institute of Technology and members of its faculty. Management has selected nano-technology as the Company's initial area of focus. Nano-technology is the science of building machines and materials at the molecular level. Prospective applications will impact fields that include information technology, medicine, manufacturing, advanced material and environmental control. Should one or more of the projects financed by the Company result in the discovery of technology having commercial applications, it is anticipated that the Company will either establish a majority-owned subsidiary to pursue the commercial opportunity or license the technology to one or more third parties on a royalty-bearing basis.

Arrowhead Research Corporation is in the development stage as its operations principally involve research and development, and other business planning activities. The company has no revenue from product sales.

Summary of Significant Accounting Policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company's securities investments are held principally for the purpose of selling in the near term and are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the period in earnings.

Property and equipment are recorded at cost. Depreciation of property and equipment is recorded on the straight-line method over the respective useful lives of the assets.

Basic earnings (losses) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted earnings (losses) per share is computed using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares primarily consist of employee stock options and warrants. For the quarter ended December 31, 2003, their effect is anti-dilutive.

On December 1, 2003, the Company initiated a second private placement of units at $1.50 per unit, with each unit consisting of one share of the Company's common stock and one warrant exercisable to purchase an additional share of the common stock at any time prior to June 30, 2013. The securities were offered pursuant to an exemption provided by Regulation 504 of the Securities Exchange Act of 1933.

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

The Company has a stock option plan (the "Plan") which provides for the granting of non-qualified stock options or incentive stock options. Under the Plan, 1,200,000 shares of the Company's common stock are reserved for issuance upon exercise of stock options or stock purchase warrants that may be granted by the Board of Directors to employees, consultants and others expected to provide significant services to the Company.

In connection with its initial private placement of common stock, the Company issued 2,645,000 common stock purchase warrants. Each warrant entitles the holder to purchase one share of common stock at a price of $1.50 any time following issuance and prior to June 30, 2013, on which date all unexercised warrants will expire. The warrants are redeemable by the Company at any time following issuance, upon 30 days prior written notice, provided that a public market for the underlying shares of common stock then exists and that the closing bid price for a share of the Company's common stock, for 20 consecutive trading days ending not more than 15 days prior to the date of the redemption notice, equal or exceeds $3.00 per share. Holders will be required to exercise their warrants within 30 days or accept the $0.001 per warrant redemption price.

On December 11, 2003, the Company announced the execution of the Stock Purchase and Exchange Agreement with InterActive Group, Inc., a Delaware corporation whose common stock is traded in the over-the-counter market. Pursuant to the terms and conditions set forth in the Exchange Agreement, on January 12, 2004, InterActive acquired all of the issued and outstanding securities of the Company. As a result, control of InterActive was changed, with the former shareholders of the Company owning approximately 88.9 percent of the then outstanding common stock of InterActive immediately following the transaction. In addition, all of the officers and directors of InterActive prior to the transaction were replaced by designees of the former shareholders of the Company and InterActive's corporate name was changed to "Arrowhead Research Corporation". The Company is subject to the reporting requirements of the Securities Exchange Act and, as of the date hereof, has filed all reports and other information required to be filed with the Securities and Exchange Commission (SEC) pursuant to the rules and regulations of the SEC under the Securities Exchange Act.

In connection with its initial private placement of common stock, in October 2003, the Company accepted 80,255 shares of Acacia Research, valued at $500,000, and $475,000 in cash from its shareholders in exchange for 975,000 shares of the Company's common stock. There were also $96,000 of finder's fees for these securities.

The Company maintains one bank account at a financial institution. This account is insured by the Federal Deposit Insurance Corporation (FDIC), up to $100,000. At December 31, 2003 the Company had deposits with this financial institution with uninsured cash balances totaling $1,328,551. The Company has not experienced any losses in such accounts and management believes it places its cash on deposit with financial institutions which are financially stable.

Rent expense was $2,910 for the quarter ended December 31, 2003.

Prepaid expenses consist of $259,875 incurred under contract agreements with Caltech. See Note 4

NOTE 2: OFFICE EQUIPMENT, NET

The office equipment is recorded at cost.

		Depreciable Life Years
Office equipment	$ 2,115	7
	2,115	
Less accumulated depreciation	(270)	
Net office equipment	$ 1,845	

Depreciation expense for the quarter ended December 31, 2003 was $180.

NOTE 3: INCOME TAXES

The income tax provision consists of the California Franchise Tax Board minimum of $800, no provision for federal income taxes have been provided as the Company incurred a loss for the quarter ended December 31, 2003. The Company has elected to carry forward the loss to offset future taxable income. The loss for the quarter ended December 31, 2003 can be carried forward until it expires at December 31, 2023. Thus, the Company has certain deferred tax assets related to the net operating loss carryforward. There is no assurance that future taxable income will be sufficient to realize the net asset or utilize the tax carryforward. The Company has determined that it is more likely than not that the deferred tax asset may not be realizable. Therefore, a 100% valuation allowance has been recorded.

NOTE 4 : COMMITMENTS AND CONTINGENCIES

On September 24, 2003, the Company entered into a contract agreement to use California Institute of Technology, of Pasadena (Caltech) as an independent third party to research, develop, and manufacture its nano-scale products. The research shall be conducted during the period of October 1, 2003 to September 30, 2008. The Company will reimburse Caltech for all direct and indirect costs incurred in the performance of the research which shall not exceed $162,000 per year of the total estimated project cost of $810,000. If the Agreement is extended, the dollar value of costs that will be reimbursed may be increased by mutual agreement to cover additional work performed during the extension.

In connection with the nano-technology research and development, on November 12, 2003, the company has entered into a second contract agreement with Caltech. The research shall be conducted during the period of January 1, 2004 to December 31, 2008. The Company will reimburse Caltech for all direct and indirect costs incurred in the performance of the research, which shall not exceed $162,000 per year of the total estimated project cost of $810,000.

As of December 31, 2003, the Company had advanced Caltech a total of $320,625 for research and development costs. These costs are expensed as incurred and consist primarily of product development and application research. Amortization expense related to these costs was $60,750 for the quarter ended December 31, 2003. Financial accounting standards require the capitalization of certain software costs after technological feasibility is established. These costs are not applicable to the Company.

NOTE 5: SUBSEQUENT EVENTS

In connection with its second private placement of common stock, the Company issued an additional 6,608,787 units in exchange for cash at $1.50 per unit, with each unit consisting of one share of the Company's common stock and one warrant exercisable to purchase an additional share of common stock at any time prior to June 30, 2013.

NOTE 6: RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the FASB issued Interpretation 46, Consolidation of Variable Interest Entities. In general, a variable interest entity is a corporation, partnership, trust, or any legal structure used for business purposes that either (a) does not have interest entity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to transactions entered into prior to February 1, 2003 in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The adoption of the Interpretation on July 1, 2003 did not have a material impact on the Company's financial statements.

In April 2003, the FASB issued SFAS 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The Statement is effective for contracts entered into or modified after June 30, 2003. The adoption of this Statement did not have a material impact on the Company's financial statements.

In May 2003, The FASB issued SFAS 150, Accounting for Certain Financial Instruments with Characteristic of both Liabilities and Equity. The Statement establishes standards for how an issuer classifies and measure certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer clarify a financial instrument that is within it scope as a liability (or an asset in some circumstances). It is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this Statement did not have a material impact on the Company's financial statements.

NOTE 7: SEGMENT INFORMATION

Industry Segment Data

The Company is still in the development stage, and no revenues have been earned.

Geographic Area Data

No revenues have been earned.

ITEM 2. MANAGEMENTS DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS.

General

Statements contained in this Quarterly Report on Form 10-QSB, which are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including but not limited to statements regarding the Company's expectations, hopes, beliefs, intentions or strategies regarding the future. Actual results could differ materially from those projected in any forward-looking statements as a result of a number of factors, including those detailed in "Risk Factors" below and elsewhere in this Quarterly Report on Form 10-QSB. The forward-looking statements are made as of the date hereof, and the Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

Plan of Operations

The Company was incorporated in 1989 to develop multimedia hardware and software products, and introduced its first software product in July 1991. In November 1992, the Company introduced its first SoundXchange business audio hardware product, which was designed to be marketed to large and small businesses that have existing local and wide area networks of personal computers, and businesses that plan to connect existing personal computers into such a network. On July 16, 1993, the Company completed its initial public offering, selling 1,000,000 Units, each consisting of one share of Common Stock and one redeemable Common Stock purchase warrant, at the price of $4.50 per Unit, raising gross proceeds of $4,500,000.

Over the next two years, anticipated sales of SoundXchange products did not materialize and the Company sustained operating losses. In 1995, without additional sources of funding, the Company substantially reduced its operations and, except for sporadic sales of SoundXchange products out of existing inventories, subsequently did not conduct any significant business activities for several years.

In 2002, the Company created a Carlsbad Security Products Division in an effort to develop, market and sell networked monitoring and security systems that would incorporate third party security components, such as digital video recorders and video cameras, with the Company's SoundXchange products and proprietary software. In connection therewith, the Company obtained a $100,000 loan to finance these efforts, and defray general and administrative purposes. However, through September 30, 2003, the Company had not sold any networked security products, and had spent substantially all of the proceeds of the loan.

The Company had no significant source of revenue for the past several years, leading to sustained operating losses and significant working capital deficiencies. During the year ended September 30, 2003, the Company generated a loss of approximately $286,000, on revenue of less than $3,000. As of September 30, 2003, the Company's current liabilities exceeded its current assets by approximately $1,840,000, the Company was not involved in the production of any products or providing services on a significant level, and it had no direct employees. At that time, the Company's management concluded that efforts to develop a securities products or other viable business were not likely to prove successful, in the absence of the availability of significant sources of financing, if at all. Consequently, after devoting more than ten years in various attempts to develop a profitable, ongoing business, and without realistic sources of additional financing in sight, management of the Company was receptive when approached by representatives of the California corporation concerning a possible business combination on some basis. Subsequent discussions led to execution of a definitive agreement in December 2003, followed by the closing of the transactions contemplated thereby on January 12, 2004.

As a consequence of the change in control of the Company resulting from these transactions, all prior business activities of the Company were completely terminated, and the Company adopted the business and plan of operations that had been developed and was in the process of implementation by the California corporation prior to the transaction.

Consequently, the Company currently is engaged in continuing efforts to finance research in various aspects in the "nano-technology" field, with a view toward realizing future revenue and profit from any such technologies that might result from the Company sponsored research. Fortune Magazine has defined nano-technology as "the science of building machines and materials at the molecular level, where key components are measured in nanometers, one-billionth of a meter." Prospective applications include information technology, medicine, manufacturing, advanced materials and environmental control. The National Science Foundation has predicted that the total market for nano-technology products and services will approach one trillion dollars by the year 2015.

To date, the Company has entered into arrangements with the California Institute of Technology ("Caltech"), and two individual professors on the faculty of Caltech, with respect to the financing of research projects in various aspects of nano-technology development. In consideration of the financing to be provided, the Company has obtained the exclusive right and license to commercially exploit any technology developed as a result of the research, along with any patents that are awarded to Caltech and the researchers.

The first research project which the Company is funding is under the direction of C. Patrick Collier, Ph.D. Dr. Collier has described the project as one that "includes the binding of nano scale synthetic chemical reactions circuits as a means for controlling complex biochemical reactions dynamics, in analogy to how digital or analog circuits have provided convenient means for controlling complex electrical or mechanical systems." The Company has agreed to provide $810,000 over a 5-year period, at the rate of $162,000 per year, which Dr. Collier and his team will use to finance direct costs, such as salaries and benefits for two post-doctoral researchers, purchase items such as chemical reagents, optical supplies, and other materials used in connection with the research program, and domestic travel to attend conferences of professional organizations whose members are involved in comparable research projects. All other costs, including the salary and benefits of Dr. Collier, and the use of Caltech facilities, will be borne by Caltech.

The second research project that the Company has agreed to finance is headed by Marc Bockrath, Ph.D. His applied physics group at Caltech is working on the application of nano scale optoelectric components to chemical and biological sensors and electronic circuits. The five year financing agreement between the Company and Dr. Bockrath also specifies annual contributions of approximately $162,000, for a total of $810,000, to be spent on a comparable basis except that this group will use $5,000 of the funds to purchase a computer and specialized software to perform transport measurements in connection with the project.

The Company is also engaged in negotiations with Caltech and members of its faculty pertaining to additional research agreements.

In the case of each project financed by the Company, the respective head of the research team will be required to provide a technical report to the Company at each anniversary date of the project, to include details of scientific progress and results, highlighting those that may be of possible commercial interest to the Company. In addition, the statement of work to be performed under each financing agreement will be updated on an annual basis, to reflect any changes in research goals that the parties may agree upon and/or to identify new opportunities that the parties mutually agree to pursue. The Company will also be provided with reprints of any publications in scientific journals resulting from the work that has been financed by the Company.

The ultimate goal of the Company in providing financing for research projects such as those described above is to obtain the rights to patentable and other intellectual property that can be used for commercial purposes. Should one or more of the projects financed by the Company result in the discovery of a technology having commercial application, it is anticipated that the Company would either start a new company, as a majority-owned subsidiary, to pursue the commercial opportunity, or license one or more third parties to use the technology for commercial purposes, in exchange for the payment of royalties to the Company.

As is the case with any research project, there can be no assurance that a commercially viable technology will be developed as a result of any one or more of the projects that the Company has agreed to finance to date or may finance in the future. This is particularly true in the case of the projects that the Company typically will finance, since most of these projects are in the very early stages of research, well before they have generated sufficient results to attract the interest of traditional venture capital firms that focus in the high tech arena. Consequently, it is anticipated that the Company will enter into comparable arrangements with a number of researchers in the nano-technology field, both at Caltech and at other universities. In addition, the Company may seek to identify and finance the research and development activities of other entrepreneurs who are working in the nano-technology arena outside of a university setting.

In addition to financing the research activities of members of the Caltech faculty, the Company has also entered into another agreement with Caltech pursuant to which the Company has obtained the right to monitor and enforce a large portfolio of patents that have previously been issued to Caltech in various areas, including nano-technology. Pursuant to this agreement, the Company has the right to retain 50% of any and all amounts that may be recovered by the Company from third parties who may be infringing upon one or more of the patents in the portfolio

Given its strategy of financing new, as yet unproved technology research, it should be expected that the Company would not realize significant revenue in the foreseeable future, if at all. For this reason, it is anticipated that the Company will generate the funds needed to finance a growing number of research projects through future sales of securities, rather than out of profits generated internally. There can, however, be no assurance that the Company will be successful in the future in raising the level of additional capital sought, or on terms currently contemplated, if at all. Should the Company prove successful in selling securities to raise the additional capital sought to finance additional research, the current stockholders of the Company will experience dilution in their percentage ownership of the Company's outstanding securities.

Although the risks taken by the Company in financing leading edge technology research may be considered to be great, management of the Company believes that the rewards to the Company and its stockholders also have the potential to be great. That is, it is anticipated that the early-stage investments to be made by the Company should enable the Company to obtain the right, at a relatively low cost per research project, to exploit one or more technologies that could have commercial potential well beyond that of a company that is financed by a traditional venture capitalist. However, as is the case with any research project, there can be no assurance that a commercially viable technology will be developed as a result of any one or more of the projects that the Company has agreed to finance to date or may finance in the future.

Financial Resources

To date, the Company has completed two private placements in which it issued and sold Units, each consisting of one share of common stock and a warrant to purchase an additional share of common stock for the price of $1.50. The net proceeds from these private placements totaled $11,302,363. As of February 10, 2004, the Company had used approximately $324,000 of its cash resources to fund research projects, and retained approximately $10,872,000 in cash and marketable securities that can be used to finance additional research. Of these retained funds, a total of $1,296,000 has been committed to meet the Company's future obligations over 4-year periods under the two research projects that it has already agreed to finance.

As a condition to the transactions that resulted in the change in control on January 12, 2004, the Company was required to enter into agreements with the holders of its outstanding debt and other obligations, pursuant to which the total debt of the Company as of the date of the closing under the Exchange Agreement would be reduced to not more than $150,000. The funds raised by the California corporation that became available to the combined companies as a consequence of the change in control are being used by the Company to satisfy these remaining debt obligations.

Risk Factors

An investment in the Company should be considered speculative, and to involve a high degree of risk. In addition to the other information contained in this Quarterly Report on Form 10-QSB, prospective investors should carefully consider the following risk and speculative factors:

Unproven Plan of Operations. As a consequence of the change in the control of the Company on January 12, 2004, all efforts that were previously initiated in an attempt to develop a viable business plan have been abandoned. In place thereof, the Company has adopted as a new plan of operations the strategy that was only recently formulated by the California corporation following its formation in May 2003. To date, implementation of this strategy has been limited, with only two research projects having been selected for funding. Accordingly, the Company's business and operations should be considered to be in the development stage, subject to all of the risks inherent in the establishment of new business ventures. There can be no assurance that the intended business and operations of the Company will be successful. Any future success that the Company might enjoy will depend upon many factors including factors which may be beyond the control of the Company, or which cannot be predicted at this time. The Company may encounter unforeseen difficulties or delays in the implementation of its plan of operations. There can be no assurance that such difficulties or delays will not have a material adverse effect upon the financial condition, business prospects and operations of the Company and the value of an investment in the Company. The value of an investment in the Company can also be adversely affected by a number of external factors, such as conditions prevailing in the securities markets and/or the economy generally. Consequently, an investment in the Company is highly speculative and no assurance can be given that purchasers of the Company's securities will realize any return on their investment or that purchasers will not lose their entire investment.

Risks Inherent in Research Projects. As is the case with any research project, there can be no assurance that a commercially viable technology will be developed as a result of any one or more of the projects that the Company has agreed to finance to date or may finance in the future. This is particularly true in the case of the projects that the Company typically will finance, since most of these projects are in the very early stage of research, well before they have generated sufficient results to attract the interest of traditional venture capital firms that focus in the high tech arena.

Lack of Revenue; No Assurance of Profitability. To date, the Company has not generated any revenue as a result of its current plan of operations. Moreover, given its strategy of financing new, as yet unproved technology research, it should be expected that the Company would not realize significant revenue in the foreseeable future, if at all. For this reason, it is anticipated that the Company will generate the funds needed to finance a growing number of research projects through future sales of securities, rather than out of profits generated internally. There can, however, be no assurance that the Company will be successful in the future in raising the level of additional capital sought, or on terms currently contemplated, if at all.

Limited Market for the Common Stock. The Company's Common Stock is traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol "ARWR.OB." However, prior to the change in control of the Company on January 12, 2004, trading in the Common Stock was very sporadic. Since January 12, 2004, there have been extreme fluctuations in the price at which the Company's Common Stock, which may be attributable, in large part, to the limited number of shares of Common Stock available for public sale resulting from the 65-for-1 "reverse split" of the Common Stock on January 12, 2004

Market Overhang; Warrants. The Company has agreed to register for resale under the Securities Act, all of the shares of Common Stock and warrants issued in connection with the transactions contemplated by the Exchange Agreement. Sales of shares pursuant to such registration, or even the potential for such sales, could have a depressing effect upon the price at which the Common Stock may be traded in the over-the-counter market. In addition, the issuance of shares of Common Stock upon exercise of the warrants, or the prospect of such issuance, may be expected to have an effect on the market for the Common Stock, and may have an adverse impact on the price at which shares of Common Stock trade.

Possible Volatility of Market Prices. The over-the-counter markets for securities such as the Company's Common Stock historically have experienced extreme price and volume fluctuations during recent periods. These broad market fluctuations, and other factors such as general economic conditions and trends in the investment markets, may adversely affect the market price of the Company's Common Stock for reasons unrelated to the Company or its operating performance.

Sales of Additional Securities. The Company is authorized to issue an aggregate of 50,000,000 shares of Common Stock without approval of the Company's stockholders, on such terms and at such prices as the Board of Directors of the Company may determine. Of these shares, an aggregate of 12,338,787 shares of Common Stock have been issued, 12,924,665 are reserved for issuance upon exercise of stock purchase warrants, and 300,000 are reserved for issuance upon exercise of stock options that may be granted by the Board of Directors to employees, consultants and others expected to provide significant services to the Company. More than 24,000,000 shares of Common Stock remain available for issuance by the Company to raise additional capital, in connection with prospective acquisitions, upon exercise of future stock option grants, or for other corporate purposes. Issuances of additional shares of Common Stock would result in dilution of the percentage interest in the Company's Common Stock of all stockholders ratably, and might result in dilution in the tangible net book value of a share of the Company's Common Stock, depending upon the price and other terms on which the additional shares are issued.

No Public Market for the Warrants. All of the Company's outstanding Warrants were issued without registration under the Securities Act, and therefore are "restricted securities" which can not publicly be resold without such registration or the availability an exemption therefrom. Consequently, no public market for the Warrants currently exists. Although the Company has agreed to register the Warrants for resale under the Securities Act, there can be no assurance, however, that an active public trading market for the Warrants will develop or be sustained in the near future, if at all.

Arbitrary Determination of Warrant Exercise Price. The price at which the Warrants may be exercised to purchase shares of Common Stock was arbitrarily determined by the Company alone, and bears no relationship to earnings, asset values, book value or any other recognized criteria of value. No independent third party, such as an investment banking firm or other expert in the valuation of businesses or securities, has made an evaluation of the economic potential of the Company or the value of a share of the Company's Common Stock.

Redeemable Warrants. The Warrants may be redeemed by the Company at any time following issuance, upon 30 day's prior written notice to the holders thereof, provided that a public market for the underlying shares of Common Stock then exists and the closing bid price for a share of the Company's Common Stock for 20 consecutive trading days ending not more than 15 days prior to the date of the redemption notice equals or exceeds $3.00 per share. Redemption of the Warrants could force the holders to exercise the Warrants and pay the exercise price at a time when it might be disadvantageous for the holders to do so, to sell the Warrants when they might otherwise wish to hold them, or to accept the redemption price, which may be substantially less than the market value of the Warrants at the time of redemption. Warrant holders who fail to exercise their Warrants will experience a corresponding decrease in their interest in the Company relative to the ownership interest of those Warrant holders who do exercise their Warrants.

Possible Issuance of Preferred Stock. Although the Company has no present plan to issue any shares of Preferred Stock, the issuance of Preferred Stock in the future could provide voting or conversion rights that would adversely affect the voting power or other rights of the holders of Common Stock and thereby reduce the value of the Common Stock. In addition, the issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change in control of the Company. In particular, specific rights granted to future holders of Preferred Stock could be used to restrict the Company's ability to merge with or sell its assets to a third party, or otherwise delay, discourage or prevent a change in control of the Company.

No Dividends. The Company does not anticipate that it will pay dividends in the foreseeable future. Instead, the Company intends to apply any earnings to the development and expansion of its business.

ITEM 3. CONTROLS AND PROCEDURES.

As of the end of the period covered by this Quarterly Report on Form 10-QSB, the executive officers of the Company conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-14 and 3a-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the executive officers concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company that is required to be included in its filings with the Securities and Exchange Commission. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date this evaluation was carried out.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Prior to the change in control on January 12, 2004, the Company was delinquent on its interest payments on its secured note and a portion of its trade accounts payable, and had several judgments against it as a result of its inability to pay its obligations to its unsecured trade creditors. In connection with the reduction of its debt as required by the terms and conditions of the Exchange Agreement, the Company has obtained releases or otherwise extinguished all claims and liens against it, except for those that total, in the aggregate, not more than $150,000. These remaining claims and liens will be paid or otherwise satisfied in full using cash that became available to the Company as a result of the change in control transactions.

ITEM 2. CHANGES IN SECURITIES.

The transactions that resulted in the change in control of the Company on January 12, 2004, took place in accordance with a Stock Purchase and Exchange Agreement that originally was entered into on December 10, 2003 (the "Exchange Agreement").

Pursuant to the Exchange Agreement, an aggregate of 5,655,000 shares of the Company's Common Stock were issued to acquire, in exchange therefor, all of the 5,655,000 shares of the common stock of the California corporation then outstanding. In addition, warrants to purchase 5,645,000 additional shares of the Company's Common Stock, at the price of $1.50 per share, were issued by the Company in exchange for warrants to purchase, at the same price per share, the same number of shares of the California corporation's common stock.

Prior to the issuance of these shares and warrants under the Exchange Agreement, the Company effected a 1-for-65 "reverse split" of its outstanding Common Stock and a 1-for-6.5 conversion of its Series A Preferred Stock into shares of Common Stock. As a result of the "reverse split" of the Common Stock and conversion of the Series A Preferred Stock, a total of 389,249 shares of Common Stock were then outstanding. An additional 316,386 shares of the Company's Common Stock, and warrants to purchase up to an additional 658,583 shares of Common Stock, at $1.50 per share, were issued in connection with a program to reduce the total debt of the Company to not more than $150,000, and to acquire certain technology from San Diego Magnetics, Inc., a research and development operation in San Diego, California involved in the areas of thin film, specialty micro and nano devices and detectors.

In October 2003, the predecessor California corporation completed a private placement in which it raised net proceeds of approximately $2,380,000 from the sale of Units, each consisting of one share of common stock and a warrant to purchase an additional share of common stock at the price of $1.50. The Units were issued and sold without registration under the Securities Act of 1933, as amended (the "Securities Act", in reliance upon the exemptions from such registration afforded by Section 4(2) of the Securities Act and Regulation D promulgated by the

Securities and Exchange Commission under the Securities Act. All of the purchasers of the Units were "accredited investors", as that term is defined in the rules and regulations of the Securities and Exchange Commission under the Securities Act. A second private placement, conducted pursuant to the same exemptions from registration under the Securities Act, was consummated on January 31, 2004, following the end of the period covered by this Current Report on Form 10-QSB. In the second private placement, the Company raised net proceeds of approximately $8,921,863 from the sale of Units, each consisting of one share of common stock and a warrant to purchase an additional share of common stock at the price of $1.50.

Pursuant to the Exchange Agreement, the Company agreed to register for resale under the Securities Act of 1933, as amended (the "Securities Act"), at the Company's cost and expense, all of the shares of the Company's Common Stock, and all of the warrants to purchase shares of the Company's Common Stock, that were issued in connection with the transactions contemplated by the Exchange Agreement, including the shares and warrants issued to the former shareholders of the California corporation in the two private placements, the shares and warrants issued in connection with the Company's debt reduction program, and the shares and warrants issued to acquire the San Diego Magnetics technology.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

At a special meeting held on January 12, 2004, the Company's stockholders approved amendments to the Company's Certificate of Incorporation to (i) effect the 1-for-65 "reverse split" of the Company's outstanding Common Stock and the 1-for-6.5 conversion of the Company's outstanding Series A Preferred Stock into shares of the Company's Common Stock, and (ii) change the Company's corporate name from "InterActive Group, Inc." to "Arrowhead Research Corporation." All of the directors and officers of the Company, who together possessed, directly or through one or more affiliates, the power to vote at least a majority of all classes of the issued and outstanding voting securities of the Company as of the record date for the special meeting, had indicated that they would vote, or cause to be voted, all of the securities over which they have voting control in favor of the approval of the proposed amendments. Therefore, approval of the proposed amendments by the stockholders of the Company was assured, no additional votes in favor of approval of the amendments were required, and no proxies were solicited. However, all of the stockholders of record as of the record date for the special meeting were furnished a copy of the Information Statement on Schedule 14C dated December 22, 2003, that the Company filed with the U.S. Securities and Exchange Commission.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

31.1 Section 302 Certification

32.1 Section 906 Certification

(b) Reports on Form 8-K.

A Current Report on Form 8-K was filed by registrant on December 15, 2003, to report the execution and delivery of the Exchange Agreement by and among registrant and the several share and warrant holders of Arrowhead Research Corporation, a California corporation, and a second Current Report on Form 8-K was filed by registrant on January 9, 2004 to report a change in certifying accountants resulting from the change in control of the Company as a consequence of the transactions contemplated by the Exchange Agreement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Issuer has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 13, 2004 ARROWHEAD RESEARCH CORPORATION.

BY: /s/ R. BRUCE STEWART

R. Bruce Stewart, President
and chief financial and accounting officer

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, R. Bruce Stewart, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Arrowhead Research Corporation;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), for the registrant and we have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

(c) disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2004

/s/ R. BRUCE STEWART

R. Bruce Stewart

EXHIBIT 31.2

SECTION 906 CERTIFICATION

In connection with the Quarterly Report on Form 10-QSB of Arrowhead Research Corporation (the "Company") for the quarter ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, R. Bruce Stewart, the chief executive officer and chief financial officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2004

/s/ R. BRUCE STEWART

R. Bruce Stewart

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.