
**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): July 17, 2009

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, CA 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))
-

Item 1.01 Entry Into Material Definitive Agreement

On July 17, 2009, Arrowhead Research Corporation (the “Company”) fully executed definitive agreements for a private placement offering (the “Offering”) with selected institutional and accredited investors, which closed simultaneously. Pursuant to the Offering, the Company sold an aggregate of 7,614,167 shares (the “Shares”) of the Company’s common stock, \$0.001 par value per share (“Common Stock”), at a price of \$0.30 per share, and warrants to purchase up to an additional 7,614,167 shares of Common Stock (the “Warrants”), exercisable at \$0.50 per share. The Warrants become exercisable on January 18, 2010 and remain exercisable until June 30, 2014, unless redeemed earlier as permitted. The warrants may be redeemed for nominal consideration if the Company’s common stock trades above \$1.20 for at least 30 trading days in any 60-trading day period. Gross proceeds of the Offering totaled over \$1,800,000 and Offering proceeds net of commissions were approximately \$1,700,000.

The Shares and Warrants were offered and sold only to accredited investors in reliance on Section 4(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Rule 506 promulgated thereunder. The Shares and Warrants sold in the private placement have not been registered under the Securities Act or state securities laws and may not be offered or sold in the United States absent registration with the Securities and Exchange Commission or an applicable exemption from the registration requirements. The Company has agreed to file a registration statement with the Securities and Exchange Commission covering the resale of the Shares and the shares of Common Stock issuable upon exercise of the Warrants.

A copy of the form of Subscription Agreement is attached hereto as Exhibit 10.1, a copy of the form of Warrant is attached hereto as Exhibit 4.1, and a copy of the Registration Rights Agreement is attached hereto as Exhibit 10.2. A copy of the press release issued by the Company on July 10, 2009 announcing the Offering is attached hereto as Exhibit 99.1 and is filed herewith pursuant to Rule 135c under the Securities Act. Each of the foregoing exhibits is incorporated by reference and the description of the each of the foregoing documents contained in the Current Report on Form 8-K is qualified in its entirety by reference to such documents.

Item 3.02 Unregistered Sales of Equity Securities

The disclosure set forth above under Item 1.01 is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
4.1	Form of Warrant
10.1	Form of Subscription Agreement
10.2	Registration Rights Agreement
99.1	Press Release dated July 17, 2009

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 thereunto duly authorized.

Date: July 17, 2009

ARROWHEAD RESEARCH CORPORATION

By: /s/ Christopher Anzalone

Christopher Anzalone
Chief Executive Officer

No. ____

____ Shares

THE SECURITIES PRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE, GIFT, TRANSFER OR OTHER DISPOSITION THEREOF OR OF ANY INTEREST THEREIN SHALL BE VALID OR EFFECTIVE UNLESS AND UNTIL SUCH SECURITIES ARE (I) REGISTERED PURSUANT TO THE PROVISIONS OF SUCH ACT AND REGISTERED OR QUALIFIED UNDER APPLICABLE STATE SECURITIES OR 'BLUE SKY' LAWS OR (II) EXEMPT FROM SUCH REGISTRATION.

Void after _____, 2014

FORM OF
WARRANT TO PURCHASE SHARES
OF
CAPITAL STOCK
OF
ARROWHEAD RESEARCH CORPORATION,
A Delaware corporation

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, including the terms and conditions set forth in Section _____, 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 ("**Common Stock**"), for cash at a price of \$0.50 per share (the "**Exercise Price**") (subject to adjustment as provided herein) at any time or from time to time on or after [December _____, 2009]¹, (the "**Initial Exercise Date**"), and up to and including 5:00 p.m. (New York City Time) on June 30, 2014 (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, Limitations on Exercise.

1.1 Exercise. 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 of Common Stock) which may be purchased hereunder, as that number may be adjusted pursuant to Section 4 of this Warrant. Except as set forth below, 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

¹ Date to be inserted that is 6 months + 1 day from issuance.

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 legends in accordance with the Subscription Agreement pursuant to which this Warrant was originally issued (the "**Subscription Agreement**").

1.2 Limitations on Exercise. If, at the Date of Exercise, the Company has an insufficient number of shares of Common Stock authorized and available for issuance under its Certificate of Incorporation to permit the issuance of the underlying shares, then the Warrant shall be exercised for Common Stock only to the extent that shares are available and, with respect to the remaining shares of Common Stock that cannot be issued, the attempted exercise shall be deemed not made and the Company shall promptly provide written notice of the limitation to the Holder, informing the Holder of the portion of the Warrant that cannot then be exercised and returning the unused portion of the exercise price. If the Holder then wishes to exercise that portion of the Warrant notwithstanding the limitations on availability of Common Stock, then the Holder may elect to instead exercise this Warrant for 1/100th of a share of Series A Convertible Preferred Stock, par value \$0.001 per share (the "**Preferred Stock**") with a price per 1/100th of a share of Preferred Stock equal to the Exercise Price per full share of Common Stock (as may be adjusted from time to time as set forth herein). The rights, preferences and privileges of the Preferred Stock shall be as set forth in the Subscription Agreement. The shares of Common Stock and/or Preferred Stock that may be issued under this Warrant are hereinafter referred to as the "**Warrant Shares**."

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 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.

If the Warrant is exercised on a cashless basis as set forth above and Preferred Stock is to be issued upon exercise per Section 1.2, then the number of shares of Preferred Stock to be issued shall be determined as set forth above, with the value of 1/100 of a share of Preferred Stock to equal the value of a single share of Common Stock.

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 either not declared effective the Registration Statement (as defined in the Subscription Agreement) or has issued a stop order with respect to the Registration Statement, (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.** 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.

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.

a. **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 (an “**Upward Adjustment Event**”) 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 Common Stock issuable hereunder proportionately increased; if this Warrant is being exercised to purchase shares of Preferred Stock following an Upward Adjustment Event, the Exercise Price shall be unaffected by such event, but the Common Stock conversion ratio for the Preferred Stock shall be adjusted so that upon the conversion of any Preferred Stock into Common Stock, the Holder would receive the same number of shares of Common Stock as if the Warrant had originally been exercised for Common Stock. 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 Common Stock issuable hereunder proportionately decreased and a corresponding change in the conversion ratio for the Preferred Stock shall be similarly adjusted.

b. **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.

c. 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.

a. Subject to the provisions of this Section 5, at any time after the Initial Exercise Date, if (i) a period of at least twelve (12) months and one day has elapsed since the Closing Date; (ii) 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 \$1.20 (subject to adjustment pursuant to Section 4 hereof) for at least thirty (30) trading days during any consecutive sixty (60)-day period and (iii) 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.

b. 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 the Maximum Percentage (as may have been adjusted prior to the Call Date pursuant to Section 6(c), but in any event not to be lower than 4.999%), then in such instance and subject to the foregoing limitation, 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.

a. **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 shall apply only to the extent required under NASDAQ Marketplace Rule 5635(b). The provisions of this paragraph shall be implemented in a manner otherwise than in strict conformity with the terms of this Section 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 shall apply to a successor Holder of this Warrant.

b. **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.

c. **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.

d. Liquidation Event. Notwithstanding the limitations set forth in this Section 6, but subject to NASDAQ Marketplace Rule 5635(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 of Common Stock shall be issued upon exercise of this Warrant. The Company shall, in lieu of issuing any fractional share of Common Stock, pay the Holder entitled to such fraction a sum in cash equal to such fraction (calculated to the nearest $\frac{1}{100}$ th 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.

No. _____ Shares

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its officer, thereunto duly authorized on this _____ th day of June 2009.

“Company”

ARROWHEAD RESEARCH CORPORATION,
a Delaware corporation

By: _____

“Holder”

Name
Address

No. ____

____ Shares

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, _____² shares of Common Stock of Arrowhead Research Corporation and makes payment of \$ _____ therefore.

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: _____

² 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.

ARROWHEAD RESEARCH CORPORATION
FORM OF
SUBSCRIPTION AGREEMENT

Ladies and Gentlemen:

1. Subscription; Payment. The undersigned (referred to herein as “**Investor**”), intending to be legally bound under this Subscription Agreement (the “**Agreement**”), hereby irrevocably agrees to purchase from Arrowhead Research Corporation, a Delaware corporation (the “**Company**”), this subscription (the “**Subscription**”) in the amount of \$ (the “**Capital Commitment**”) for \$0.30 per Unit (as defined below) (the “**Unit Price**”), for a total of Units. which Unit shall consist of one (1) share of the Company’s common stock, \$0.001 par value per share (the “**Common Stock**,” and such shares of Common Stock under the Units collectively referred to herein as the “**Shares**”) and a warrant, in substantially the form attached hereto as Exhibit A, to purchase one (1) Share or in some circumstances, one (1) fractional share of the Company’s Series A Preferred Stock (the “**Preferred Stock**”) (the Shares or Preferred Stock issuable upon exercise of the Warrants, the “**Warrant Shares**”). Each Share and Warrant shall be referred to herein as a “**Unit**” and collectively, the “**Units**”. This Subscription is submitted to Investor in accordance with and subject to the terms and conditions described in this Subscription Agreement.

Investor shall either: (i) enclose herewith a certified or official bank check payable to the Company or (ii) transmit by wire transfer the amount of the Capital Commitment. The Company shall deposit all proceeds received for the Subscription in an account at Citizens Business Bank, pending acceptance of the Subscription.

Contemporaneously with the execution and delivery of this Agreement, Investor is executing and delivering a registration rights agreement, in substantially the form attached hereto as Exhibit B (the “**Registration Rights Agreement**”), pursuant to which, among other things, the Company will agree to provide certain registration rights with respect to the Shares and the Warrant Shares under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the “**Securities Act**”) and applicable state securities laws. This Agreement, the Warrant, the Registration Rights Agreement and any documents, certificates or instruments executed and delivered by the Company pursuant hereto are collectively referred to herein as the “**Transaction Agreements**.”

2. Acceptance of Subscription; Closing. The Investor understands and agrees that the Company in its sole discretion reserves the right to accept or reject this or any other subscription in whole or in part, notwithstanding prior receipt by Investor of notice of acceptance. If this Subscription is rejected by the Company in whole or in part, the Company shall promptly return all funds received from the Investor without interest or deduction and this Subscription Agreement shall thereafter be of no further force or effect. If the Subscription is accepted in whole or in part, the Company shall notify the Investor of the date(s) of the closing of the purchase and sale of Units (each, a “**Closing**”), which Closing shall occur after the close of market at the offices of the Company.

At Closing, the Company shall deliver to the Investor one or more stock certificates and Warrants evidencing the number of Units the Investor is purchasing pursuant to the Subscription, with the original stock certificates and Warrants delivered within five (5) business days of Closing.

3. Representations and Warranties of the Company. The Company hereby represents and warrants to the Investor as of the date of Closing as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has all required corporate power and authority to carry on its business as presently conducted, to enter into and perform the Transaction Agreements and to carry out the transactions contemplated hereby.

(b) The Transaction Agreements (including the sale and delivery of the Units and the reservation for issuance and the subsequent issuance of Warrant Shares upon exercise of the Warrants) are, or will be upon stockholder approval, if necessary to increase the number of authorized shares of Common Stock of the Company (the "**Stockholder Approval**"), valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other principles of general application, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law. The execution, delivery and performance of the Transaction Agreements executed and delivered by the Company pursuant hereto and the issuance and delivery of the Units and the issuance of the Warrant Shares upon exercise of the Warrants have been duly authorized by all necessary corporate or other action of the Company, provided that the Company shall obtain the Stockholder Approval, if necessary. When issued and paid for in accordance with the terms of the Transaction Agreements, the Shares and the issuance of Warrant Shares upon exercise of the Warrants will be duly and validly issued, fully paid and non-assessable and free and clear of all liens and encumbrances, other than restrictions on transfer provided for in the Transaction Agreements or imposed by applicable securities laws, and shall not be subject to preemptive or similar rights.

(c) The execution and delivery of the Transaction Agreements by the Company pursuant hereto, and the issuance and delivery of the Units and the Warrant Shares upon exercise of the Warrants, do not and will not: (i) violate, conflict with, or result in a violation of, or constitute or result in a default or loss of any benefit under, any provision of the Certificate of Incorporation, as amended (the "**Charter**"), or bylaws of the Company, or cause the creation of any encumbrance upon any of its assets; (ii) violate, conflict with, or result in a violation of, or constitute a default under, any provision of any applicable law, regulation or rule, or any order of, or any restriction imposed by, any court or governmental agency of competent jurisdiction; (iii) require from the Company any notice to, declaration or filing with, or consent or approval of, any governmental authority or other third party; or (iv) violate, conflict with, or result in a violation of, or constitute or result in a default under, accelerate any obligation under, or give rise to a right of termination of, any contract, agreement, permit, license, authorization or

other obligation to which the Company is a party or by which the Company or any of its assets are bound.

(d) Assuming the accuracy of the representations and warranties of Investor in this Agreement, the Shares and the Warrant Shares will be issued in compliance with all applicable federal and state securities laws. As of the date of Closing, the Company shall have reserved from its duly authorized capital stock the number of shares of Common Stock or Preferred Stock issuable upon exercise of the Warrants (without taking into account any limitations on the exercise of the Warrants set forth in the Warrants). The Company shall, so long as any of the Warrants are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued capital stock, solely for the purpose of effecting the exercise of the Warrants, the number of shares of Common Stock or Preferred Stock issuable upon exercise of the Warrants (without taking into account any limitations on the exercise of the Warrants set forth in the Warrants).

(e) The number of shares and type of all authorized, issued and outstanding capital stock, options and other securities of the Company (whether or not presently convertible into or exercisable or exchangeable for shares of capital stock of the Company) is set forth in Schedule 3(e) hereto. The Company has not issued any capital stock since the date of its most recently filed SEC Report (as defined below) except as set forth in Schedule 3(e).

(f) The Company has filed all reports, schedules, forms, statements and other documents required to be filed by it under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the “**Exchange Act**”), including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the “**SEC Reports**”) on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension, except where the failure to file on a timely basis would not have or reasonably be expected to result in a Material Adverse Effect (as defined below). As of their respective filing dates, or to the extent corrected by a subsequent restatement, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the United States Securities and Exchange Commission (the “**Commission**”) promulgated thereunder. “**Material Adverse Effect**” means a material adverse effect on the results of operations, assets, prospects, business or financial condition of the Company and its consolidated subsidiaries, taken as a whole, except that any of the following, either alone or in combination, shall not be deemed a Material Adverse Effect: (i) effects caused by changes or circumstances affecting general market conditions in the U.S. economy or which are generally applicable to the industry in which the Company operates, provided that such effects are not borne disproportionately by the Company, (ii) effects resulting from or relating to the announcement or disclosure of the sale of the Units or other transactions contemplated by this Agreement, or (iii) effects caused by any event, occurrence or condition resulting from or relating to the taking of any action in accordance with this Agreement.

(g) The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and

regulations of the Commission with respect thereto as in effect at the time of filing (or to the extent corrected by a subsequent restatement). Such financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated subsidiaries taken as a whole as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial year-end audit adjustments.

(h) Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof, (i) there have been no events, occurrences or developments that have had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect, (ii) the Company has not incurred any material liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company’s financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered materially its method of accounting or the manner in which it keeps its accounting books and records, and (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock (other than in connection with repurchases of unvested stock issued to employees of the Company).

(i) Assuming the accuracy of Investor’s representations and warranties set forth in Section 4 of this Agreement, no registration under the Securities Act is required for the offer and sale of the Units by the Company to Investor under the Transaction Agreements. The issuance and sale of the Units hereunder does not contravene the rules and regulations of the NASDAQ Capital Market.

4. Representations and Warranties. Investor hereby acknowledges, represents and warrants to, and agrees with, the Company as follows:

(a) Investor understands that the offering and sale of the Units are intended to be exempt from registration under the Securities Act, by virtue of Section 4(2) of the Securities Act, and in accordance therewith and in furtherance thereof, Investor represents and warrants and agrees as follows:

(i) Investor has been afforded an opportunity to review information relating to the Company, the Company’s business and finances, the offering by the Company of the Units and any and all other information deemed relevant by Investor in order to make an informed investment decision regarding the Units (collectively, the “**Information**”), and has reviewed and received such Information and understands the Information and the Transaction Agreements;

(ii) Investor acknowledges that all documents, records and books pertaining to this investment (including, without limitation, the Information) have

been made available for inspection by Investor, Investor's attorney, accountant or advisor(s);

(iii) Investor and/or Investor's advisor(s) has/have had a reasonable opportunity to ask questions of and receive answers from a person or persons on behalf of the Company concerning the offering of the Units and all such questions have been answered to the full satisfaction of Investor;

(iv) No oral or written representations have been made other than as stated, or in addition to those stated, in the Information, and no oral or written information furnished to Investor or Investor's advisors in connection with the offering of the Units was in any way inconsistent with the information stated in the Information;

(v) Investor is not subscribing for the Units as a result of or subsequent to any advertisement, article, notice, other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or presented at any seminar or meeting, or any solicitation of a subscription by a person other than a representative of the Company;

(vi) If Investor is a natural person, Investor has reached the age of majority in the state in which Investor resides;

(vi) The address set forth below is Investor's true and correct domicile;

(vii) Investor has adequate means of providing for Investor's current financial needs and contingencies, is able to bear the substantial economic risks of an investment in the Units for an indefinite period of time, has no need for liquidity in such investment, and, at the present time, could afford a complete loss of such investment;

(ix) Investor has such knowledge and experience in financial, tax and business matters so as to enable Investor to utilize the information made available to Investor in connection with the offering of the Units to evaluate the merits and risks of an investment in the Company and to make an informed investment decision with respect thereto;

(x) Investor is not relying on the Company with respect to the legal, tax and other economic considerations of an investment and has obtained, or had the opportunity to obtain the advice of Investor's own legal, tax and other advisors;

(xi) Investor will not sell or otherwise transfer the Units without registration under the Securities Act or applicable state securities laws or an exemption therefrom. The Units have not been registered under the Securities Act or under the securities laws of any other jurisdiction. Investor represents that Investor is purchasing the Units for Investor's own account, for investment and not with a view to resale or distribution except in compliance with the Securities

Act. Investor has not offered or sold any portion of the Units being acquired nor does Investor have any present intention of selling, distributing or otherwise disposing of any portion of the Units, either currently or after the passage of a fixed or determinable period of time or upon the occurrence or nonoccurrence of any predetermined event or circumstance in violation of the Securities Act. Investor is aware that an exemption from the registration requirements of the Securities Act pursuant to Rule 144 promulgated thereunder is not presently available; that the Company has no obligation to register Investor's Units (except as provided in the Registration Rights Agreement) or to make available an exemption from the registration requirements pursuant to such Rule 144 or any successor rule for resale of Investor's Units;

(xii) Investor (A) was not organized or reorganized for the specific purpose of acquiring the Units, (B) has made investments prior to the date hereof, and each beneficial owner thereof has and will share the same proportion in each investment and (C) Investor's investment in the Company will not constitute more than forty percent (40%) of Investor's total capital;

(xiii) INVESTOR UNDERSTANDS AND ACKNOWLEDGES THAT HIS OR HER INVESTMENT IN THE COMPANY INVOLVES A HIGH DEGREE OF RISK AND IS SUITABLE ONLY FOR INVESTORS OF SUBSTANTIAL MEANS WHO HAVE NO IMMEDIATE NEED FOR LIQUIDITY OF THE AMOUNT INVESTED, AND THAT SUCH INVESTMENT INVOLVES A RISK OF LOSS OF ALL OR A SUBSTANTIAL PART OF SUCH INVESTMENT; and

(xiv) Investor is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act.

(b) Investor's overall commitment to investments which are not readily marketable is reasonable in relation to Investor's net worth.

(c) Investor hereby agrees to provide such information and to execute and deliver such documents as may reasonably be necessary to comply with any and all laws and ordinances to which the Company is subject, including, without limitation, such additional information as the Company may deem appropriate with regard to Investor's suitability.

(d) Investor acknowledges:

(i) In making an investment decision Investor has relied on Investor's own examination of the Company and the terms of the offering of the Units, including the merits and risks involved. THE UNITS OFFERED IN THIS SUBSCRIPTION AGREEMENT HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION OR THIS

DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE;

(ii) Investor, if executing the Transaction Agreements in a representative or fiduciary capacity, has full power and authority to execute and deliver the Transaction Agreements in such capacity and on behalf of the subscribing individual, ward, partnership, trust, estate, corporation, limited liability company or other entity for whom Investor is executing the Transaction Agreements, and such individual, ward, partnership, trust, estate, corporation, limited liability company or other entity has full right and power to perform pursuant to the Transaction Agreements and make an investment in the Company; and

(iii) The representations, warranties, and agreements of Investor contained herein and in any other writing delivered in connection with the transactions contemplated hereby shall be true and correct in all respects on and as of the date of the sale of the Units as if made on and as of such date and shall survive the execution and delivery of the Transaction Agreements and the purchase of the Units.

(e) Investor understands that the Units being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and such Investor's compliance with, the representations, warranties, agreements, acknowledgements and understandings of such Investor set forth herein in order to determine the availability of such exemptions and the eligibility of such Investor to acquire the Units.

5. Covenants.

(a) Reporting Status.

Until the earlier of (i) the date on which an Investor shall have sold all of the Registrable Securities (as defined below), or (ii) the date on which a given Investor is first eligible to sell all of the Registrable Securities pursuant to Rule 144 under the Securities Act without restriction (the "**Reporting Period**"), the Company shall timely file all reports required to be filed with the SEC pursuant to the Securities Exchange Act of 1934 (the "1934 Act"), and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would no longer require or otherwise permit such termination.

(b) Financial Information.

The Company agrees to send, upon the written request of an Investor, the following to each Investor during the Reporting Period (i) unless the following are filed with the SEC through EDGAR and are available to the public through the EDGAR system, within one (1) Business Day after the filing thereof with the SEC, a copy of its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, any interim reports or any consolidated balance sheets, income statements, stockholders' equity statements and/or cash flow statements for any period other than annual, any Current Reports on Form 8-K and any registration statements (other than on Form S-8) or amendments filed pursuant to the 1933 Act, (ii) on the same day as the release thereof, facsimile copies of all press releases issued by the

Company or any of the Subsidiaries and (iii) copies of any notices and other information made available or given to the shareholders of the Company generally, contemporaneously with the making available or giving thereof to the shareholders.

(c) Listing.

The Company shall promptly secure the listing of all of the Registrable Securities (as defined in the Registration Rights Agreement) upon each national securities exchange and automated quotation system, if any, upon which the shares of Common Stock are then listed (subject to official notice of issuance) and shall use reasonable efforts to maintain such listing of all Registrable Securities from time to time issuable under the terms of the Transaction Documents on such national securities exchange or automated quotation system. The Company shall use reasonable efforts to maintain the Common Stock's authorization for quotation on the Principal Market, the New York Stock Exchange, the Nasdaq Global Market, Nasdaq Capital Market or the Nasdaq Global Select Market (each, an "**Eligible Market**"). The Company shall not take any action during the Reporting Period which could be reasonably expected to result in the delisting or suspension of the Common Stock on an Eligible Market. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 5 (c).

(d) Pledge of Securities.

Notwithstanding anything to the contrary contained herein, the Company acknowledges and agrees that the Shares may be pledged by an Investor in connection with a bona fide margin agreement or other bona fide loan or financing arrangement that is secured by the Shares. The pledge of Shares shall not be deemed to be a transfer, sale or assignment of the Shares hereunder, except as may otherwise be required under applicable securities laws, and no Investor effecting a pledge of Shares shall be required to provide the Company with any notice thereof or otherwise make any delivery to the Company pursuant to this Agreement or any other Transaction Document. The Company hereby agrees to execute and deliver such documentation as a pledgee of the Shares may reasonably request in connection with a pledge of the Shares to such pledgee by an Investor.

(e) Disclosure of Transactions and Other Material Information.

The Company shall, on or before 8:30 a.m., New York time, on the first Business Day after the date of this Agreement, issue a press release (the "**Press Release**") reasonably acceptable to the Investors disclosing all the material terms of the transactions contemplated by the Transaction Documents. On or before 8:30 a.m., New York time, on the second Business Day following the date of this Agreement, the Company shall file a Current Report on Form 8-K describing the material terms of the transactions contemplated by the Transaction Documents in the form required by the 1934 Act (including all attachments, the "**8-K Filing**"). From and after the issuance of the Press Release, the Company shall have disclosed all material, nonpublic information delivered to any of the Investors by the Company or any of the Subsidiaries, or any of their respective officers, directors, employees or agents (if any) in connection with the transactions contemplated by the Transaction Documents. The Company shall not, and the Company shall cause each of the Subsidiaries and each of its and their respective officers, directors, employees and agents not to, provide any Investor with any other material non-public information. Each Investor understands and acknowledges, severally and not jointly with any other Investor, that the Commission currently takes the position that covering a short position established prior to effectiveness of a resale registration statement with shares included in such registration statement would be a violation of Section 5 of the Securities Act, as set forth in Item 65, Section 5 under Section A, of the Manual of Publicly Available Telephone Interpretations, dated July 1997, compiled by the Office of Chief Counsel, Division of Corporation Finance.

6. Conditions to Closing.

(a) The obligation of Investor to acquire Units at the Closing is subject to the fulfillment of the following, on or prior to the date of Closing of the following (unless waived by Investor):

(i) The representations and warranties of the Company contained in Section 3 herein shall be true and correct in all material respects (except for those representations and warranties which are qualified as to materiality, in which case such representations and warranties shall be true and correct in all respects) as of the date of Closing, as though made on and as of such date, except for such representations and warranties that speak as of a specific date.

(ii) The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Agreements to be performed, satisfied or complied with by it at or prior to the Closing and shall have obtained in a timely fashion any and all consents, permits, approvals, registrations and waivers necessary for consummation of the purchase and sale of the Units, all of which shall be and remain so long as necessary in full force and effect.

(iii) the Company shall deliver to the Investor:

(1) this Agreement and the Registration Rights Agreement, duly executed by the Company;

(2) facsimile copies of one or more stock certificates and Warrants evidencing the Units subscribed for by Investor hereunder, registered in the name of the name of Investor as set forth on the signature page hereto, with the original stock certificates and Warrants delivered within five (5) business days of Closing;

(3) a certificate of the Secretary of the Company (the "Secretary's Certificate"), dated as of the Closing, certifying (1) the resolutions adopted by the Board of Directors of the Company or a duly authorized committee thereof approving the transactions completed by the Transaction Agreements and the issuance of the Units and (2) the current versions of the Charter and the bylaws; and

(4) a certificate, dated as of the Closing and signed by its Chief Executive Officer or its Chief Financial Officer, certifying to the fulfillment of the conditions specified in Section 5(a)(i)-(ii).

(iv) the NASDAQ Capital Market shall have approved the listing of additional shares application for the Shares and Warrant Shares.

(b) On or prior to the Closing, the Investor shall issue, deliver or cause to be delivered to the Company the following:

(i) The representations and warranties of the Investor contained in Section 4 herein shall be true and correct in all material respects (except for those representations and warranties which are qualified as to materiality, in which case such representations and warranties shall be true and correct in all respects) as of the date when made and as of the date of Closing, as though made on and as of such date, except for such representations and warranties that speak as of a specific date.

(ii) Investor shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Agreements to be performed, satisfied or complied with by it at or prior to the Closing and shall have obtained in a timely fashion any and all consents, permits, approvals, registrations and waivers necessary for consummation of the purchase and sale of the Units, all of which shall be and remain so long as necessary in full force and effect.

(iii) Investor shall deliver to the Company:

(1) this Agreement and the Registration Rights Agreement, duly executed by Investor; and

(2) the Capital Commitment, in United States dollars and in immediately available funds, and completed Internal Revenue Service Form W-9.

7. Transfer Restrictions.

(a) The Shares may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Shares, other than pursuant to an effective registration statement or Rule 144 under the Securities Act, to the Company or to an Affiliate of a Investor or in connection with a pledge as contemplated in Section 7 (b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Shares under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights of a Investor under this Agreement and the Registration Rights Agreement.

(b) The Investors agree to the imprinting, so long as is required by this Section 7, of a legend on any of the Shares in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES

ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that a Investor may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Shares to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and the Registration Rights Agreement and, if required under the terms of such arrangement, such Investor may transfer pledged or secured Shares to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Investor's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Shares may reasonably request in connection with a pledge or transfer of the Shares, including, if the Shares are subject to registration pursuant to the Registration Rights Agreement, the preparation and filing of any required prospectus supplement under Rule 424(b)(3) under the Securities Act or other applicable provision of the Securities Act to appropriately amend the list of Selling Stockholders thereunder.

(c) Certificates evidencing the Shares shall not contain any legend (including the legend set forth in Section 7(b)), (i) while a registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, or (ii) following any sale of such Shares pursuant to Rule 144, or (iii) if such Shares or Warrant Shares are eligible for sale without restriction under Rule 144, or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall cause its counsel to issue a legal opinion to the Transfer Agent promptly after the Effective Date if required by the Transfer Agent to effect the removal of the legend hereunder. If any portion of a Warrant is exercised at a time when there is an effective registration statement to cover the resale of the Warrant Shares, such Warrant Shares shall be issued free of all legends. The Company agrees that following the Effective Date or at such time as such legend is no longer required under this Section 7(c), it will use reasonable efforts to, within three Business Days following the delivery by a Investor to the Company or the Transfer Agent of a certificate representing Shares or Warrant Shares, as the case may be, issued with a restrictive legend (such third Business Day, the "Legend Removal Date"), deliver or cause to be delivered to such Investor, a certificate representing such shares free from all restrictive legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section. Certificates for Securities subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Investor by crediting the account of the Investor's prime broker with the Depository Trust Company System as directed by such Investor.

(d) Each Investor, severally and not jointly with the other Investors, agrees that such Investor will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates

representing Shares as set forth in this Section 7 is predicated upon the Company's reliance upon this understanding.

8. Indemnification. Investor agrees to indemnify and hold harmless the Company its officers, members, directors, employees, consultants, advisors, attorneys, agents and affiliates against any and all loss, liability, claim, damage and expense whatsoever (including, without limitation, any and all expenses reasonably incurred in investigating, preparing, or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based upon any false representation or warranty or breach or failure by Investor to comply with any covenant or agreement made by Investor herein or in any other document furnished by Investor to any of the foregoing in connection with this transaction.

9. Irrevocability; Binding Effect; Entire Agreement. Investor hereby acknowledges and agrees that the Subscription hereunder is irrevocable by Investor, that, except as required by law, Investor is not entitled to cancel, terminate or revoke this Subscription Agreement or any agreements of Investor hereunder, and that this Subscription Agreement and such other agreements shall survive the death or disability of Investor and shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and permitted assigns. If Investor is more than one person, the obligations of Investor hereunder shall be joint and several and the agreements, representations, warranties and acknowledgments herein contained shall be deemed to be made by and be binding upon each such person and his/her heirs, executors, administrators, successors, legal representatives and permitted assigns. The Transaction Agreements sets forth the entire agreement and understanding among the parties hereto with respect to the transactions contemplated hereby and supersedes any and all prior agreements and understandings relating to the subject matter hereof.

10. Modification. Neither this Subscription Agreement nor any provisions hereof shall be waived, modified, discharged or terminated except by an instrument in writing signed by the party against whom any such waiver, modification, discharge or termination is sought.

11. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, or otherwise delivered by facsimile transmission, by hand or by messenger, addressed:

(a) If to the Company, to:

Arrowhead Research Corporation
201 South Lake Avenue, Suite 703
Pasadena, California 91101
Attention: President;
Facsimile number 626-792-5554

or at such other address as the Company shall have furnished to the Investors, with a copy (which shall not constitute notice) to Goodwin Procter LLP, Three Embarcadero Center, 24th Floor, Attn.: Ryan Murr.

(b) If to Investor, at the address set forth on the signature page hereof (or, in either case, to such other address as the party shall have furnished in writing in accordance with the provisions of this Section 11).

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given when delivered if delivered personally, if sent by facsimile, the first business day after the date of confirmation that the facsimile has been successfully transmitted to the facsimile number for the party notified, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid.

12. Assignability. This Subscription Agreement and the rights and obligations hereunder are not transferable or assignable by the Investor.

13. Applicable Law; Jurisdiction. This Agreement shall be governed in all respects by the internal laws of the State of Delaware without regard to conflict of laws provisions. The parties hereto (i) designate the courts of the State of Delaware as the forum where all matters pertaining to this Agreement may be adjudicated, and (ii) by the foregoing designation, consent to the exclusive jurisdiction and venue of such courts for the purpose of adjudicating all matters pertaining to this Agreement.

14. Severability. If any provision of this Agreement is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision that is a reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

15. Counterparts. This Agreement may be executed by facsimile, in any number of counterparts, each of which shall be an original and all of which together shall constitute one instrument.

16. Nature of Subscriber. Investor is (check one):

- (a) One or more individuals
- (b) A corporation

- (c) A partnership
 - (d) A trust
 - (e) Another entity or organization, namely _____ (please specify)

17. Limitations on Investment in Investment Companies.

If Investor is not an individual, initial the box below which correctly describes the application of the following statement to your situation: Investor would not, upon acquiring the Shares, have more than ten percent (10%) of its assets invested in one or more investment companies that rely solely on the exclusion from the definition of "investment company" provided in Section 3(c)(1)(A) of the Investment Company Act of 1940:*

- True
- False

If the "False" box is checked, Investor will as of the Closing have _____ individual stockholders, partners or other record owners and non-individual stockholders, partners or other record owners. Those non-individual stockholders, partners or other record owners to whom application of the above statement would be "False" have an aggregate of _____ ultimate beneficial owners who are either individuals or to whom application of the above statement would be "True."

18. Matters Relating to the Undersigned's Ownership of the Shares.

(a) All correspondence relating to Investor's investment should be sent (check one):

- (i) to the address of Investor set forth on the signature page hereof

* Section 3(c)(1)(A) provides, in pertinent part:

"[N]one of the following persons is an investment company. . .

(1) Any issuer whose outstanding securities (other than short-term paper) are beneficially owned by not more than one hundred persons and which is not making and does not presently propose to make a public offering of its securities. For purposes of this paragraph:

(A) Beneficial ownership by a company shall be deemed to be beneficial ownership by one person, except that, if such company owns 10 per centum or more of the outstanding voting securities of the issuer, the beneficial ownership shall be deemed to be that of the holders of such company's outstanding securities (other than short-term paper) unless, as of the date of the most recent acquisition by such company of securities of that issuer, the value of all securities owned by such company of all issuers which are or would, but for the exception set forth in this subparagraph, be excluded from the definition of investment company solely by this paragraph, does not exceed 10 per centum of the value of the company's total assets. . . ."

(ii) to the following address:

(b) Investor may be contacted by telephone at the following telephone numbers:

- (i) Home telephone: _____
- (ii) Business telephone: _____
- (iii) Facsimile telephone: _____

(c) Investor may be contacted by electronic mail at the following email address:

**SUBSCRIPTION AGREEMENT SIGNATURE PAGE
FOR INDIVIDUALS**

IN WITNESS WHEREOF, the undersigned executed this Agreement this _____ day of _____, 2009.

No. of Units Purchased:

Print Name

Signature of Investor

Social Security Number

Residence Address

If the purchaser has indicated that the Shares will be held as JOINT TENANTS, as TENANTS IN COMMON, or as COMMUNITY PROPERTY, please complete the following:

Print Name of Spouse or Other Purchaser

Signature of Spouse or Other Purchaser

Social Security Number

ACCEPTED AND AGREED:

ARROWHEAD RESEARCH CORPORATION

By: _____

Name:

Title:

Dated: _____, 2009

**SUBSCRIPTION AGREEMENT SIGNATURE PAGE
FOR PARTNERSHIPS, CORPORATIONS, TRUSTS, OR OTHER ENTITIES**

IN WITNESS WHEREOF, the undersigned has executed this Agreement this _____ day of _____, 2009.

No. of Units Purchased: _____

Print Name of Partnership, Corporation, Trust or other Entity

By: _____

(Signature of Authorized Signatory)

Name: _____

Title: _____

Address: _____

Jurisdiction where organized: _____

Taxpayer Identification Number: _____

Date of Formation: _____

Address of Chief Executive Officer of Subscriber:

ACCEPTED AND AGREED:

ARROWHEAD RESEARCH CORPORATION

By: _____

Name: _____

Title: _____

Dated: _____, 2009

**FORM OF
REGISTRATION RIGHTS AGREEMENT**

THIS REGISTRATION RIGHTS AGREEMENT (this "**Agreement**") is made and entered into as of this day of July, 2009 by and among Arrowhead Research Corporation, a Delaware corporation (the "**Company**") and the purchasers of the Company's Units (as defined below) listed on Exhibit A hereto, as may be amended from time to time (the "**Investors**").

RECITALS

WHEREAS, the Investors are purchasing units (the "**Units**"), each consisting of one (1) share of the Company's common stock, par value \$0.001 per share (the "**Common Stock**") and such shares of Common Stock under the Units, the "**Shares**") and one (1) warrant (the "**Warrants**") exercisable for shares of Common Stock (the "**Warrant Shares**") or, in certain circumstances, a fractional share of the Company's Series A Preferred Stock, pursuant to a Subscription Agreement by and between the Company and each Investor dated as of the date hereof (collectively, the "**Purchase Agreements**");

WHEREAS, in connection with the consummation of the transactions under the Purchase Agreements, the Company and the Investors have agreed to the provisions as set forth below.

NOW, THEREFORE, in consideration of these premises and intending to be legally bound, the parties hereto agree as follows:

1. **Certain Definitions**. As used in this Agreement, the following terms shall have the following respective meanings:

"**Affiliate**" means, with respect to any specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the specified Person, where "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract, or otherwise; provided, however, that when used with respect to the Company, "Affiliate" shall not include any Investor or Affiliate thereof.

"**Closing Date**" means the date of the closing of the purchase and sale of Units under the Purchase Agreements.

"**Commission**" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, or any similar federal rule or statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"**Registrable Securities**" means any (i) Shares purchased by the Investors pursuant to the Purchase Agreements, (ii) Warrant Shares issued or issuable upon exercise of those certain Warrants issued pursuant to the Purchase Agreements, and (iii) Common Stock issued or issuable in respect of the foregoing upon any stock split, stock dividend, recapitalization or

similar event; *provided*, however, that such securities shall only be treated as Registrable Securities if and so long as they have not been sold pursuant to a registration or in accordance with Rule 144.

The terms “*register*,” “*registered*” and “*registration*” refer to a registration effected by preparing and filing a Registration Statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such Registration Statement.

“*Registration Expenses*” shall mean all expenses, except as otherwise stated below, incurred by the Company in complying with Section 2(a) and 2(c) hereof, including without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company, blue sky fees and expenses, the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company and excluding any underwriters discounts or commissions which may be applicable). Registration Expenses shall also include the reasonable fees and disbursements for one special counsel to the selling Investors holding Registrable Securities reasonably acceptable to the Company, but shall not include any other fees or expenses of the Investors.

“*Registration Statements*” means any one or more registration statements of the Company filed under the Securities Act that covers the resale of any of the Registrable Securities pursuant to the provisions of this Agreement (including without limitation the Initial Registration Statement, the Warrant Registration Statement, the New Registration Statement and any Remainder Registration Statements), amendments and supplements to such Registration Statements, including post-effective amendments, all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such Registration Statements.

“*Rule 144*” and “*Rule 145*” shall mean Rules 144 and 145, respectively, promulgated under the Securities Act, as such rules may be amended from time to time, or any similar federal rules thereunder, all as the same shall be in effect at the time.

“*Securities Act*” shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, or any similar federal rule or statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

2. Registration Rights.

(a) Company Registration of Shares and Warrant Shares. Subject to the receipt of necessary information from the Investors after prompt request from the Company to the Investor to provide such information, the Company shall: (i) use best efforts to cause a Registration Statement on Form S-3 (or other appropriate form) covering the resale of all of the Shares and, at the discretion of the Company, the Warrant Shares, not already covered by an existing and effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415 or, if Rule 415 is not available for offers and sales of the Registrable Securities, by such other means of distribution of Registrable Securities as the Investors may reasonably specify (the “**Initial Registration Statement**”), to be filed with the Commission within 30 days after the Closing Date, (ii) if the Warrant Shares are not covered under the Initial

Registration Statement, use commercially reasonable efforts to either (A) cause a Registration Statement on Form S-3 (or other appropriate form) covering the resale of all of the Warrant Shares not already covered by an existing and effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415 or, if Rule 415 is not available for offers and sales of the Registrable Securities, by such other means of distribution of Registrable Securities as the Investors may reasonably specify to be filed with the Commission (the “**Warrant Registration Statement**”) or (B) file a post-effective amendment to the Initial Registration Statement or other Registration Statement covering the Warrant Shares, in either case, promptly following stockholder approval, if necessary, of the requisite increase in the Company’s Common Stock to cover the exercise of the Warrant Shares.

Following the Registration Statement being declared effective by the SEC, the Company shall file with the SEC in accordance with Rule 424 under the Securities Act the final prospectus contained in such Registration Statement.

Notwithstanding the registration obligations set forth in this Section 2(a), in the event the Commission informs the Company that all of the Registrable Securities, Shares and/or Warrant Shares, cannot, as a result of the application of Rule 415, be registered for resale as a secondary offering on a single Registration Statement, the Company agrees to promptly (i) inform each of the Investors thereof and use its commercially reasonable efforts to file amendments to the Initial Registration Statement as required by the Commission and/or (ii) withdraw the Initial Registration Statement and/or Warrant Share Registration Statement and file a new Registration Statement (a “**New Registration Statement**”), in either case covering the maximum number of Registrable Securities permitted to be registered by the Commission, on Form S-3 or such other form available to register for resale the Registrable Securities as a secondary offering; provided, however, that prior to filing such amendment or New Registration Statement, the Company shall be obligated to use its commercially reasonable efforts to advocate with the Commission for the registration of all of the Registrable Securities in accordance with any publicly-available written or oral guidance, comment, requirements or requests of the Commission staff and the Securities Act (collectively, the “**SEC Guidance**”), including without limitation, the Manual of Publicly Available Telephone Interpretations D.29. Notwithstanding any other provision of this Agreement, if any SEC Guidance sets forth a limitation of the number of Registrable Securities permitted to be registered on a particular Registration Statement as a secondary offering (and notwithstanding that the Company used diligent efforts to advocate with the Commission for the registration of all or a greater number of Registrable Securities), unless otherwise directed in writing by an Investor as to its Registrable Securities, the number of Registrable Securities to be registered on such Registration Statement will first be reduced by Registrable Securities not acquired pursuant to the Purchase Agreements (whether pursuant to registration rights or otherwise), second by Registrable Securities represented by holders of Warrant Shares (applied, in the case that some Warrant Shares may be registered, to the Investors on a pro rata basis based on the total number of unregistered Warrant Shares held by such Investors) and third by Registrable Securities represented by Shares (applied, in the case that some Shares may be registered, to the Investors on a pro rata basis based on the total number of unregistered Shares held by such Investors, subject to a determination by the Commission that certain Investors must be reduced first based on the number of Shares held by such Investors). In the event the Company amends the Initial Registration Statement or the Warrant Registration Statement or files a New Registration Statement, as the case may be, under clauses (i) or (ii) above, the

Company will use its commercially reasonable efforts to file with the Commission, as promptly as allowed by Commission or SEC Guidance provided to the Company or to registrants of securities in general, one or more Registration Statements on Form S-3 or such other form available to register for resale those Registrable Securities that were not registered for resale on the Initial Registration Statement or Warrant Registration Statement, both as amended, or the New Registration Statement (the “**Remainder Registration Statements**”).

Subject to this Section 2(a), the Company will include in such registration (and any related qualifications including compliance with blue sky laws), and in any underwriting involved therein, all Registrable Securities specified by any Investor in a written request or requests to the Company, made within ten days after the date of written notice of such registration from the Company to the Investors. Each Investor agrees that it shall not be entitled to be named as a selling securityholder in any Registration Statement or use a prospectus for offers and resales of Registrable Securities at any time, unless such Investor has returned to the Company a completed and signed Investor Suitability Questionnaire and a response to any requests for further information by the Company.

(b) Effectiveness of Registration. The Company shall use commercially reasonable efforts to cause any Registration Statement to be declared effective by the Commission no later than ninety (90) days after filing or one hundred twenty (120) days in the event of a review by the staff of the Commission, and (iii) use best efforts to keep such Registration Statement continuously effective until the earlier of (A) one (1) year from the date of the closing of the Purchase Agreements and (B) the date on which any Registrable Securities held by the Investors may be sold in their entirety in a single transaction pursuant to Rule 144.

(c) Expenses of Registration. All Registration Expenses incurred in connection with the registration described in Section 2 shall be borne by the Company. All other registration expenses, if any, shall be borne by the Investors pro rata on the basis of the number of shares so registered or proposed to be so registered.

(d) Registration Procedures. The Company will keep each Investor advised in writing as to the initiation of the registration described in Section 2(a) and as to the completion thereof. The Company will:

(i) Registration Statements. Prepare and file with the Commission the Registration Statements with respect to such Registrable Securities and cause such Registration Statements to become effective and remain effective, in each case in accordance with the timeframes provided in Sections 2(a)-(b).

(ii) Amendments and Supplements. Prepare and file with the Commission such amendments and supplements to such Registration Statements and the prospectus used in connection with such Registration Statements as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statements for the period set forth in Section 2(b) above.

(iii) Prospectus. Furnish to the Investors such number of copies of the Registration Statements, any amendments thereto, any documents incorporated by reference

therein, a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them, which disposition by the Investors shall be in compliance with the Registration Statement and applicable federal and state securities laws; provided that the Company shall have no obligation to provide any document pursuant to this clause that is available on the Commission's EDGAR system.

(iv) Qualification. Use commercially reasonable efforts to register and qualify the securities covered by such Registration Statements under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Investors; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.

(v) Underwriting Obligations. In the event of any underwritten public offering of Registrable Securities, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Investor participating in such underwriting shall also enter into and perform its obligations under such an underwriting agreement. The Company shall, if requested by the managing underwriter or underwriters, if any, counsel to Investors, or any holder of Registrable Securities included in such offering, promptly incorporate in a prospectus supplement or post-effective amendment such information as such managing underwriter or underwriters, counsel to Investors or any holder of Registrable Securities reasonably requests to be included therein, and which is reasonably related to the offering of such Registrable Securities, including, without limitation, with respect to the Registrable Securities being sold by such holder to such underwriter or underwriters, the purchase price being paid therefor by such underwriter or underwriters and any other terms of an underwritten offering of the Registrable Securities to be sold in such offering, and the Company shall promptly make all required filings of such prospectus supplement or post-effective amendment.

(vi) Notice. Immediately notify each Investor holding Registrable Securities covered by a Registration Statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing (a "**Suspension Notice**"); provided, however, that (i) the Company shall not give more than two Suspension Notices during any period of twelve consecutive months, (ii) any such Suspension Notice shall not be given within 120 days of the end of the Suspension Notice period under the prior Suspension Notice and (iii) in no event shall the period from the date on which any holder of Registrable Securities receives a Suspension Notice until the date on which such holder receives copies of the supplemented or amended prospectus or is advised in writing by the Company that the use of the prospectus may be resumed exceed for all Suspension Notices in the aggregate, 60 days in any 365 day period. The Company will use commercially reasonable efforts to promptly amend or supplement such prospectus in order to cause such prospectus not to include 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 not misleading in the light of the circumstances then existing.

(vii) Listing. Cause all such Registrable Securities registered pursuant hereto to be listed on each securities exchange or automated quotation system on which similar securities issued by the Company are then listed.

(viii) Stop Orders. Use commercially reasonable efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement relating to Registrable Securities, and if one is issued, use commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of such Registration Statement at the earliest possible moment.

(ix) Company Records. Upon reasonable notice, make available to each Investor, any underwriter participating in any disposition pursuant to a Registration Statement relating to Registrable Securities, and any attorney, accountant or other agent or representative retained by any such Investor or underwriter (collectively, the “*Inspectors*”), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the “*Records*”) reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company’s officers, directors and employees to supply all information requested by any such Inspector in connection with such Registration Statement, provided that each such Investor and Inspector has entered into a customary confidentiality agreement with respect to such Records.

(x) NASD Matters. Cooperate with each Investor and each underwriter participating in the disposition of Registrable Securities and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc. (“*NASD*”), including, if appropriate, the pre-filing of a prospectus as part of a Registration Statement in advance of an underwritten offering.

(e) Indemnification

(i) Company Indemnification. The Company will indemnify each Investor who holds Registrable Securities (if Registrable Securities held by such Investor are included in the securities as to which such registration is being effected), each of its officers and directors and partners, and each person controlling such Investor within the meaning of Section 15 of the Securities Act, with respect to which registration has been effected pursuant to this Agreement, against all expenses, claims, losses, damages or liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, commenced or threatened, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any Registration Statement, prospectus, offering circular or other document, or any amendment or supplement thereto, incident to any such registration, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or any violation by the Company of the Securities Act, the Exchange Act, state securities laws or any rule or regulation promulgated under such laws applicable to the Company in connection with any such registration, and the Company will reimburse each such

Investor, each of its officers and directors, and each person controlling such Investor, for any legal and any other expenses reasonably incurred, as such expenses are incurred, in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, *provided* that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on (A) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by an instrument duly executed by such Investor or controlling person, and stated to be specifically for use therein, (B) the use by Investor of an outdated or defective prospectus after the Company has notified such Investor in writing that the prospectus is outdated or defective or (C) Investor's (or any other indemnified person's) failure to send or give a copy of the prospectus or supplement (as then amended or supplemented), if required, pursuant to Rule 172 under the Securities Act (or any successor rule) to the Persons asserting an untrue statement or alleged untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such person if such statement or omission was corrected in such prospectus or supplement; *provided, further*, that the indemnity agreement contained in this subsection 2(e)(i) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld).

(ii) Investor Indemnification. Each Investor holding Registrable Securities will, if Registrable Securities held by such Investor are included in the securities as to which such registration is being effected, severally and not jointly, indemnify the Company, each of its directors and officers, other holders of the Company's securities covered by such Registration Statement, each person who controls the Company within the meaning of Section 15 of the Securities Act, and each such holder, each of its officers and directors and each person controlling such holder within the meaning of Section 15 of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such Registration Statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by such holder of the Securities Act, the Exchange Act, state securities laws or any rule or regulation promulgated under such laws applicable to such Investor, and will reimburse the Company, each other holder, and directors, officers, persons, underwriters or control persons of the Company and the other holders for any legal or any other expenses reasonably incurred, as such expenses are incurred, in connection with investigating or defending any such claim, loss, damage, liability or action, but in the case of the Company or such other holders or their officers, directors or controlling persons, only to the extent that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by an instrument duly executed by such Investor and stated to be specifically for use therein; *provided, further*, that the indemnity agreement contained in this Subsection 2(e)(ii) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of such indemnifying Investor (which consent shall not be unreasonably withheld or delayed). The liability of any Investor for indemnification under this

Section 2(e) in its capacity as a seller of Registrable Securities shall not exceed the amount of net proceeds to such Investor of the securities sold in any such registration.

(iii) **Notice and Procedure.** Each party entitled to indemnification under this Section 2(e) (the “**Indemnified Party**”) shall give written notice to the party required to provide indemnification (the “**Indemnifying Party**”) promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld), and the Indemnified Party may participate in such defense at such party’s expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement unless the failure to give such notice is materially prejudicial to an Indemnifying Party’s ability to defend such action and provided further, that the Indemnifying Party shall not assume the defense for matters as to which there is a conflict of interest or there are separate and different defenses. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party (whose consent shall not be unreasonably withheld), consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

(iv) **Contribution.** If the indemnification provided for in this Section 2(e) is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any losses, claims, damages or liabilities referred to herein, the Indemnifying Party, in lieu of indemnifying such Indemnified Party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and of the Indemnified Party on the other in connection with the untrue statement or omission that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties’ relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; *provided*, that in no event shall any contribution by an Investor hereunder exceed the proceeds from the offering received by such Investor. The amount paid or payable by a party as a result of any loss, claim, damage or liability shall be deemed to include, subject to the limitations set forth in this Agreement, any reasonable attorneys’ or other reasonable fees or expenses incurred by such party in connection with any proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section 2(e) was available to such party in accordance with its terms.

(v) **Survival.** The obligations of the Company and the Investors under this Section 2(e) shall survive completion of any offering of Registrable Securities in a Registration Statement and the termination of this Agreement. The indemnity and contribution

agreements contained in this Section 2(e) are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties and are not in diminution or limitation of the indemnification provisions under the Purchase Agreements.

(f) Information by Investor. Any Investor holding Registrable Securities included in any Registration Statement shall furnish to the Company such information regarding such Investor, the Registrable Securities held by such Investor and the distribution proposed by such Investor as the Company may request in writing and as shall be required in connection with any registration referred to in this Agreement.

(g) Confidentiality. Each Investor agrees that any and all material, non-public information received in connection with this Agreement shall remain confidential to each Investor until such information otherwise becomes public, unless disclosure by an Investor is required by law; and provided, further, that notwithstanding each Investor's agreement to keep such information confidential, each such Investor makes no acknowledgement that any such information is material, non-public information.

(h) Compliance. Each Investor covenants and agrees that it will (i) comply with the prospectus delivery requirements of the Securities Act as applicable to it (unless an exemption therefrom is available) in connection with sales of Registrable Securities pursuant to the Registration Statement and shall sell the Registrable Securities only in accordance with a method of distribution described in the Registration Statement and will not transfer the Registrable Securities without registration under the Securities Act or applicable state securities laws or an exemption therefrom and (ii) shall not use an outdated or defective prospectus after the Company has notified such Investor in writing that the prospectus is outdated or defective.

3. Amendment. Except as otherwise provided herein, any provision of this Agreement may be amended or the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Investors holding a majority of the then-outstanding Registrable Securities. Any amendment or waiver effected in accordance with this Section 3 shall be binding upon each Investor, any transferee thereof and the Company.

4. Governing Law. This Agreement shall be governed in all respects by the internal laws of the State of Delaware without regard to conflict of laws provisions.

5. Entire Agreement. This Agreement constitutes the full and entire understanding and Agreement among the parties regarding the matters set forth herein. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon the successors, assigns, heirs, executors and administrators of the parties hereto.

6. Severability. If any provision of this Agreement is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision that is a reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

7. Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the Company's and each Investor's successors, assigns and transferees, including, without limitation and without the need for an express assignment, subsequent holders of Registrable Securities. If any assignee or transferee of any Investor shall acquire Registrable Securities in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities such person shall be deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such person shall be entitled to receive the benefits hereof.

8. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, or otherwise delivered by facsimile transmission, by hand or by messenger, addressed:

(a) Investor. If to an Investor, at such Investor's address as set forth in the Purchase Agreement, or at such other address as such Investor shall have furnished to the Company.

(b) Company. If to the Company, to:

Arrowhead Research Corporation
201 South Lake Avenue, Suite 703
Pasadena, California 91101
Attention: President;
Facsimile number 626-792-5554

or at such other address as the Company shall have furnished to the Investors, with a copy (which shall not constitute notice) to Goodwin Procter LLP, Three Embarcadero Center, 24th Floor, Attn.: Ryan Murr.

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given when delivered if delivered personally, if sent by facsimile, the first business day after the date of confirmation that the facsimile has been successfully transmitted to the facsimile number for the party notified, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid.

9. Counterparts. This Agreement may be executed by facsimile, in any number of counterparts, each of which shall be an original and all of which together shall constitute one instrument.

10. Specific Performance. The parties hereto specifically acknowledge that monetary damages are not an adequate remedy for violations of this Agreement, and that any party hereto may, in its sole discretion, apply to a court of competent jurisdiction for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable

law and to the extent the party seeking such relief would be entitled to the merits to obtain such relief, each party waives any objection to the imposition of such relief.

11. Designation of Forum and Consent to Jurisdiction. The parties hereto (i) designate the courts of the State of Delaware as the forum where all matters pertaining to this Agreement may be adjudicated, and (ii) by the foregoing designation, consent to the exclusive jurisdiction and venue of such courts for the purpose of adjudicating all matters pertaining to this Agreement.

12. Stock Split. All references to numbers of shares in this Agreement shall be appropriately adjusted to reflect any stock dividend, split, combination or other recapitalization of shares by the Company occurring after the date of this Agreement.

13. Independent Nature of Investors' Obligations and Rights. The obligations of each Investor hereunder are several and not joint with the obligations of any other Investor hereunder, and no Investor shall be responsible in any way for the performance of the obligations of any other Investor hereunder. The decision of each Investor to purchase Units pursuant to the Purchase Agreements has been made independently of any other Investor. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Investor pursuant hereto or thereto, shall be deemed to constitute the Investors as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Investors are in any way acting in concert with respect to such obligations or the transactions contemplated by this Agreement. Each Investor shall be entitled to protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Investor to be joined as an additional party in any proceeding for such purpose. The Company acknowledges that each of the Investors has been provided with the same Registration Rights Agreement for the purpose of closing a transaction with multiple Investors and not because it was required to do so by any Investor.

[Signature Page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Registration Rights Agreement as of the date first set forth above.

ARROWHEAD RESEARCH CORPORATION

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have executed this Registration Rights Agreement as of the date first set forth above.

INVESTOR

Name of Investor:

By: _____

Name: _____

Title: _____

**PRESS RELEASE**

July 10, 2009

8:30 am ET

Investor Relations Contact:

Kristen McNally

The Piacente Group, Inc.

212-481-2050

arrowres@tpg-ir.com

Arrowhead Announces Private Placement of \$2 Million

PASADENA, Calif. – July 10, 2009 – Arrowhead Research Corporation (NASDAQ: ARWR) today announced that it has obtained commitments from selected institutional and accredited investors to purchase at least \$2 million of common stock and warrants in a private placement transaction.

Under the terms of the offering, Arrowhead will sell at least 7.1 million units at a purchase price of \$0.30 per unit, with each unit consisting of one share of common stock and a warrant to purchase one additional share of common stock at an exercise price of \$0.50 per share. The offering is expected to close no later than July 16, 2009, subject to customary closing conditions.

* * *

This press release does not and shall not constitute an offer to sell or the solicitation of any offer to buy any of the securities, nor shall there be any sale of the securities, in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any state.