

ARROWHEAD RESEARCH CORP

Form S-1

December 28, 2009

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As filed with the Securities and Exchange Commission on December 28, 2009

Registration Statement No. 333-

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ARROWHEAD RESEARCH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

46-0408024
(I.R.S. Employer Identification Number)

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201 South Lake Avenue, Suite 703

Pasadena, CA 91101

626-304-3400

(Address, including zip code and telephone number, including area code, of Registrant's principal executive offices)

Christopher Anzalone, Chief Executive Officer

Arrowhead Research Corporation

201 South Lake Avenue, Suite 703

Pasadena, CA 91101

626-304-3400

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Ryan Murr, Esq.

Goodwin Procter LLP

Three Embarcadero Center, 24th Floor

San Francisco, CA 94111

(415) 733-6000

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective, as determined by the registrant.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box.

If this Form is used to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price(2)	Amount of registration fee(2)
Common Stock, par value \$0.001 per share	19,363,502	\$0.52	\$10,069,021	\$717.92

- (1) Represents shares of Common Stock, par value \$0.001 per share, to be sold by the selling stockholders named in this registration statement and includes an aggregate of 14,280,072 shares of Common Stock that may be issued upon the exercise of warrants held by the selling stockholders and other warrant holders described in this registration statement. Pursuant to Rule 416 of the Securities Act of 1933, as amended, this registration statement also covers such an indeterminate amount of shares of Common Stock as may become issuable to prevent dilution resulting from stock splits, stock dividends and similar events.
- (2) Pursuant to Rule 457(c), calculated on the basis of the average of the high and low prices per share of the registrant's Common Stock reported on the NASDAQ Capital Market on December 21, 2009.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. The security holders identified in this prospectus may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

dated December 28, 2009

ARROWHEAD RESEARCH CORPORATION

19,363,502 shares of Common Stock

This prospectus covers the sale of an aggregate of 19,363,502 shares of our Common Stock, \$0.001 par value per share (the **Common Stock**), by the selling security holders identified in this prospectus (collectively with any holder's transferee, pledgee, donee or successor, the **Selling Stockholders**). The Common Stock covered by this prospectus consists of (i) 5,083,430 shares of Common Stock issued in a private placement that closed on December 11, 2009, (ii) 5,083,430 shares of common stock issuable upon exercise of warrants (the **December Warrants**) issued in the same private placement that closed on December 11, 2009 (the **December Private Placement**), and (iii) 9,196,642 shares issuable upon the exercise of warrants (the **August Warrants**, and together with the December Warrants, the **Warrants**) issued in a private placement with a final closing in August 2009 (the **August Private Placement**). The shares identified in clauses (i), (ii) and (iii) are referred to collectively as the **Shares**.

The Company will not receive any proceeds from the sale by the Selling Stockholders of the Shares. However, the Company may indirectly receive proceeds to the extent that any Selling Stockholders exercise Warrants to purchase our Common Stock and then resell those Shares under this prospectus. We are paying the cost of registering the Shares covered by this prospectus as well as various related expenses. The Selling Stockholders are responsible for all selling commissions, transfer taxes and other costs related to the offer and sale of their Shares. If required, the number of Shares to be sold, the public offering price of those Shares, the names of any broker-dealers and any applicable commission or discount will be included in a supplement to this prospectus, called a prospectus supplement.

The Company's Common Stock is traded on the NASDAQ Capital Market under the symbol **ARWR**. On December 24, 2009, the closing sale price of our Common Stock on the NASDAQ Capital Market was \$0.53 per share. Our principal executive offices are located at 201 South Lake Avenue, Suite 703, Pasadena, California 91101, and our telephone number is (626) 304-3400.

Investing in our securities involves risks. You should carefully consider the risk factors beginning on page 1 of this prospectus before you make an investment in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____

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You should read this prospectus, any applicable prospectus supplement and the information incorporated by reference in this prospectus before making an investment in the securities of Arrowhead Research Corporation. See Where You Can Find Additional Information for more information, page 9. You should rely only on the information contained in or incorporated by reference in this prospectus or a prospectus supplement. The Company has not authorized anyone to provide you with different information. This document may be used only in jurisdictions where offers and sales of these securities are permitted. You should assume that information contained in this prospectus, or in any document incorporated by reference, is accurate only as of any date on the front cover of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into it contain forward-looking statements that involve risks and uncertainties. The statements contained or incorporated by reference in this prospectus that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the **Securities Act**) and Section 21E of the Securities Exchange Act of 1934, as amended (the **Exchange Act**). The Company has made these statements in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to future events or our future performance and include, but are not limited to; statements concerning our business strategy, future research and development projects, potential commercial revenues, capital requirements, new potential product introductions, expansion plans and the Company's funding requirements. Other statements contained in our filings that are not historical facts are also forward-looking statements. The Company has tried, wherever possible, to identify forward-looking statements by terminology such as *may*, *will*, *could*, *should*, *expects*, *anticipates*, *intends*, *plans*, *believes*, *seeks*, *estimates* terminology.

Forward-looking statements are not guarantees of future performance and are subject to various risks, uncertainties and assumptions that are difficult to predict. Actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including the risk factors described below in this prospectus and in our periodic filings with the SEC, incorporated by reference or included in this prospectus. All forward-looking statements contained in this prospectus are made only as of the date on the prospectus cover. We expressly disclaim any intent to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise. Before deciding to buy or sell our securities, you should be aware that the occurrence of the events described in these risk factors could harm our business, operating results and financial condition, which consequences could materially diminish the trading price of our securities and/or their value.

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PROSPECTUS SUMMARY

*Unless otherwise noted, (1) the term **Arrowhead Research** refers to Arrowhead Research Corporation, a Delaware corporation, formerly known as InterActive Group, Inc., (2) the terms **Arrowhead**, **the Company**, **we**, **us**, and **our**, refer to the ongoing business operations of Arrowhead and its subsidiaries, whether conducted through Arrowhead Research or a subsidiary of the company, and (3) the term **Common Stock** refers to shares of Arrowhead Research's Common Stock and the term **stockholder(s)** refers to the holders of Common Stock or securities exercisable for Common Stock.*

Our Business

Arrowhead is a development stage nanotechnology holding company that seeks to create stockholder value through the creation and operation of nanotechnology companies. Arrowhead currently owns two majority-owned operating subsidiaries, Unidym, Inc. (**Unidym**) and Calando Pharmaceuticals, Inc. (**Calando**), three wholly-owned non-operating subsidiaries, and has minority investments in two early-stage nanotechnology companies, Nanotope, Inc. and Leonardo Biosystems, Inc. (**LBS**). Arrowhead's mission is to build value through the identification, development and commercialization of nanotechnology-related products and applications. Arrowhead is active in the operation of its subsidiaries, providing key management to the subsidiaries. The Company is currently focused primarily on its two lead subsidiaries, Unidym, a leader in the use of carbon nanotubes for electronic applications and Calando, a clinical stage siRNA delivery company. Arrowhead's business plan includes adding to its portfolio through selective acquisition and formation of new companies, as capital resources allow.

Our common stock is quoted on the NASDAQ Capital Market under the symbol **ARWR**.

The Offering

This prospectus relates to the resale by the Selling Stockholders identified in this prospectus of up to 19,363,502 shares of Common Stock, of which 5,083,430 shares are issued and outstanding as of the date of this prospectus, and 14,280,072 are issuable upon the exercise of Warrants. All of the Shares, when sold, will be sold by the Selling Stockholders. The Selling Stockholder may sell their Shares from time to time at market prices prevailing at the time of sale, at prices related to the prevailing market price, or at negotiated prices. We will not receive any proceeds from the sale of Shares by the Selling Stockholders, other than as a result of the exercise of Warrants held by the Selling Stockholders for cash.

Corporate Information

Our executive offices are located at 201 South Lake Avenue, Suite 703 and our telephone number is 626-304-3400. Additional information regarding our company, including our audited financial statements and descriptions of our business, is contained in the documents incorporated by reference in this prospectus. See **Where You Can Find Additional Information** on page 9 and **Information Incorporated by Reference** on page 9.

RISK FACTORS

Investors should carefully consider the risks and uncertainties and all other information contained or incorporated by reference in this prospectus, including the risks and uncertainties discussed under **Risk Factors** in our Annual Report on Form 10-K for the year ended September 30, 2009. All of these **Risk Factors** are incorporated by reference herein in their entirety. These risks and uncertainties are not the only ones facing us. Additional risks of which we are not presently aware or that we currently believe are immaterial may also harm our business and results of operations. The trading price of our common stock could decline due to the occurrence of any of these risks, and investors could lose all or part of their investment. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in our other filings with the Securities and Exchange Commission.

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USE OF PROCEEDS

The proceeds from the resale of the Shares under this prospectus are solely for the account of the Selling Stockholders. We may indirectly receive proceeds of up to \$7,185,787 to the extent that any Selling Stockholders exercise warrants to purchase Shares and then resell those Shares under this prospectus, however, we will not directly receive any proceeds from the sale of Shares under this prospectus.

SELLING SECURITY HOLDERS

The Company has included in this prospectus the following shares of Common Stock:

9,196,642 shares issuable upon the exercise of August Warrants issued in the August Private Placement;

5,083,430 shares of Common Stock issued in the December Private Placement; and

5,083,430 shares of Common Stock issuable upon the exercise of December Warrants issued in the December Private Placement. In July and August 2009, we sold to certain institutional and accredited investors an aggregate of 9,196,642 units, with each unit consisting of one Share of Common Stock at a per unit purchase price of \$0.30, and a warrant to purchase an additional Share of Common Stock, exercisable at \$0.50 per share, in the August Private Placement.

In December 2009, we sold to certain accredited investors an aggregate of 5,083,430 units, with each unit consisting of one Share of Common Stock at a per unit purchase price of \$0.634, and a warrant to purchase an additional Share of Common Stock, exercisable at \$0.509 per share, in the December Private Placement.

The August Warrants may be exercised beginning in January 2010 and expire in June 2014. The December Warrants may be exercised beginning on June 12, 2010 and expire on December 11, 2010. The number of shares of Common Stock issuable upon the exercise of each Warrant and the exercise price thereof are subject to adjustment from time to time in the event of stock subdivisions, stock splits and stock combinations. With respect to the August Warrants, beginning on July 17, 2010, the August Warrants can be redeemed at the option of the Company at a price of \$1.00 per August Warrant at any time that (i) a registration statement with respect to the underlying Common Stock is in effect (or it no longer required to be in effect under the registration rights agreement) and (ii) the closing price of the Common Stock is at least \$1.20 for at least 30 trading days out of 60 consecutive days prior to the Company's notice of redemption. With respect to the December Warrants, beginning on December 13, 2010 and provided at least one year and a day have elapsed since the closing of the December Private Placement, the December Warrants can be redeemed at the option of the Company at a price of \$1.00 per December Warrant at any time the closing price of the Common Stock is at least \$1.20 for at least 30 trading days out of 60 consecutive days prior to the Company's notice of redemption.

In connection with the August Private Placement and December Private Placement, we entered into registration rights agreements, pursuant to which we have agreed to register the resale of the Shares and the Common Stock underlying the Warrants. The shares issued in the August Private Placement have been registered pursuant to a previously filed registration statement. This prospectus covers the resale of the Common Stock underlying the Warrants issued in the August Private Placement.

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The following table sets forth certain information regarding the Selling Stockholders and the shares of Common Stock beneficially owned by them, which information is available to us as of December 15, 2009. Selling Stockholders may offer Shares under this prospectus from time to time and may elect to sell none, some or all of the Shares set forth next to their name. As a result, we cannot estimate the number of shares of Common Stock that a Selling Stockholder will beneficially own after termination of sales under this prospectus. However, for the purposes of the table below, we have assumed that, after completion of the offering, none of the Shares covered by this prospectus will be held by the Selling Stockholders. In addition, a Selling Stockholder may have sold, transferred or otherwise disposed of all or a portion of that holder's shares of Common Stock since the date on which they provided information for this table. We have not made independent inquiries about this. We are relying on written commitments from the Selling Stockholders to notify us of any changes in their beneficial ownership after the date they originally provided this information. See "Plan of Distribution" beginning on page 6.

Selling Stockholder (1)	# of Shares held before Offering		Total # of Shares covered by this Prospectus	# of Shares Offered	# of Shares Underlying Warrants	# of Shares beneficially owned after Offering(2)	% of Shares beneficially owned after Offering
Christopher Anzalone	918,791	(3)	315,458	157,729	157,729	603,333	*
Milton Aronowitz, Jr.	270,206	(4)	55,206	27,603	27,603	215,000	*
F. Berdon & Co., L.P.	166,666	(5)	83,333		83,333	83,333	*
Steve Boyd	1,460,765	(6)	607,570	303,785	303,785	853,195	1.35%
Brett Bullock	93,864	(7)	78,864	39,432	39,432	15,000	*
Timothy Bullock	186,296	(8)	118,296	59,148	59,148	68,000	*
Nigel Burney	888,000	(9)	788,000	394,000	394,000	100,000	*
Lauren Carajohn	1,100,000	(10)	800,000	300,000	500,000	300,000	*
Cranshire Capital, L.P. (11)	356,137	(12)	333,333		333,333	22,804	*
M. Robert Ching	10,281,763	(13)	4,714,442	552,051	4,162,391	5,567,321	8.25%
Brian T. Ching	1,563,381	(14)	852,652	197,161	655,491	710,729	1.13%
Bradley Ching	1,538,848	(15)	852,652	197,161	655,491	686,196	1.09%
Judith Damashek	701,472	(16)	434,805	134,069	300,736	266,667	*
Robert Drust	500,000	(17)	250,000		250,000	250,000	*
Fortis Busines Holdings LLC	1,577,286	(18)	1,577,286	788,643	788,643		
Fuller Family Trust	360,458	(19)	315,458	157,729	157,729	45,000	*
Nick Giannopoulos	586,666	(20)	293,333		293,333	293,333	*
Angela Giannopoulos	389,590	(21)	389,590	194,795	194,795		
Gemini Master Fund, Ltd. (22)	833,333	(23)	833,333		833,333		
Larry Hopfenspirger	556,466	(24)	183,333		183,333	373,133	*
Jason & Argo Partners Holding SA	900,000	(25)	300,000		300,000	600,000	*
Jason & Argo Partners BVBA	400,000	(26)	400,000	200,000	200,000		
Stephen & Margaret Johnson	270,000	(27)	100,000		100,000	170,000	*
David Lackey	499,743	(28)	210,410	55,205	155,205	289,333	*
Kevin McGrath	266,666	(29)	133,333		133,333	133,333	*

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Roy Newman	166,666 (30)	83,333		83,333	83,333	*
The Pacific Coast Investment Trust	964,247 (31)	964,247	315,457	648,790		
Arthur Rabin	1,230,914 (32)	930,914	315,457	615,457	300,000	*
Selma Rabin	13,334 (33)	6,667		6,667	6,667	*
Jeffrey D. Rahm	514,796 (34)	297,796	59,148	238,648	217,000	*
Donald Richey	116,544 (35)	31,544	15,772	15,772	85,000	*
David Riviere	79,936 (36)	59,936	29,968	29,968	20,000	*
William Haile Riviere, Jr. & Renee Helen Riviere	389,064 (37)	232,564	56,782	175,782	156,500	*
Rockmore Investment Master Fund Ltd. (38)	166,667 (39)	166,667		166,667		
Greg Simon	241,646 (40)	118,296	59,148	59,148	123,350	*
Russell Soloman	175,620 (41)	87,810		87,810	87,810	*
Ernest W. Southworth, Jr.	333,334 (42)	166,667		166,667	166,667	*
Robert B. Stewart, Jr.	337,458 (43)	315,458	157,729	157,729	22,000	*
Thomas C. Stewart	501,748 (44)	315,458	157,729	157,729	186,290	*
Donald Stone	333,334 (45)	166,667		166,667	166,667	*
Richard Taylor	340,458 (46)	315,458	157,729	157,729	25,000	*
John Williams	166,666 (47)	83,333		83,333	83,333	*
Total	32,738,829	19,363,502	5,083,430	14,280,072	13,375,327	20.65%

* Less than 1%.

- (1) If required, information about other selling security holders, except for any future transferees, pledgees, donees or successors of Selling Stockholders named in the table above, will be set forth in a prospectus supplement or amendment to the registration statement of which this prospectus is a part. Additionally, post-effective amendments to the registration statement will be filed to disclose any material changes to the plan of distribution from the description contained in the final prospectus.
- (2) This number (i) excludes warrants issued in the December Private Placement which are not exercisable for six months and one day after their issuance and are therefore not included in the calculation of beneficial ownership, and (ii) assumes the sale of all Shares being offered by this prospectus.
- (3) Includes 321,729 shares issuable upon the exercise of a common stock purchase warrant.
- (4) Includes 27,603 shares issuable upon the exercise of a common stock purchase warrant.
- (5) Includes 83,333 shares issuable upon the exercise of a common stock purchase warrant.
- (6) Includes 579,653 shares issuable upon the exercise of common stock purchase warrants.
- (7) Includes 39,432 shares issuable upon the exercise of a common stock purchase warrant.
- (8) Includes 59,148 shares issuable upon the exercise of a common stock purchase warrant.
- (9) Includes 394,000 shares issuable upon the exercise of a common stock purchase warrant.
- (10) Includes 600,000 shares issuable upon the exercise of common stock purchase warrants.
- (11) Downsview Capital, Inc. is the general partner of Cranshire Capital, L.P. (Cranshire) and consequently has voting control and investment discretion over securities held by Cranshire. Mitchell P. Kopin (Mr. Kopin), President of Downsview, has voting control over Downsview. As a result of the foregoing, each of Mr. Kopin and Downsview may be deemed to have beneficial ownership (as determined under Section 13(d) of the Securities Exchange Act of 1934, as amended) of the shares of Common Stock beneficially owned by Cranshire.
- (12) Includes 333,333 shares issuable upon the exercise of a common stock purchase warrant.
- (13) Includes 4,355,108 shares and 3,905,352 shares issuable upon the exercise of a common stock purchase warrant held by The Ching Revocable Trust, 845,174 shares and 537,729 shares issuable upon the exercise of common stock purchase agreements held by the M. Robert Ching 401K Plan, and 456,000 shares and 182,400 shares issuable upon the exercise of common stock purchase warrants held by BBB Assets of which M. Robert Ching holds investment and voting contro. Certain of the warrants held by The Ching Revocable Trust are subject to a warrant blocker agreement whereby the right to exercise such warrant is limited such that M. Robert Ching will not have greater than 9.99% beneficial ownership of the Company.
- (14) Includes 661,691 shares issuable upon the exercise of common stock purchase warrants.
- (15) Includes 658,691 shares issuable upon the exercise of common stock purchase warrants.
- (16) Includes 400,736 shares issuable upon the exercise of common stock purchase warrants.
- (17) Includes 500,000 shares issuable upon the exercise of common stock purchase warrants.
- (18) Includes 788,643 shares issuable upon the exercise of a common stock purchase warrant.
- (19) Includes 157,729 shares issuable upon the exercise of a common stock purchase warrant.
- (20) Includes 293,333 shares issuable upon the exercise of a common stock purchase warrant.
- (21) Includes 194,795 shares issuable upon the exercise of a common stock purchase warrant.

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- (22) The Investment Manager of Gemini Master Fund, Ltd. Is Gemini Strategies, LLC. The Managing Member of Gemini Strategies is Mr. Steven W. Winters. As such, Mr. Winters may be deemed beneficial owner of the shares, however Mr. Winters disclaims beneficial ownership of such shares.
- (23) Includes 833,333 shares issuable upon the exercise of a common stock purchase warrant.
- (24) Includes 252,778 shares issuable upon the exercise of common stock purchase warrants.
- (25) Includes 800,000 shares issuable upon the exercise of common stock purchase warrants.
- (26) Includes 200,000 shares issuable upon the exercise of a common stock purchase warrant.
- (27) Includes 100,000 shares issuable upon the exercise of a common stock purchase warrant.
- (28) Includes 263,205 shares issuable upon the exercise of a common stock purchase warrant and 20,833 issuable upon the exercise of an option to purchase Common Stock.
- (29) Includes 133,333 shares issuable upon the exercise of a common stock purchase warrant.
- (30) Includes 83,333 shares issuable upon the exercise of a common stock purchase warrant.
- (31) Includes 648,790 shares issuable upon the exercise of common stock purchase warrants.