ARROWHEAD PHARMACEUTICALS, INC.
Form DEF 14A
February 01, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant To §240.14a-12

ARROWHEAD PHARMACEUTICALS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of filing fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing party:

(4) Date filed:

ARROWHEAD PHARMACEUTICALS, INC.

225 SOUTH LAKE AVENUE, SUITE 1050

PASADENA, CALIFORNIA 91101

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON TUESDAY MARCH 21, 2017

TO THE STOCKHOLDERS OF ARROWHEAD PHARMACEUTICALS, INC.:

NOTICE IS HEREBY GIVEN that the 2017 Annual Meeting of Stockholders of Arrowhead Pharmaceuticals, Inc., a Delaware corporation (the Company), will be held on Tuesday, March 21, 2017, at 10:00 a.m., local time, at the Sheraton Pasadena, 303 E. Cordova Street, Pasadena, California 91101, for the following purposes:

1. To elect the five directors named in the Proxy Statement to serve as members of the Company s Board of Directors until the next Annual Meeting or until their successors are elected;

2. To conduct an advisory (non-binding) vote on executive compensation; and

3. To ratify the selection of Rose, Snyder & Jacobs LLP as independent auditors of the Company for the fiscal year ending September 30, 2017;

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Proposal No. 1 relates solely to the election of the five directors nominated by the Board of Directors and does not include any other matters relating to the election of directors, including, without limitation, the election of directors nominated by any stockholder of the Company.

All stockholders of record are cordially invited to attend the Annual Meeting in person. We anticipate that on or about February 3, 2017, we will mail our stockholders a Notice Regarding the Availability of Proxy Materials (the Notice of Internet Availability) containing instructions on how to access our 2017 Proxy Statement and 2016 Annual Report on Form 10-K and to vote online. If you prefer to receive paper copies of our proxy materials, please follow the instructions included in the Notice of Internet Availability. To ensure your representation at the meeting, you are urged to vote via the Internet or telephone as instructed in the Notice of Internet Availability, or to mark, sign, date and return the proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any stockholder of record attending the Annual Meeting may vote in person even if such stockholder has previously returned a proxy. Each shareholder may appoint only one proxy holder to attend the Annual Meeting on his or her behalf. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

/s/ Jane Davidson
Jane Davidson
Secretary

Pasadena, California
January 31, 2017

Your vote is important, whether or not you expect to attend the Annual Meeting of Stockholders. Stockholders of record are urged to vote via the Internet or telephone as instructed, or if you are voting by mail, to mark, sign and date and promptly return the proxy in

the postage-prepaid return envelope provided.

Voting promptly will help avoid the additional expense of further solicitation to assure a quorum at the meeting.

Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on Tuesday, March 21, 2017:

You may access the following proxy materials at www.edocumentview.com/ARWR

Notice of the 2017 Annual Meeting of Stockholders;

Company s 2017 Proxy Statement;

Company s Annual Report on Form 10-K for the year ended September 30, 2016; and

Form of Proxy Card

ARROWHEAD PHARMACEUTICALS, INC.

225 South Lake Avenue, Suite 1050

Pasadena, California 91101

(626) 304-3400

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON TUESDAY, MARCH 21, 2017

GENERAL INFORMATION CONCERNING SOLICITATION AND VOTING

The enclosed Proxy is solicited on behalf of Arrowhead Pharmaceuticals, Inc. (the **Company** or **Arrowhead**) for use at the 2017 Annual Meeting of Stockholders (the **Annual Meeting**) to be held on Tuesday, March 21, 2017 at 10:00 a.m., local time, and at any adjournment(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders (the **Notice**). The Annual Meeting will be held at the Sheraton Pasadena, 303 E. Cordova Street, Pasadena, CA 91101.

The Company anticipates that the Notice Regarding the Availability of Proxy Materials (the Notice of Internet Availability) in connection with these proxy solicitation materials will first be mailed on or about February 3, 2017 to all stockholders entitled to vote at the Annual Meeting and we will post our proxy materials on the website referenced in the Notice of Internet Availability. As more fully described in the Notice of Internet Availability, all stockholders may choose to access our proxy materials on the website referred to in the Notice of Internet Availability or may request to receive a printed set of our proxy materials.

Record Date

Only holders of record of our common stock at the close of business on January 27, 2017 (the **Record Date**) are entitled to notice of the Annual Meeting and to vote at the Annual Meeting. On that date, the Company had outstanding 74,569,706 shares of common stock (**Common Stock**).

Revocability of Proxies

Any proxy given by a stockholder of record pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Secretary of the Company, at or before the taking of the vote at the Annual Meeting, a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person. Stockholders may also revoke their proxy by entering a new vote over the Internet or by telephone.

Voting and Solicitation

Each share of the Company s Common Stock is entitled to one vote on all matters presented at the Annual Meeting. Stockholders do not have the right to cumulate their votes in the election of directors. Shares of Common Stock represented by properly executed proxies will, unless such proxies have been previously revoked, be voted in accordance with the instructions indicated thereon. In the absence of specific instructions to the contrary, properly executed proxies will be voted FOR all matters submitted to a vote of stockholders at the Annual Meeting pursuant to this proxy statement. No business other than that set forth in the accompanying Notice of Annual Meeting of Stockholders is expected to come before the Annual Meeting. Should any other matter requiring a vote of stockholders properly arise, the persons named in the enclosed form of proxy will vote such proxy in accordance with the recommendation of the Board of Directors (the **Board**).

If you will not be able to attend the Annual Meeting to vote in person, you may vote your shares via the Internet or by telephone or by mail as set forth in the Notice.

The Company has engaged a proxy solicitor, Alliance Advisors, LLC, to encourage voting by our stockholders. It is estimated that the total cost for the solicitation campaign will be approximately $10,000. Proxies may also be solicited by certain of the directors, officers and employees of the Company, without additional compensation. The Company will bear the costs of solicitation. In addition, the Company expects to reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners.

If your shares are held in street name, the voting instruction form sent to you by your broker, bank or other nominee should indicate whether the institution has a process for beneficial holders to provide voting instructions over the Internet or by telephone. A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote over the Internet or by telephone. If your bank or brokerage firm gives you this opportunity, the voting instructions from the bank or brokerage firm that accompany this proxy statement will tell you how to use the Internet or telephone to direct the vote of shares held in your account. If your voting instruction form does not include Internet or telephone information, please complete and return the voting instruction form in the self-addressed, postage-paid envelope provided by your broker. Stockholders who vote by proxy over the Internet or by telephone need not return a proxy card or voting instruction form by mail.

Quorum; Abstentions; Broker Non-Votes

The required quorum for the transaction of business at the Annual Meeting is a majority of the votes eligible to be cast by holders of shares of Common Stock issued and outstanding on the Record Date. Shares that are voted FOR, AGAINST or ABSTAIN on a matter are treated as being present at the meeting for purposes of establishing a quorum with respect to such matter. For certain proposals, brokers may not have discretionary authority to vote on a particular matter if they have not received specific instructions from the beneficial owner of the shares (**broker non-votes**). In accordance with the rules of Nasdaq, banks, brokerage firms and other nominees who hold Arrowhead shares in street name for their customers have authority to vote on routine proposals when they have not received instructions from beneficial owners. However, banks, brokerage firms and other nominees are precluded from exercising their voting discretion with respect to non-routine matters, such as Proposal Nos. 1 and 2 described in this proxy statement. Absent instruction from you, however, your broker can, using its voting discretion, vote on the proposal to ratify the selection of Rose, Snyder & Jacobs LLP as Arrowhead s independent auditor for the fiscal year ending September 30, 2017. Shares subject to a broker non-vote will be counted as present for the purpose of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting; the effect of abstentions and broker non-votes on the proposals presented herein is discussed below.

With regard to the election of directors, votes may be cast in favor of a director nominee or withheld. Because directors are elected by plurality, abstentions from voting and broker non-votes will be entirely excluded from the vote and will have no effect on its outcome. If a quorum is present at the meeting, the nominees receiving the greatest number of votes, up to five directors, will be elected. Because Proposal Nos. 2 and 3 must be approved by the affirmative vote of a majority of the shares of Common Stock entitled to vote thereon and present in person or by proxy at the Annual Meeting (the Required Vote), abstentions will be counted in tabulations of the votes cast on each such proposal and will have the same effect as a vote against the proposal, whereas broker non-votes (with respect to Proposal No. 2) will be excluded from the vote and will have no effect on its outcome.

Deadline for Receipt of Stockholder Proposals

Any stockholder who meets the requirements of the proxy rules under the Securities Exchange Act of 1934, as amended (the **Exchange Act**), who intends to present a proposal at the Company s 2018 Annual Meeting of Stockholders must ensure that the proposal is received by the Corporate Secretary at Arrowhead Pharmaceuticals, Inc., 225 South Lake Avenue, Suite 1050, Pasadena, CA 91101, not later than October 6, 2017, in order to be considered for inclusion in our proxy materials for that meeting; provided, however, that if the Company s 2018 Annual Meeting of Stockholders is held before February 19, 2018 or after April 20, 2018, you must provide specified information to us a reasonable time before we begin to print and send our proxy statement for our 2018 Annual Meeting. Proposals received after the specified dates may be excluded from the Company s proxy statement.

Additionally, our Bylaws provide for notice procedures to recommend a person for nomination as a director or to propose business to be considered by stockholders at a meeting. To be considered timely under these provisions, the stockholder s notice must be received by the Corporate Secretary at our principal executive offices at the address set forth above between 90 and 120 days prior to the one-year anniversary of the date of the 2017 Annual Meeting; *provided, however*, that if the 2018 Annual Meeting date is advanced by more than 30 days before or delayed by more than 60 days after the anniversary date of the 2017 Annual Meeting, then stockholders must provide notice within time periods specified in our Bylaws. Our Bylaws also specify requirements as to the form and content of a stockholder s notice.

PROPOSAL ONE

ELECTION OF DIRECTORS

The Board has nominated the following five persons as directors to serve until the 2018 Annual Meeting and until their successors have been duly elected. Each of the nominees is currently a director of Arrowhead. Except as set forth in the biographical information below, none of the nominees is related by blood, marriage or adoption to any other nominee or any executive officer of the Company. The five nominees receiving the greatest numbers of votes at the Annual Meeting will be elected to the five director positions. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the five nominees named below. If any nominee is unable or declines to serve as director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by our present Board to fill the vacancy. The table below sets forth, with respect to each nominee for election, his age and current position with Arrowhead.

Nominees for Election as Directors. The Board unanimously adopted a resolution proposing the nominees set forth below for election as Directors of the Company for the next year.

OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE NOMINEES LISTED BELOW.

Name	Age	Position with Arrowhead
Christopher Anzalone	47	Chief Executive Officer, President & Director
Mauro Ferrari*	57	Director
Edward W. Frykman*	80	Director
Douglass Given	64	Director and Chairman of the Board
Michael S. Perry*	57	Lead Director

* Member of the Audit Committee, Compensation Committee and Nomination Committee.

Dr. Christopher Anzalone has been President, Chief Executive Officer and Director of the Company since December 1, 2007. In 2005, Dr. Anzalone formed and served as CEO of the Benet Group LLC, a private equity firm focused on creating and building new nano-biotechnology companies from university-generated science. Prior to his tenure at the Benet Group, from 1999 until 2003, he was a partner at the Washington, DC-based private equity firm Galway Partners, LLC, where he was responsible for sourcing, structuring and building new business ventures. Dr. Anzalone holds a Ph.D. in Biology from UCLA and a B.A. in Government from Lawrence University. We believe Dr. Anzalone s qualifications to serve on the Board include his deep understanding of the business through his role as Chief Executive Officer; in addition, Dr. Anzalone has extensive experience in biotechnology, nanotechnology, company-building and venture capital.

Dr. Mauro Ferrari has been a director of the Company since 2010. Dr. Ferrari is the President and CEO of The Houston Methodist Hospital Research Institute (TMHRI), Executive Vice President of Houston Methodist Hospital and Senior Associate Dean of Weill Cornell Medical College in New York. He is also the President of The Alliance for NanoHealth. Dr. Ferrari is an internationally recognized expert in nanomedicine and biomedical nanotechnology. Prior to assuming leadership of TMHRI, Dr. Ferrari was Professor and Chairman of The Department of NanoMedicine and Biomedical Engineering at The University of Texas Health Science Center at

Houston, Professor of Experimental Therapeutics at the MD Anderson Cancer Center, Adjunct Professor of Bioengineering at Rice University and Adjunct Professor of Biomedical Engineering at the University of Texas in Austin. His previous academic appointments include tenured professorships at UC Berkeley and The Ohio State University.

From 2003 to 2005, Dr. Ferrari served as Special Expert on Nanotechnology and Eminent Scholar at The National Cancer Institute, where he led in the development of NCI s program in Nanotechnology, which remains the largest program in NanoMedicine in the world. Dr. Ferrari has been serving as the Editor-in-Chief for Biomedical Microdevices: BioMEMS and Biomedical Nanotechnology since 1997. We believe Dr. Ferrari s qualifications to serve on the Board include his extensive training and experience in the fields of nanotechnology, biotechnology and biomedical applications. Dr. Ferrari has significant technical training, several academic appointments, over 300 published articles, over 30 issued patents and is the recipient of most prestigious academic awards in nanomedicine and drug delivery technology. Additionally, Dr. Ferrari has extensive experience in developmental stage organizations having founded several startup companies.

Edward W. Frykman has been a director of the Company since January 2004. Mr. Frykman was an Account Executive with Crowell, Weedon & Co., a position he held from 1992 until 2008 when he retired. Before his service at Crowell, Weedon & Co., Mr. Frykman served as Senior Vice President of L.H. Friend & Co. Both Crowell Weedon & Co. and L.H. Friend & Co. are investment brokerage firms located in Southern California. In addition, Mr. Frykman was a Senior Account Executive with Shearson Lehman Hutton, where he served as the Manager of the Los Angeles Regional Retail Office of E. F. Hutton & Co. Mr. Frykman is also a director of Acacia Research Corporation, a publicly-held corporation based in Newport Beach, California. We believe Mr. Frykman s qualifications to serve on the Board include his long tenure as a member of the Board, which has enabled Mr. Frykman to gain a deep understanding of the company s operations, strategy and finances. Mr. Frykman has over 20 years of Audit Committee leadership in his roles of Audit Committee Chairman at both Acacia and Arrowhead and an extensive knowledge and experience in financial statement analysis gained in his career in finance and management.

Dr. Douglass Given has been a director of the Company since November 2010. Dr. Given is the founder and managing partner of G5 Partners LLC and Director and Chief Executive Officer of Health 2047, Inc., a San Francisco, California based health information start up. He joined Bay City Capital, LLC in 2000, served as a General Partner and Investment Partner from 2004-2014 and participated in more than 50 investments. He has co-founded 14 startup companies. He formerly held positions as Corporate Senior Vice President and Chief Technology Officer at Mallinckrodt, Vice President at Schering Plough, Vice President at Monsanto/GD Searle and Medical Advisor at Lilly. He has been a Director at 8 public and 8 private companies and is currently Chairman at Arrowhead, Vivaldi Biosciences Inc. and Medical eXellence Inc. He has held positions as CEO at Progenitor Inc, Mercator Genetics Inc, NeoRx Corp, VIA Pharmaceuticals Inc., and Vivaldi Biosciences Inc. Dr. Given has been a member of the University of Chicago Medical Center and Pritzker School of Medicine Visiting Committee since 1995 and served as its Chair from 2007-2013.

Additional University of Chicago activities include the Center for Global Health External Advisory Board and Investment Committee for the Innovation Fund. He is a member of the Johns Hopkins Bloomberg School of Public Health Advisory Board and its Development Committee and Innovation and Commercialization Committee. He is a member of the Harvard School of Public Health International Advisory Council and the Stanford Medicine Community Council. He received his MD & PhD from the University of Chicago and MBA from the Wharton School, University of Pennsylvania. Dr. Given was a Clinical and Research Fellow in Internal Medicine and Infectious Diseases at Massachusetts General Hospital and Harvard Medical School. We believe Dr. Given s qualifications to serve on the Board include his extensive experience as a physician scientist, in finance and business transactions, particularly investments in the life sciences industry, as well as directorship roles in biopharmaceutical companies. Dr. Given also has significant leadership roles, including CTO and Senior Vice President, at several large pharmaceutical companies. Dr. Douglass Given is a brother of Dr. Bruce Given, our chief operating officer.

Dr. Michael S. Perry has been a director of the Company since 2011. Dr. Perry is currently Senior Vice President and Chief Scientific Officer, Global Business Development and Licensing at Novartis Pharma. Prior to his appointment at Novartis, Dr. Perry was a Venture Partner with Bay City Capital LLP from 2005 until November 2012 and President and Chief Medical Officer of Poniard Pharmaceuticals from 2010 to November 2012. He also currently serves as a member of the board of directors of AmpliPhi Biosciences Corporation and Avita

Medical. He was Chief Development Officer at VIA Pharmaceuticals, Inc., a publicly held drug development company, from April 2005 until May 2009. Prior thereto, he served as Chairman and Chief Executive Officer of Extropy Pharmaceuticals, Inc., a privately held pediatric specialty pharmaceutical company, from June 2003 to April 2005. From 2002 to 2003, Dr. Perry served as President and Chief Executive Officer of Pharsight Corporation, a publicly held software and consulting services firm. From 2000 to 2002, Dr. Perry served as Global Head of Research and Development for Baxter BioScience. From 1997 to 2000, Dr. Perry was President and Chief Executive Officer of both SyStemix Inc. and Genetic Therapy Inc., two wholly owned subsidiaries of Novartis Corp. and from 1994 to 1997, he was Vice President of Regulatory Affairs for Novartis Pharma (previously Sandoz Pharmaceuticals). Prior to 1994, Dr. Perry held various management positions with Syntex Corporation, Schering-Plough Corporation and BioResearch Laboratories, Inc. Dr. Perry holds a Doctor of Veterinary Medicine, a Ph.D. in Biomedical Pharmacology and a B.Sc. in Physics from the University of Guelph, Ontario, Canada. He is a graduate of the International Management Program at Harvard Business School. We believe Dr. Perry s qualifications to serve on the board include his medical expertise and his extensive experience in preclinical and clinical drug development, including executive level leadership roles in several publicly held biotech companies.

Corporate Governance Policies and Practices

The following is a summary of our corporate governance policies and practices:

The positions of Chairman of the Board and Chief Executive Officer are separated, which allows our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and oversight of management. While our Bylaws do not require that our Chairman and Chief Executive Officer positions be separate, our Board believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

A majority of the members of the Board are independent directors, as defined by Nasdaq Marketplace Rules. The Board has determined that all of the Company s directors are independent, except Dr. Anzalone, due to his employment relationship with the Company, and Dr. Given, who is the brother of Bruce Given, the Company s Chief Operating Officer. Non-employee directors do not receive consulting or other fees from the Company, other than Board and Committee compensation.

The Board has appointed an independent Lead Director. The Lead Director is tasked with assuring that the Board committees and other relevant issues have independent leadership.

The Board has overall responsibility for the oversight of the Company s risk management process, which is designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance stockholder value. Risk management includes not only understanding company-specific risks and the steps management implements to manage those risks, but also what level of risk is acceptable and appropriate for the Company. Management is responsible for establishing our business strategy, identifying and assessing the related risks and implementing appropriate risk management practices. The Board regularly reviews our business strategy and management s assessment of the related risk, and discusses with management the appropriate level of risk for the Company.

All of the Company s employees, officers and directors are subject to the Company s Code of Business Conduct and Ethics Policy, which is available on the Company s website at www.arrowheadpharma.com. The ethics policy meets the requirements of Nasdaq Marketplace Rules, as well as the code of ethics requirements of the SEC.

The Audit, Compensation and Nomination Committees consist entirely of independent directors.

The independent directors meet separately in executive session on a regular basis to discuss matters relating to the Company and the Board, without members of the management team present.

The Board reviews at least annually the Company s business initiatives, capital projects and budget matters.

The Audit Committee reviews and approves all related-party transactions or, if the size and nature of the transaction warrants, a special committee of non-related Board members is formed to negotiate and approve the transaction.

Stockholder Communications with Directors

Stockholders who wish to communicate with the Board or any individual director can write to: Jane Davidson, Corporate Secretary, Arrowhead Pharmaceuticals, Inc., 225 South Lake Avenue, Suite 1050, Pasadena, CA 91101. Your letter should indicate that you are an Arrowhead stockholder. Depending on the subject matter, management will:

- Forward the communication to the director or directors to whom it is addressed;
- Forward the communication to the Chairman of the Board, if addressed to the board of directors; or
- If not addressed to any director or directors, attempt to handle the inquiry directly (for example, requests for information or stock-related matters).

Board Meetings and Committees

The Board held a total of eight meetings during the fiscal year ended September 30, 2016. The Board has three standing committees: an Audit Committee, a Compensation Committee and a Nomination Committee.

The functions of the Audit Committee are to select independent public accountants, to review the scope and results of the year-end audit with management and the independent auditors, to review the Company s accounting principles and its system of internal accounting controls, to review the Company s annual and quarterly reports before filing with the Securities and Exchange Commission and to review any related-party transactions. The Audit Committee met four times during fiscal 2016. The current members of the Audit Committee are Edward W. Frykman, Chairman, Mauro Ferrari and Michael S. Perry. The Board has determined that all members of the Audit Committee are independent directors under the Rules of the SEC and the listing standards of Nasdaq Marketplace Rules and are financially literate. The Board has determined that Mr. Frykman is an audit committee financial expert in accordance with the applicable regulations, based on his experience as noted above. The Audit Committee Charter is available on the Company s website at www.arrowheadpharma.com.

The functions of the Compensation Committee are to review the goals and achievements of the Company and the Chief Executive Officer for the prior year and approve the goals of the Company and the Chief Executive Officer for the next year, to review and approve salaries, bonuses and other benefits payable to the Company s executive officers and to administer the Company s 2004 Equity Incentive Plan and 2013 Incentive Plan. The Compensation Committee is specifically responsible for determining the compensation of the Chief Executive Officer and the other executive officers. The Compensation Committee reviews compensation recommendations made by the Chief Executive Officer for other senior executives of the Company at least annually; the Chief Executive Officer is not present during discussions or deliberations regarding his compensation. The Compensation Committee engaged a consultant to provide advice and guidance with regard to compensation for our named executive officers for fiscal 2016. The decision to engage the consultant was not made or recommended by management and the Committee has the sole discretion to engage or change the consultant. The Compensation Committee met three times during fiscal 2016. The current members of the Compensation Committee are Michael S. Perry, Chairman, Edward Frykman and Mauro Ferrari. The Board has determined that all members of the Compensation Committee are independent directors under the listing rules of Nasdaq Marketplace Rules. The Compensation Committee s charter is available on the Company s website at www.arrowheadpharma.com. The Committee has not delegated any of its responsibilities or authorities granted under its charter.

The Nomination Committee is responsible for proposing a slate of directors for election by the stockholders at each Annual Stockholders Meeting and for proposing candidates to fill any vacancies. The Nomination Committee met once during fiscal 2016. The current members of the Nomination Committee are Michael S. Perry, Chairman, Edward Frykman and Mauro Ferrari. The Nomination Committee s charter is available on the Company s website at www.arrowheadpharma.com. The Nomination Committee manages the process for evaluating current Board members at the time they are considered for re-nomination. After considering the appropriate skills and characteristics required on the Board, the current makeup of the Board, the results of the evaluations and the wishes of the Board members to be re-nominated, the Nomination Committee recommends to the Board whether those individuals should be re-nominated.

On at least an annual basis, the Nomination Committee reviews with the Board whether it believes the Board would benefit from adding new members and, if so, the appropriate skills and characteristics required for any new members. If the Board determines that a new member would be beneficial, the Nomination Committee solicits and receives recommendations for candidates and manages the process for evaluating candidates. All potential candidates, regardless of their source, are reviewed under the same process. The Nomination Committee (or its chairman) screens the available information about the potential candidate(s). Based on the results of the initial screening, interviews with viable candidates are scheduled with Nomination Committee members, other members of the Board and senior members of management. Upon completion of these interviews and other due diligence, the Nomination Committee may recommend to the Board the election or nomination of a candidate.

Candidates for independent Board member positions have historically been identified through recommendations from directors or others associated with the Company. Arrowhead stockholders may also recommend candidates by sending the candidate s name and resume to the Nomination Committee pursuant to the procedures, set forth above, for communication with the Board. As described above, our Bylaws also provide for separate notice procedures to recommend a person for nomination as a director to be considered by stockholders at a meeting, including requirements as to the timing, form and content of a stockholder s notice.

The Nomination Committee has no predefined minimum criteria for selecting Board nominees, although it believes that all directors should share qualities such as business experience at the corporate level, relevant non-competitive experience and strong communication and analytical skills. Independent directors must meet the criteria for independence set forth by Nasdaq and the SEC. In any given search, the Nomination Committee may also define particular characteristics for candidates to balance the overall skills and characteristics of the Board and the needs of the Company. During any search, the Nomination Committee reserves the right to modify its stated search criteria for exceptional candidates. While the Board does not have a policy with regard to consideration of diversity for selecting candidates, the Nomination Committee may consider diversity, including diversity with respect to experience, skill set, age, areas of expertise and professional background, as well as race, gender, national origin and any other criteria deemed appropriate by the Nomination Committee.

No incumbent director attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board held during fiscal 2016, and (ii) the total number of meetings held by all committees of the Board during fiscal 2016 on which such person served.

In addition, a majority (three) of the directors attended the 2016 Annual Meeting of Stockholders. It is the Company s policy to encourage, but not require, that all directors attend our annual stockholder meetings.

DIRECTOR COMPENSATION

Directors who are also employees of the Company receive no separate compensation from the Company for their service as members of the Board. The below table sets forth compensation levels or each of our outside directors for calendar 2016 and 2017.

Name & Position	**2017 Annual Fee (1)** (effective 1/1/17)	**2017 Stock Award (2)**	**2017 Grant Date Value**	**2016 Annual Fee (1)** (effective 1/1/16)	**2016 Stock Award (2)**	**2016 Grant Date Value**
Douglass Given Chairman	$ 78,750	80,000	$ 124,000	$ 75,000	35,000	$ 215,250
Michael S. Perry Lead Director	$ 68,250	80,000	$ 124,000	$ 65,000	30,000	$ 184,500
Edward W. Frykman Director	$ 52,500	50,000	$ 77,500	$ 50,000	25,000	$ 153,750
Mauro Ferrari Director	$ 50,000	50,000	$ 77,500	$ 50,000	8,517	$ 49,995

(1) The annual fee for service as a Company director for 2017 is $52,500. An additional fee of $26,250 is paid for the service of the Chairman and an additional $15,750 for the service of the lead director. The annual fee for 2016 was $50,000 for each director with an additional

$25,000 and $15,000 for the Chairman and the lead director, respectively. Dr. Ferrari declined compensation for his service as a director until January 1, 2016 based on the policies of his employer, so the cash compensation shown represents payments for 3 quarters in fiscal 2016.

(2) For services in 2017, each non-employee director received a grant of 50,000 restricted stock units (**RSUs**). Two additional grants of 30,000 RSUs were awarded for the service of the Chairman and the lead director. RSU grants to non-employee directors vest on the one-year anniversary of the date of grant. In 2016, the grant for each director was 25,000 RSUs with an additional grant to the Chairman of 10,000 RSUs and to the lead director of 5,000 RSUs. In 2016, Dr. Ferrari was eligible to receive an RSU grant of up to 25,000 shares of common stock vesting on the one year anniversary of the date of grant. Dr. Ferrari s employer limited the amount of compensation he could accept in 2016 and several prior years. After approval by his employer, a stock award of 8,517 shares was granted in lieu of an RSU grant. In 2017, Dr. Ferrari and his employer negotiated an arrangement which allowed him to accept the director s RSU grant for 50,000 shares and to donate his cash compensation to his employer.

The following table sets forth the total compensation paid to our non-employee directors in fiscal 2016. Dr. Anzalone s compensation is set forth in the discussion of Executive Compensation and in the Summary Compensation Table.

Name	**Fee Earned or Paid in Cash ($)**	**Stock Awards ($) (1) (2)**	**Total ($)**
Douglass Given	$ 75,000	212,250	287,250
Michael S. Perry	$ 65,000	184,500	249,500
Edward W.Frykman	$ 50,000	153,750	203,750
Mauro Ferrari (3)	$ 37,500	49,995	87,495

(1) This column represents the total grant date fair value, computed in accordance with ASC 718, of restricted stock units granted during fiscal year 2016 for each director.

(2) RSUs to non-employee directors vest one year from date of grant, with the exception of Dr. Ferrari s grant. Dr. Ferrari s grant was adjusted to meet the policies of his employer, and the grant vested immediately. In 2016, Dr. Ferrari was eligible to receive an RSU grant of up to 25,000 shares of common stock vesting on the one year anniversary of the date of grant. Dr. Ferrari s employer limited the amount of compensation he could accept in 2016 and several prior years. After approval by his employer, a stock award of 8,517 shares was granted in lieu of an RSU grant.

(3) Dr. Ferrari declined compensation for his service as a director until January 1, 2016 based on the policies of his employer. The cash compensation shown represents payments for 3 quarters in fiscal 2016.

As of the last day of fiscal year 2016, the directors held the following outstanding stock option and restricted stock unit grants in the aggregate: Douglass Given 65,000 stock options and 35,000 restricted stock units; Michael S. Perry 77,000 stock options and 30,000 restricted stock units; Edward Frykman 76,500 stock options and 25,000 restricted stock units; and Mauro Ferrari 25,469 stock options.

Vote Required; Recommendation of the Board

The five nominees receiving the greatest numbers of votes at the meeting, assuming a quorum is present, will be elected to the five director positions to serve until their terms expire or until their successors have been duly elected and qualified. Because directors are elected by plurality, abstentions from voting and broker non-votes will be entirely excluded from the vote and will have no effect on its outcome.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE NOMINEES

FOR DIRECTOR IN PROPOSAL ONE.

PROPOSAL TWO

ADVISORY VOTE ON EXECUTIVE COMPENSATION

The compensation paid to our Named Executive Officers (**NEOs**) is described below in the Compensation Discussion and Analysis on pages 9 through 23 of this proxy statement for the year ended September 30, 2016. The Board of Directors is asking stockholders to cast a non-binding, advisory vote FOR the following resolution:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, as set forth in the compensation tables and narrative discussion, is hereby APPROVED.

Although the vote we are asking you to cast is non-binding, the Compensation Committee and the Board value the views of our stockholders and will consider the outcome of the vote when determining future compensation arrangements for our named executive officers.

The Board has adopted a policy providing for annual advisory votes on executive compensation. Unless the Board modifies its policy on the frequency of holding advisory votes on executive compensation, the next such advisory vote will occur in 2018.

Vote Required; Recommendation of the Board

Proposal Two must be approved by the Required Vote, assuming a quorum is present. For this purpose, abstentions will be counted as a vote against the proposal, while broker non-votes will have no effect on the outcome of the vote.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL TWO.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The following compensation discussion and analysis contains statements regarding future individual and Company performance targets and goals. These targets and goals are disclosed in the limited context of Arrowhead s compensation programs and should not be understood to be statements of management s expectations or guidance. Arrowhead cautions investors not to apply these statements to other contexts.

Our Compensation Committee reviews and approves our executive compensation philosophy, objectives and methods, evaluates our performance and the performance of our executive officers, and approves executive compensation. The members of our Compensation Committee are appointed by our Board, and each member is an independent director (as independence is currently defined in Rule 5605(a)(2) of the Nasdaq listing standards). The members of our Compensation Committee are Michael S. Perry (Chairman), Mauro Ferrari and Edward Frykman.

This Compensation Discussion and Analysis explains our compensation philosophy, policies and practices for the following executives, who are referred to in this Compensation Discussion and Analysis and in the subsequent tables as our Named Executive Officers or NEOs :

- Christopher Anzalone, President and Chief Executive Officer;
- Bruce Given, Chief Operating Officer;
- Kenneth Myszkowski, Chief Financial Officer;

Patrick O Brien, General Counsel

David Lewis, Chief Scientific Officer

We provide a summary of our recent business achievements, a description of our executive compensation program, a description of the overall objectives of the program and an analysis of each component of compensation that we provide to our named executive officers. In addition, we explain how and why the Compensation Committee arrived at the specific compensation policies and decisions involving the named executive officers during and for 2016. We describe measures that the Compensation Committee has taken in response to feedback we received from stockholders and prior years stockholder advisory vote on our executive compensation program (the Say-on-Pay Vote).

Summary

Company Performance

In 2016, Arrowhead made broad progress toward our strategic objectives. Most notably, the Company entered into two license and collaboration agreements with Amgen, Inc., a leading biopharma company, to develop and commercialize two RNAi therapeutics for cardiovascular targets, including our preclinical program ARO-LPA and a novel therapeutic for an undisclosed target identified by Amgen. The agreements provide for $56.5 million of upfront cash payments as well as option payments, milestone payments and royalties on sales of products of up to $617 million. Aside from the immediate and future financial impact, this collaboration with a large biopharma partner provides validation for the Company s technology in several key ways: validation of our strategic positioning as a platform company, validation of the science underpinning our technology platform, validation of our RNAi delivery capabilities including subcutaneous administration, and validation of our ARO-LPA program. Additionally, the collaboration provides both therapeutics with access to the development and commercialization capabilities of a large biopharma company while limiting the financial investment by the Company.

Arrowhead made good progress on its preclinical programs, including adding subcutaneously delivered candidates for hepatitis B (ARO-HBV) and alpha-1 antitrypsin deficiency (ARO-AAT) to its preclinical pipeline. In addition, promising data from our preclinical programs showing delivery and knockdown of our oncology and cardiovascular drug candidates was presented at several scientific conferences.

Through the fiscal year, the Company continued to progress its clinical program, initiating a Phase 2b multi-dose study for ARC-520 (hepatitis B), a Phase 1/2 study for ARC-521 (follow-on for hepatitis B) and a Phase 2b study for ARC-AAT (alpha-1 antitrypsin deficiency). Although the Company s intravenously administered programs were terminated in November 2016, these studies provided important safety and knockdown data in human subjects that will inform the Company s follow-on subcutaneously administered programs for hepatitis B, alpha-1 antitrypsin deficiency and our other programs. Following the termination of the clinical programs, the Company reduced its workforce by approximately 30%, while maintaining resources necessary to support current and potential future partner-based programs and Arrowhead s internal candidates. Based on the streamlined cost structure and cash secured from the Amgen transaction and another financing transaction in 2016, the Company has a cash runway expected to extend to fiscal 2019.

Executive Compensation Program and 2016 Actions

Our executive compensation program consists primarily of the following forms of compensation:

Base Salary:
A base level of compensation is set appropriate to each executive s scope of responsibility and level of experience. Base salary is targeted to market-based levels to allow the Company to attract and retain top talent. In 2016, base salary for each executive was increased by 4-6% which was consistent with prior year increases and reflects the Compensation Committee s decision to provide a modest increase for each executive in recognition of continuing service.

Annual Incentive Compensation:
Each named executive officer is eligible to be considered for an annual cash incentive compensation award based on Company and individual performance. Target awards are set based on each executive s role in the Company. At higher levels of control and accountability for the Company s overall performance, a higher percentage of each named executive officer s total cash compensation (base salary plus annual cash incentive compensation) is comprised of performance-based cash incentive compensation. For 2016, target awards ranged from 35-100%, which was consistent with prior years.

The CEO s bonus was paid out at only 75% of target because, while not under the CEO s control, circumstances arose that led to the Company s termination of its intravenously administered programs in November 2016. Bonuses were paid out at or near target for other named executives reflecting the Company s and each individual s achievement of the results described in more detail below.

Equity Compensation:

Consistent with the Company s stage of development and to align compensation with long term performance, overall executive compensation is weighted toward equity compensation. Each executive officer is eligible to be considered for an equity award, generally annually, and the Company has historically granted a mix of stock options and restricted stock units. In 2016, the large majority of equity awards granted to the Company s CEO are eligible to vest based on the achievement of rigorous performance milestones, some of which were met in 2016. The Company is a standout among its peer group in awarding performance-based grants to its CEO. Only a small number of its peers use performance based equity awards for its CEO and the proportion of performance vs. time-based award is minor. Amounts relating to equity awards granted to other NEOs in fiscal 2016, which appear in the Summary Compensation Table below, reflect awards made early in 2016 in recognition of 2015 performance.

The Compensation Committee contends that entering into revenue-generating licenses and collaboration arrangements with partners, progress with respect to the Company s clinical and preclinical development programs, and maintaining an appropriate cash position to support our continued development, are the most important factors in building stockholder value, and this focus is reflected in the performance metrics and milestones which are at the core of our executive compensation program. Long-term stockholder value will ultimately depend on successfully bringing the products we develop to market, or partnering them with collaborators to bring them to market, and the Compensation Committee strives to incentivize our senior management to create that value through a robust and attractive pipeline of drug candidates. The Committee closely tracks the progress against these objectives to monitor our success as a company over that development period and evaluates executive management primarily on that progress.

Response to 2016 Say-on-Pay Vote

We held an advisory stockholder vote on executive compensation at our annual stockholder meeting in March 2016. Our stockholders approved, on an advisory basis, our say-on-pay proposal, with approximately 53% of stockholders voting on such matter voting in favor of the proposal. This is in line with the 2015 vote, when stockholders approved that year s say-on-pay vote with 58% of those casting votes. While we received an overall positive vote in 2016, the Compensation Committee is committed to being responsive to stockholder feedback regarding executive compensation, including concerns expressed through the say-on-pay vote on executive compensation.

In addition to holding an annual advisory vote on executive compensation, we are committed to ongoing engagement with our stockholders on executive compensation and corporate governance issues. The Compensation Committee directed Arrowhead s management to maintain our efforts to obtain feedback from stockholders. Our Compensation Committee s goal in soliciting feedback was to (1) better understand stockholders views on executive compensation, and (2) based on that understanding, better communicate the rationale behind the decisions of the Compensation Committee. Although Arrowhead s stockholder base currently consists primarily of individual investors, we were able to identify and solicit feedback from individual and institutional holders of approximately 21 million shares or 28% of our outstanding stock. The Company also solicited feedback from a prominent investor advisory firm in order to further understand proxy advisory firm policies and how they relate to the perspectives held by our stockholders. Only a small number of stockholders chose to provide customized feedback to us. The collected feedback included a desire to understand how executive compensation aligns with corporate performance. Based on this feedback and a review of current peer practices in executive compensation, and in response to concerns expressed through the 2016 say-on-pay vote, for 2016 equity grants, the Compensation Committee continued its practices first implemented in 2015 of granting a majority of equity awards to the Company s CEO that only vest, if at all, based on the achievement of pre-established performance criteria, requiring a minimum of three-year vesting for full value equity awards to our other named executive officers and requiring compliance with stock ownership guidelines for the CEO, COO, and CFO.

The Company s 2013 Incentive Plan provides for recovery of awards made under the plan in accordance with any applicable Company claw back or recoupment policy, including as required by law, regulation, or exchange rule. The Compensation Committee plans to institute a compensation recovery (claw back) policy when and to the extent required by final rules regarding such policies are adopted by Nasdaq as mandated by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. These rules were not finalized as expected in 2016 and the Committee is expecting to adopt such a policy when the rules are finalized. It is anticipated that any such policy would require the Company to seek recovery of certain incentive compensation paid to executive officers in the event the Company was required to prepare an accounting restatement to correct a material error.

As equity compensation comprises the majority of our CEO s compensation, and is expected to comprise the majority of his compensation going forward, and instituting performance awards was the key measure taken to address the stockholder concerns expressed in our 2015 and 2016 Say on Pay Votes, we describe below in detail the equity awards made to the CEO in 2016 and 2015, as well as the rationale behind the grant of a time based award to the CEO in 2016.

Equity Awards to the CEO in 2017

At the time of filing, an equity award to the CEO in 2017 has not been finalized, however, the Compensation Committee expects that the award will be 100% performance based with vesting criteria dependent upon achieving rigorous milestones related to the Company s technical, clinical and corporate goals.

Equity Awards to the CEO in 2016

In January 2016, the CEO received a performance-based restricted stock award. The award vests only upon the achievement of rigorous performance milestones which align with the Company s primary business objective of developing and marketing RNAi-based drugs using our proprietary delivery platform and, which, if achieved, are designed to result in substantial value creation for shareholders. At the time of the grant, the Compensation Committee determined that, while these vesting milestones were achievable in the timeframes set forth, they additionally require robust leadership, substantial skill and sustained effort on the part of the CEO. The achievement of these milestones is dependent on a number of factors, primarily the continued successful technical and clinical development of the Company s drug products and/or follow-on candidates, successful business development, and the procurement of sufficient financial resources. The vesting of the award is split equally among each milestone set forth below and, to date, only one of the three milestones was met with the vesting of that portion certified by the Compensation Committee in December 2016:

Enter into a partnership to develop a novel therapeutic with a pharmaceutical or biotech company by January 1, 2019	Vested December 2016
The Company believes that our proprietary delivery platform has application beyond our current development capabilities. One way the Company envisions extending the platform is by partnering with third parties to co-develop new RNAi-based drugs against novel targets. The Committee believes that for biotech companies like Arrowhead, partnerships are an important validating indicator of the credibility of our platform technology and associated products as well as a potential source of revenue to further support our growth. As such, it is expected that the achievement of such a partnership would be a value creating event for stockholders.	The Company entered into a collaboration and license agreement with Amgen, Inc. to develop a novel therapeutic based on a target identified by Amgen. The collaboration included a significant upfront cash payment, as well as milestones and royalties as development progresses.
Achieve a $1 billion market capitalization and maintain that level over two quarters by January 1, 2019	Not vested
During 2015, the Company s market capitalization ranged between $259 million and $557 million and as of January 27, 2017 was $133 million. In order for this tranche of equity to vest, the Company s market capitalization would need to	

more thanbottom">

Bill Gerber: They have been. As you recall, we switched to the notional basis last July 1. But the vast majority of the of the funds are currently invested in the Canadian mortgage-backs, yes.

Brian Bedell: Right, OK. And then just the reason for the the average commission drop in the outlook statement, just from you know when you did this last October versus now. Is it really just a different assumption on the level of options in the mix or are there more assumptions of (free trades) based in the new numbers.

Bill Gerber: It s actually the impact of what happened in the December quarter, when you blend it into the original outside is what drives it down. So the last nine months we are continuing at the same commission rate that we had in the October outlook to this outlook. The last nine months is identical. It s just the effect that this quarter had $12.76. And when you blend that in for the entire year, that s what gets you to the 12.92 to 13.30.

Brian Bedell: Great. And then so no structural change in what you re thinking about for free trades going forward.

Bill Gerber: No.

Brian Bedell: OK, great. And then just on the momentum of the darts of the 310 January to date. Is that improving as we re getting into January or is that you know stronger in the beginning part of January?

Bill Gerber: I mean that s as with any January, it s a little bumpy as you start the year. So it s very hard to draw many conclusions. Obviously the first couple of days of the year were slow, but since then we ve seen some decent trading levels.

Brian Bedell: And I would expect new account funding from the very good organic growth that you had in December to be kicking in over the next 30 to 60 days. Is that a fair statement?

Bill Gerber: That s a fair statement.

Brian Bedell: OK, great and just one last question. Just on the auction rate securities, can you just update us on sort of the conversations that you re having you know with the regulators on that and what level of auction rate securities your clients have been holding.

Bill Gerber: OK. And currently our clients have about excuse me 700 million in auction rate securities. We ve actually seen this is an area where we are seeing some liquidity come to the market. There has been redemptions you know almost 400 million since really post Christmas. And so we re pleased to see about that. We are cooperating with regulators in the discussions and although there s no finalization yet as to ultimately what the result will be.

Brian Bedell: OK. So kind of worst case scenario, you d have to sort of buy back the 700 million, you d hold it on your balance sheet until it matured I guess. But you d have that use of case I guess temporarily.

Bill Gerber: That would be the worst case, I agree.

Brian Bedell: Great. Great. Thanks so much.

Male: OK, Brian.

Male: Thanks, Brian.

Operator: And our final question comes from Joel Jeffrey of KBW. Please go ahead, sir.

Joel Jeffrey: Good morning, guys.

Male: Hi, Joel.

Bill Gerber: Hi, Joel.

Joel Jeffrey: Can you just give the percentage of the darts that came from options trades in the quarter?

Bill Gerber: It was 9-1/2%.

Joel Jeffrey: OK, great and then just lastly. In terms of the MMDA program, what was the rate that the Canadian MBS portfolio was paying?

Bill Gerber: I m going to be I m going to have to give you an estimate here. But I believe it s about 4-1/2%-ish. I can we can clarify that with you after the call. But it s about 4-1/2%.

Joel Jeffrey: And has that come down or has that been relatively calm?

Bill Gerber: Well, that piece of it has stayed flat during you know because we bought it and then it just we re (hoping) coupons here. So ...

Joel Jeffrey: OK. Great, thanks so much.

Bill Gerber: OK, Joel.

Operator: And this concludes the question and answer session today. At this time, I ll turn the conference back over to Mr. Fred Tomczyk.

Fred Tomczyk: OK. Thank you, everyone, for joining us on the call today. We re obviously very happy with our start to the year. We re right on consensus. We re quite happy with our organic growth in the market. But as we ve said you know we ve got some headwinds here that we re facing. We re certainly not immune to them like all of our peers and competitors, but management is putting in place a number of mitigating strategies. But we ll continue to stay focused on growing our business and getting to the other side of the cycle.

Thank you.

Operator: This concludes today s conference. I d like to thank you for your participation. You may now disconnect your lines.

END

Additional Information About this Transaction

In connection with the proposed merger, TD AMERITRADE Holding Corporation (TD AMERITRADE) will file with the Securities and Exchange Commission (the SEC) a Registration Statement on Form S-4 that will include a proxy statement of thinkorswim Group Inc. (THINKORSWIM) that also constitutes a prospectus of TD AMERITRADE. THINKORSWIM will mail the proxy statement/prospectus to its stockholders. TD AMERITRADE and THINKORSWIM urge investors and security holders to read the proxy statement/prospectus regarding the proposed merger when it becomes available because it will contain important information. You may obtain a free copy of the proxy statement/prospectus (when available) and other related documents filed by THINKORSWIM and TD AMERITRADE with the SEC at the SEC s website at www.sec.gov. The proxy statement/prospectus (when it is available) and the other documents may also be obtained for free by accessing THINKORSWIM s website at www.thinkorswim.com by clicking on the link for Investors , then clicking on the link for Financial Reports and then clicking on the link for SEC Filings or by accessing TD AMERITRADE s website at www.tdameritrade.com and clicking on the Investor Relations link and then clicking on the link for SEC Filings .

Participants in this Transaction

THINKORSWIM, TD AMERITRADE and their respective directors, executive officers and certain other members of management and employees may be soliciting proxies from THINKORSWIM stockholders in favor of the merger. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of THINKORSWIM stockholders in connection with the proposed merger will be set forth in the proxy statement/prospectus when it is filed with the SEC. You can find information about THINKORSWIM s executive officers and directors in THINKORSWIM s definitive proxy statement filed with the SEC on April 29, 2008. You can find information about TD AMERITRADE s executive officers and directors in their definitive proxy statement filed with the SEC on Jan. 6, 2009. You can obtain free copies of these documents from THINKORSWIM or TD AMERITRADE using the contact information above.

Forward-Looking Statements

Information set forth in this message contains forward-looking statements, which involve a number of risks and uncertainties. THINKORSWIM and TD AMERITRADE caution readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. All such forward-looking statements include, but are not limited to, statements about the benefits of the business combination transaction involving THINKORSWIM and TD AMERITRADE, including future financial and operating results, the new company s plans, objectives, expectations and intentions and other statements that are not historical facts.

The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the ability to obtain regulatory approvals of the transaction on the proposed terms and schedule; the failure of THINKORSWIM stockholders to approve the transaction; the risk that the businesses will not be integrated successfully; the risk that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; competition and its effect on pricing, spending, third-party relationships and revenues. Additional factors that may affect future results are contained in THINKORSWIM s and TD AMERITRADE s filings with the SEC, which are available at the SEC s web site http://www.sec.gov. THINKORSWIM and TD AMERITRADE disclaim any obligation to update and revise statements contained in these materials based on new information or otherwise.