

ARROWHEAD RESEARCH CORP
Form DEF 14A
January 19, 2016

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 RESEARCH CORPORATION

(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.

Edgar Filing: ARROWHEAD RESEARCH CORP - Form DEF 14A

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 RESEARCH CORPORATION

225 SOUTH LAKE AVENUE, SUITE 1050

PASADENA, CALIFORNIA 91101

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON TUESDAY MARCH 8, 2016

TO THE STOCKHOLDERS OF ARROWHEAD RESEARCH CORPORATION:

NOTICE IS HEREBY GIVEN that the 2016 Annual Meeting of Stockholders of Arrowhead Research Corporation, a Delaware corporation (the **Company**), will be held on Tuesday, March 8, 2016, 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, 2016;

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.

Only stockholders of record at the close of business on January 11, 2016 are entitled to notice of and to vote at the Annual Meeting.

All stockholders of record are cordially invited to attend the Annual Meeting in person. On January 22, 2016, we mailed our stockholders a Notice Regarding the Availability of Proxy Materials (the Notice of Internet Availability) containing instructions on how to access our 2016 Proxy Statement and 2015 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 22, 2016

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 8, 2016

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

Notice of the 2016 Annual Meeting of Stockholders;

Company's 2016 Proxy Statement;

Company's Annual Report on Form 10-K for the year ended September 30, 2015; and

Form of Proxy Card

ARROWHEAD RESEARCH CORPORATION

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 8, 2016

GENERAL INFORMATION CONCERNING SOLICITATION AND VOTING

The enclosed Proxy is solicited on behalf of Arrowhead Research Corporation (the **Company** or **Arrowhead**) for use at the 2016 Annual Meeting of Stockholders (the **Annual Meeting**) to be held on Tuesday, March 8, 2016 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 January 22, 2016 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 voting stock at the close of business on January 11, 2016 (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 (i) 59,627,499 shares of common stock (**Common Stock**) and (ii) 15,652 shares of Series C Convertible Preferred Stock (the **Preferred Stock**). Holders of the Preferred Stock are entitled to vote with the holders of Common Stock on an as-converted basis, subject to the applicable limitations on their rights to convert the Preferred Stock into Common Stock. As of the Record Date, and without regard to conversion limits that may serve to reduce the number of shares eligible to vote at the annual meeting, the Preferred Stock was entitled to vote up to 2,670,990 equivalent shares of Common Stock. The Common Stock and that portion of the Preferred Stock that is entitled to vote at the Annual Meeting is sometimes referred to herein as the **Voting 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

Edgar Filing: ARROWHEAD RESEARCH CORP - Form DEF 14A

Each share of the Company's Voting 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 Voting 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 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 Voting 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**). 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 Voting 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 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 2017 Annual Meeting of Stockholders must ensure that the proposal is received by the Corporate Secretary at Arrowhead Research Corporation, 225 South Lake Avenue, Suite 1050, Pasadena, CA 91101, not later than September 21, 2016, in order to be considered for inclusion in our proxy materials for that meeting; provided, however, that if the Company's 2017 Annual Meeting of Stockholders is held before February 6, 2017 or after April 7, 2017, you must provide specified information to us a reasonable time before we begin to print and send our proxy statement for our 2017 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 2016 Annual Meeting; *provided, however*, that if the 2017 Annual Meeting date is advanced by more than 30 days before or delayed by more than 60 days after the anniversary date of the 2016 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 2017 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	46	Chief Executive Officer, President & Director
Mauro Ferrari*	56	Director
Edward W. Frykman*	79	Director
Douglass Given	63	Director and Chairman of the Board
Michael S. Perry*	56	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 was appointed to the Arrowhead Board of Directors in 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 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 eXcellence 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 joined Arrowhead's Board of Directors in December 2011. Dr. Perry is currently Chief Scientific Officer, Global Cell and Gene Therapy 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.arrowheadresearch.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 Research Corporation, 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 seven meetings during the fiscal year ended September 30, 2015. 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 2015. 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.arrowheadresearch.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 2015. 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 four times during fiscal 2015. 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.arrowheadresearch.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 2015. 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.arrowheadresearch.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 2015, and (ii) the total number of meetings held by all committees of the Board during fiscal 2015 on which such person served.

In addition, a majority (four) of the directors attended the 2015 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 for each of our outside directors for calendar 2015 and 2016.

Name & Position	2016 Annual Fee (1) (effective 1/1/16)	2016 Stock Award (2)	2015 Annual Fee (1) (effective 1/1/15)	2015 Stock Award (2)
Douglass Given	\$ 75,000	35,000	\$ 75,000	35,000
Chairman				
Michael S. Perry	\$ 65,000	30,000	\$ 65,000	30,000
Lead Director				
Edward Frykman	\$ 50,000	25,000	\$ 50,000	25,000
Director				
Mauro Ferrari (3)	N/A	N/A	N/A	N/A
Director				
Charles McKenney (4)	N/A	N/A	\$ 50,000	\$ 25,000
Director				

Edgar Filing: ARROWHEAD RESEARCH CORP - Form DEF 14A

- (1) The Annual Fee for service as a Company director is \$50,000. An additional fee of \$25,000 is paid for the service of the Chairman and an additional \$15,000 for the service of the lead director.

- (2) Each non-employee director received a grant of 25,000 restricted stock units (RSUs). An additional grant of 10,000 RSUs is awarded for the service of the Chairman and an additional grant of 5,000 RSUs is awarded for the service of the lead director. RSU grants to non-employee directors vest on the one year anniversary of the date of grant.
- (3) Based on the policies of his employer, Dr. Ferrari has historically declined to accept cash or equity compensation for his service.
- (4) Mr. McKenney passed away in August 2015.

The following table sets forth the total compensation paid to our non-employee directors in fiscal 2015. Dr. Anzalone s compensation is set forth in the discussion of Executive Compensation and in the Summary Compensation Table.

Name	Fee Earned or Stock		Total (\$)
	Paid in Cash (\$)(1)	Awards (\$) (2) (3)	
Douglass Given	\$ 103,750	\$ 262,850	\$ 366,600
Edward Frykman	\$ 48,750	\$ 187,750	\$ 236,500
Charles McKenney (4)	\$ 44,583	\$ 187,750	\$ 232,333
Michael S. Perry	\$ 60,000	\$ 225,300	\$ 285,300
Mauro Ferrari	\$	\$	\$

- (1) Dr. Given earned \$30,000 in additional fees for his service on a short term special committee on Corporate Development which service ended in December 2014.
- (2) This column represents the total grant date fair value, computed in accordance with ASC 718, of restricted stock units granted during fiscal year 2015, based on the number of RSUs granted multiplied by the grant date fair value of \$7.51, which is equal to the closing price of our Common Stock on the grant date.
- (3) RSUs to non-employee directors vest one year from date of grant.
- (4) Represents pro rata payment of director fees to Mr. McKenney until the date of his death in August 2015.

Since their service on the Board began, the directors have been issued the following stock option and restricted stock unit grants in the aggregate: Douglass Given 72,000 stock options and 55,000 restricted stock units, Edward Frykman 82,500 stock options and 40,000 restricted stock units, Charles McKenney 75,000 stock options and 40,000 restricted stock units, Michael S. Perry 77,000 stock options and 45,000 restricted stock units, and Mauro Ferrari 27,500 stock options and no restricted stock units.

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 NEO s is described below in the Compensation Discussion and Analysis on pages 10 through 24 of this proxy statement for the year ended September 30, 2015. 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. Stockholder advisory votes on executive compensation are held annually, and the next such vote after the 2016 Annual Meeting will be held at the Company's 2017 Annual Meeting of Stockholders.

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 2017.

Vote Required; Recommendation of the Board

Proposal No. 2 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 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 :

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 2015. There is disclosure of changes for 2015, which are in response to feedback we received from stockholders and the stockholder advisory vote on our executive compensation program (the Say-on-Pay Vote) conducted in March 2015, on our 2014 compensation.

Summary

Company Performance

In 2015, Arrowhead successfully achieved its primary objectives: the advancement of its clinical programs using RNAi-based therapeutics to treat hepatitis B and alpha 1 anti-trypsin deficiency (AATD), a rare genetic disease that causes serious liver and lung problems. During the year, the Company advanced its hepatitis B program to phase 2 clinical studies. Data from the Company's hepatitis B program showed that ARC-520, the Company's lead candidate for the treatment of chronic hepatitis B, achieved deep and consistent knockdown of target genes in humans in a phase 2a study. This data, along with studies in chimpanzees chronically infected with hepatitis B, broke new ground in the understanding of the disease and validated the ability of Company's DP^{CM} delivery platform to target and knockdown genes of interest.

The Company also initiated phase 1 studies for its AATD program. The study of ARC-AAT, the Company's lead candidate for the treatment of AATD, showed knockdown of the target gene in healthy volunteers and based on this result, the Company initiated studies in patients. In addition, the Company expanded its pipeline by adding three new development programs, made improvements to its delivery technology, and completed an acquisition of the RNAi business from Novartis Institutes for BioMedical Research, Inc. It is anticipated that this acquisition will provide expanded freedom to operate, proprietary technology that has the potential to enhance the activity of RNAi triggers, and license to additional RNAi targets.

Edgar Filing: ARROWHEAD RESEARCH CORP - Form DEF 14A

In summary, 2015 was a year in which the Company demonstrated robust and steady progress in its lead programs, added three promising new programs and completed an acquisition that enhances the capabilities of its core business.

Executive Compensation Program and 2015 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 2015, base salary for each executive was increased by 4% to 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 2015, target awards ranged from 35-100%, which was consistent with prior years, and bonuses were paid out at or near target for each named executive 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 2015, all equity awards granted to the Company's CEO are eligible to vest based on the achievement of rigorous performance milestones, none of which were met in 2015. Amounts relating to equity awards to other NEOs granted in fiscal 2015, which appear in the Summary Compensation Table below, reflect awards made early in 2015 in recognition of 2014 performance.

The Compensation Committee believes that progress with respect to the Company's development programs, including both clinical and non-clinical activities, 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 of each program and new programs within our pipeline to monitor our success as a company over that development period and evaluates executive management primarily on that progress.

Response to 2015 Say-on-Pay Vote Includes Changes to Compensation Practices, Including Performance-Based Equity Compensation

We held an advisory stockholder vote on executive compensation at our annual stockholder meeting in March 2015. Our stockholders approved, on an advisory basis, our say-on-pay proposal, with approximately 58% of stockholders voting on such matter voting in favor of the proposal. This is in contrast with the 2014 vote, when stockholders approved that year's Say on Pay vote with 88% of those casting votes. While we received an overall positive vote in 2015, the Compensation Committee is committed to being responsive to stockholder concerns 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 increase 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, (2) be responsive to stockholders' views evident in the 2015 say-on-pay vote, and (3) understand if changes to our compensation programs addressed concerns expressed by stockholders. We solicited feedback from institutional holders of approximately 15 million shares or 25% of our outstanding stock. The Company also engaged a prominent investor advisory firm in order to further understand proxy advisor firm policies and how they relate to the perspectives held by our stockholders. The collected feedback included a desire to see closer alignment of executive compensation with corporate performance. Based on this feedback and a review of current peer practices in executive compensation, the Compensation Committee instituted performance-based vesting for equity awards made to the Company's CEO in 2015, minimum three-year vesting requirements for other equity awards to our named executive officers and ownership guidelines for the CEO, COO, and CFO.

More specifically, in 2015, the Compensation Committee implemented the following measures:

Based vesting of 2015 equity awards to the CEO on rigorous performance milestones;

Established a minimum vesting period of three years for all time-based RSU grants to named executive officers; and

Established ownership guidelines of six times annual salary for the CEO and two times annual salary for the COO and CFO. These policies continue in 2016. For 2016, the majority of the equity awards granted to the CEO included only performance-based vesting.

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 (clawback) 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. It is currently expected that these rules will be finalized in 2016 and that the Committee will therefore adopt such a policy in 2016. 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 a substantial part of the compensation for our CEO, and is expected to comprise a substantial part going forward, and instituting performance awards was a key measure taken to address the stockholder concerns expressed in our 2015 Say on Pay Vote, we highlight below the details of the equity awards made to the CEO in 2016, 2015 and 2014 as well as the rationale behind the grant of time based awards to the CEO in 2016 and 2014.

Equity Awards to the CEO in 2016

In January 2016, the CEO received a performance 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. The Compensation Committee has determined while these milestones are achievable in the timeframes set forth, they will require substantial leadership, skill and 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. To date, none of the milestones have been met. The vesting of the award is split equally between each of the following milestones:

Enter into a partnership to develop a novel therapeutic with a pharmaceutical or biotech company by January 1, 2019

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 using our DPC™ platform against novel targets. The Committee believes that for biotech companies like Arrowhead, partnerships are an

important validating indicator of the credibility of 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.

Achieve a \$1 billion market capitalization and maintain that level over two quarters by January 1, 2019

During 2015, the Company's market capitalization ranged between \$259 million and \$557 million and as of January 11, 2016 was \$301 million. In order for this tranche of equity to vest, the Company's market capitalization would need to more than triple. The Committee understands that an increase in market capitalization is the primary metric of interest to stockholders and the most direct indicator of increase in Company value.

File an IND or equivalent for an extra-hepatic target by January 1, 2019

Except for ARC-HIF2, all of the Company's pipeline drugs are targeted to liver cells. A key strategic objective for the Company is to extend the utility of the DPC