UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

_____, Individually and on Behalf of All Others Similarly Situated, Plaintiff, vs. ARROWHEAD PHARMACEUTICALS, INC., CHRISTOPHER R. ANZALONE, and KENNETH A. MYSZKOWSKI, Defendants	Case No. _____ **CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS** JURY TRIAL DEMANDED

Plaintiff _____ ("Plaintiff"), individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against the Defendants named herein, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of the Defendants' public documents, conference

calls and announcements made by Defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Arrowhead Pharmaceuticals, Inc. ("Arrowhead" or the "Company"), analysts' reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons other than Defendants who purchased or otherwise acquired common shares of Arrowhead between May 11, 2015 and November 8, 2016, both dates inclusive (the "Class Period"). Plaintiff seeks to recover compensable damages caused by Defendants' violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder.

2. Arrowhead, a biopharmaceutical company, develops novel drugs to treat intractable diseases in the United States. Among the Company's products under development at all relevant times was ARC-520, an RNAi-based therapeutic in Phase IIb clinical efficacy studies to treat chronic hepatitis B virus infection.

3. The Company was formerly known as Arrowhead Research Corporation and changed its name to Arrowhead Pharmaceuticals, Inc. in April 2016. Arrowhead was

incorporated in 1989 and is headquartered in Pasadena, California. Arrowhead's common stock trades on the NASDAQ Global Select Market ("NASDAQ") under the ticker symbol "ARWR."

4. Throughout the Class Period, Defendants made materially false and misleading statements regarding the Company's business, operational and compliance policies. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) ARC-520 was fatal at certain doses; (ii) consequently, the U.S. Food & Drug Administration ("FDA") was unlikely to approve ARC-520 as a hepatitis B treatment; (iii) Arrowhead had overstated the approval prospects and commercial viability of ARC-520; and (iv) as a result, Arrowhead's public statements were materially false and misleading at all relevant times.

5. On November 8, 2016, post-market, Arrowhead issued a press release announcing that the FDA would be placing a clinical hold on the Company's Heparc-2004 clinical study of ARC-520, likely due to deaths at the highest dose of an ongoing non-human primate toxicology study.

6. On this news, Arrowhead's share price fell $1.91, or 31.26%, to close at $4.20 on November 9, 2016.

7. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's common shares, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

8. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

9. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §1331 and §27 of the Exchange Act.

10. Venue is proper in this District pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as a significant portion of the Defendants' actions, and the subsequent damages, took place within this District.

11. In connection with the acts, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

12. Plaintiff, as set forth in the accompanying Certification, purchased common shares of Arrowhead at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosure.

13. Defendant Arrowhead Pharmaceuticals, Inc. is incorporated in Delaware, and the Company's principal executive offices are located at 225 South Lake Avenue,

Suite 1050, Pasadena, California 91101. Arrowhead's common stock trades on the NASDAQ under the ticker symbol "ARWR."

14. Defendant Christopher R. Anzalone has served at all relevant times as the Company's Chief Executive Officer, President, and Director.

15. Defendant Kenneth A. Myszkowski has served at all relevant times as the Company's Chief Financial Officer.

16. The Defendants referenced above in ¶¶ 14-15 are sometimes referred to herein as the "Individual Defendants."

SUBSTANTIVE ALLEGATIONS

Background

17. Arrowhead, a biopharmaceutical company, develops novel drugs to treat intractable diseases in the United States. Among the Company's products under development at all relevant times was ARC-520, an RNAi-based therapeutic in Phase IIb clinical efficacy studies to treat chronic hepatitis B virus infection.

18. The Company was formerly known as Arrowhead Research Corporation and changed its name to Arrowhead Pharmaceuticals, Inc. in April 2016. Arrowhead was incorporated in 1989 and is headquartered in Pasadena, California.

Materially False and Misleading Statements Issued During the Class Period

19. The Class Period begins on May 11, 2015, when Arrowhead issued a press release and filed a Current Report on Form 8-K with the SEC, announcing certain of the

Company's financial and operating results for the fiscal quarter ended March 31, 2015 (the "Q2 2015 8-K"). For the quarter, Arrowhead reported a net loss of $28.68 million, or $0.51 per diluted share, on revenue of $0.04 million, compared to a net loss of $13.94 million, or $0.31 per diluted share, on revenue of $0.04 million for the same period in the prior year.

20. In the Q2 2015 8-K, Arrowhead stated, in part:

Fiscal 2015 Second Quarter and Recent Company Highlights

*** * ***

- Gained clearance from the U.S. Food and Drug and Administration to begin the Heparc-2004 multi-dose Phase 2b study of ARC-520

21. On May 11, 2015, Arrowhead also filed a Quarterly Report on Form 10-Q with the SEC, reiterating the financial and operating results previously announced in the Q2 2015 8-K and reporting in full the Company's financial and operating results for the quarter ended March 31, 2015 (the "Q2 2015 10-Q").

22. The Q2 2015 10-Q stated, in part:

Overview

Arrowhead Research develops novel drugs to treat intractable diseases by silencing the genes that cause them. Using the broadest portfolio of RNA chemistries and efficient modes of delivery, Arrowhead therapies trigger the RNA interference mechanism to induce rapid, deep and durable knockdown of target genes. Arrowhead's most advanced drug candidate in clinical development is ARC-520, which is designed to treat chronic hepatitis B infection by inhibiting the production of all HBV gene products. The goal is to reverse the immune suppression that prevents the body from controlling the virus and clearing the disease. Arrowhead's second clinical candidate is

ARC-AAT, a treatment for a rare liver disease associated with a genetic disorder that causes alpha-1 antitrypsin deficiency.

Arrowhead operates a lab facility in Madison, Wisconsin, where the Company's research and development activities, including the development of its RNAi therapeutics, are based. The Company's principal executive offices are located in Pasadena, California.

During the first half of fiscal year 2015, the Company continued to develop its lead clinical candidate, ARC-520, for the treatment of chronic hepatitis B as well as its second clinical candidate, ARC-AAT, an RNAi therapeutic designed to treat liver disease associated with Alpha-1 antitrypsin deficiency (AATD). ***The Company continues its Phase 2a studies in ARC-520, with no dose-limiting toxicities or serious adverse events having been observed to date.*** The Company submitted an Investigational New Drug application to the U.S. Food and Drug Administration in December 2014 for ARC-520 to initiate phase 2b multi-dose studies to determine the depth of hepatitis B surface antigen (HBsAg) reduction following ARC-520 injection. The Company received feedback from the FDA, and based on that feedback the Company adjusted the protocol in order to begin the trial. In April 2015, the application was approved by the FDA. The Company also expects to file with Asian and European agencies to begin additional phase 2b studies in fiscal year 2015. Additionally, the Company has initiated dosing in a phase 1 clinical trial for ARC-AAT following successful completion of the Clinical Trial Notification (CTN) regulatory process in Australia.

(Emphasis added).

23. The Q2 2015 10-Q contained signed certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") by the Individual Defendants, stating that the financial information contained in the Q2 2015 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

24. On August 4, 2015, Arrowhead issued a press release and filed a Current Report on Form 8-K with the SEC, announcing certain of the Company's financial and

operating results for the fiscal quarter ended June 30, 2015 (the "Q3 2015 8-K"). For the quarter, Arrowhead reported a net loss of $15.94 million, or $0.27 per diluted share, on revenue of $0.12 million, compared to a net loss of $11.63 million, or $0.22 per diluted share, on revenue of $0.04 million for the same period in the prior year.

25. In the Q3 2015 8-K, Arrowhead stated, in part:

Fiscal 2015 Third Quarter and Recent Company Highlights

ARC-520

- Received regulatory permission to initiate three multiple-dose Phase 2b studies in the United States (Heparc-2004) and in Germany and Hong Kong (Heparc-2002 and 2003)
- Completed dosing of four cohorts in a single-dose Phase 2a study (Heparc-2001) and expanded the study to include three additional cohorts
- ***Completed dosing in a non-clinical study in chronically infected chimpanzees that spanned more than a year***
- ***Highlights of the Phase 2a and chimpanzee studies to be presented at an analyst day planned for September 24, 2015***

(Emphases added).

26. On August 4, 2015, Arrowhead also filed a Quarterly Report on Form 10-Q with the SEC, reiterating the financial and operating results previously announced in the Q3 2015 8-K and reporting in full the Company's financial and operating results for the quarter ended June 30, 2015 (the "Q3 2015 10-Q").

27. The Q3 2015 10-Q stated, in part:

Overview

Arrowhead Research develops novel drugs to treat intractable diseases by silencing the genes that cause them. Using the broadest portfolio of RNA chemistries and efficient modes of delivery, Arrowhead therapies trigger the RNA interference mechanism to induce rapid, deep and durable knockdown of target genes. Arrowhead's most advanced drug candidate in clinical development is ARC-520, which is designed to treat chronic hepatitis B infection by inhibiting the production of all HBV gene products. The goal is to reverse the immune suppression that prevents the body from controlling the virus and clearing the disease. Arrowhead's second clinical candidate is ARC-AAT, a treatment for a rare liver disease associated with a genetic disorder that causes alpha-1 antitrypsin deficiency.

Arrowhead operates a lab facility in Madison, Wisconsin, where the Company's research and development activities, including the development of its RNAi therapeutics, are based. The Company's principal executive offices are located in Pasadena, California.

During fiscal year 2015, the Company has continued to develop its lead clinical candidate, ARC-520, for the treatment of chronic hepatitis B as well as its second clinical candidate, ARC-AAT, an RNAi therapeutic designed to treat liver disease associated with Alpha-1 antitrypsin deficiency (AATD). ***The Company continues its Phase 2a studies in ARC-520, with no dose-limiting toxicities or serious adverse events having been observed to date.*** The Company submitted an Investigational New Drug application to the U.S. Food and Drug Administration in December 2014 for ARC-520 to initiate phase 2b multi-dose studies to determine the depth of hepatitis B surface antigen (HBsAg) reduction following ARC-520 injection. The Company received feedback from the FDA, and based on that feedback the Company adjusted the protocol in order to begin the trial. In April 2015, the application was approved by the FDA. In June 2015, the Company received regulatory clearance in Germany for two additional Phase 2b multiple-dose studies of ARC-520 to be conducted in parallel, and also expects to file with additional Asian and European agencies to begin additional phase 2b studies.

In May 2015, the Company completed protocol-required dosing of healthy volunteers in an on-going phase 1 study of ARC-AAT, and in July

> 2015, initiated dosing of patients in Part B of that same study. The study recently received regulatory clearance in the United Kingdom and New Zealand. In June 2015, ARC-AAT was granted orphan drug designation by the FDA.

(Emphasis added).

28. The Q3 2015 10-Q contained signed certifications pursuant to SOX by the Individual Defendants, stating that the financial information contained in the Q3 2015 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

29. On December 14, 2015, Arrowhead issued a press release and filed a Current Report on Form 8-K with the SEC, announcing certain of the Company's financial and operating results for the fiscal quarter and year ended September 30, 2015 (the "2015 8-K"). For the quarter, Arrowhead reported a net loss of $24.98 million, or $0.41 per diluted share, on revenue of $0.04 million, compared to a net loss of $22.43 million, or $0.40 per diluted share, on revenue of $0.04 million for the same period in the prior year. For 2015, Arrowhead reported a net loss of $91.94 million, or $1.60 per diluted share, on revenue of $0.38 million, compared to a net loss of $58.63 million, or $1.25 per diluted share, on revenue of $0.18 million for 2014.

30. The 2015 8-K stated, in part:

> **Fiscal 2015 Fourth Quarter and Recent Company Highlights**
>
> **ARC-520**

- Presented data at AASLD Liver Meeting 2014 showing statistically significant reduction in HBsAg through day 43 after a single injection ($p < 0.05$) in human clinical trials

- Submitted an Investigational New Drug (IND) application to the U.S. Food and Drug Administration and submitted additional clinical trial authorization applications with regulatory authorities in various jurisdictions in Europe, Asia, and Australia/New Zealand for ARC-520

- Initiated dosing in Heparc-2004, a multiple-dose Phase 2b clinical study of ARC-520 in the U.S.

- Initiated multiple-dose Heparc-2002 and Heparc-2003 Phase 2b studies of ARC-520 in Europe and Asia

- Hosted an analyst day to discuss top-line findings from the Heparc-2001 Phase 2a clinical study of ARC-520 and findings from a study of 9 chimpanzees that have been treated monthly with ARC-520 for between 6 and 11 months. Key messages included the following:

    - Arrowhead's proprietary DPC™ platform can effectively and consistently knock down target genes in humans

    - ARC-520 achieved significant HBV s-Antigen (HBsAg) reductions in humans, particularly in treatment naïve, HBeAg-positive patients

    - Arrowhead identified a large target HBV population for ARC-520 and described a new paradigm for the HBV lifecycle

    - ARC-520 induced deep HBsAg reduction in chronically HBV infected chimpanzees

    - ***ARC-520 was well tolerated, no serious or severe***

adverse events were reported in these studies

- Arrowhead expanded its HBV portfolio by nominating ARC-521, an additional clinical candidate that is complementary to ARC-520

- Presented data at the AASLD Liver Meeting 2015 including the following:

  - ***ARC-520 led to robust, sustained anti-viral effects in chimpanzees with chronic HBV***, and we also described an important new discovery that HBV DNA integrated into the host genome is likely an important source of HBV surface antigen (HBsAg) production

  - In a Phase 2a clinical study, ARC-520 effectively reduced HBV viral antigens derived from cccDNA. HBV surface antigen (HBsAg) was reduced substantially with a maximum reduction of 1.9 logs (99%) and a mean maximum reduction of 1.5 logs (96.8%) in treatment naïve e-antigen (HBeAg)-positive patients

  - Presented data at Hep DART 2015 showing that ARC-520 led to immune reactivation in 7 of 9 chimpanzees with chronic hepatitis B infection

(Emphases added).

31. On December 14, 2015, Arrowhead also filed an Annual Report on Form 10-K with the SEC, reiterating the financial and operating results previously announced in the 2015 8-K and reporting in full the Company's financial and operating results for the quarter and year ended September 30, 2015 (the "2015 10-K").

32. In the 2015 10-K, Arrowhead stated, in part:

Recent Events

Arrowhead made significant progress on product and platform development during fiscal year 2015 with an expanding pipeline of RNAi therapeutics based on the Dynamic Polyconjugate (DPC™) delivery system. The following are highlights of this progress:

- Hosted an analyst day to discuss top-line findings from the Heparc-2001 Phase 2a clinical study of ARC-520 and findings from a study of 9 chimpanzees that have been treated monthly with ARC-520 for between 6 and 11 months. Key messages included the following:
  - Arrowhead's proprietary DPC™ platform can effectively and consistently knock down target genes in humans
  - ARC-520 achieves significant HBV s-Antigen (HBsAg) reductions in humans, particularly in treatment naïve, HBeAg-positive patients
  - Arrowhead identifies a large target HBV population for ARC-520 and describes a new paradigm for the HBV lifecycle
  - ARC-520 induces deep HBsAg reduction in chronically HBV infected chimps
  - ***ARC-520 has been well tolerated***
  - Arrowhead expands its HBV portfolio by nominating an additional clinical candidate that is complementary to ARC-520

(Emphases added).

33. The 2015 10-K contained signed certifications pursuant to SOX by the Individual Defendants, stating that the financial information contained in the 2015 10-K

was accurate and disclosed any material changes to the Company's internal control over financial reporting.

34. On February 9, 2016, Arrowhead issued a press release and filed a Current Report on Form 8-K with the SEC, announcing certain of the Company's financial and operating results for the quarter ended December 31, 2015 (the "Q1 2016 8-K"). For the quarter, Arrowhead reported a net loss of $19.26 million, or $0.32 per diluted share, on revenue of $0.04 million, compared to a net loss of $22.58 million, or $0.41 per diluted share, on revenue of $0.17 million for the same period in the prior year.

35. In the Q1 2016 8-K, Arrowhead stated, in part:

> **About ARC-520**
>
> Arrowhead's RNAi-based candidate ARC-520 is being investigated in the treatment of chronic HBV infection. The small interfering RNAs (siRNAs) in ARC-520 intervene at the mRNA level, upstream of the reverse transcription process where current standard of care nucleotide and nucleoside analogues act. Arrowhead is investigating ARC-520 specifically to determine if it can be used to achieve a functional cure, which is an immune clearant state characterized by hepatitis B s-antigen negative serum with or without seroconversion. Approximately 350-400 million people worldwide are chronically infected with the hepatitis B virus, which can lead to cirrhosis of the liver and is responsible for 80% of primary liver cancers globally. Arrowhead is currently conducting Phase 2b multiple dose and combination studies in chronic HBV patients. ***In clinical studies to date, the most common reported adverse events in all subjects completing treatment were upper respiratory infection and headache.***

(Emphases added).

36. On February 9, 2016, Arrowhead also filed a Quarterly Report on Form 10-Q with the SEC, reiterating the financial and operating results previously announced

in the Q1 2016 8-K and reporting in full the Company's financial and operating results for the quarter ended December 31, 2015 (the "Q1 2016 10-Q").

37. The Q1 2016 10-Q stated, in part:

> ***Overview***
>
> During the first quarter of fiscal year 2016, the Company continued to develop its lead clinical candidate, ARC-520, for the treatment of chronic hepatitis B as well as its second clinical candidate, ARC-AAT, an RNAi therapeutic designed to treat liver disease associated with Alpha-1 antitrypsin deficiency (AATD). ***The Company continued its Phase 2 studies in ARC-520, with no dose-limiting toxicities or serious adverse events having been observed to date.*** In connection with its Phase 2a study, the Company reported data showing that ARC-520 effectively reduced HBV viral antigens derived from cccDNA. The data showed that HBV surface antigen (HBsAg) was reduced substantially with a maximum reduction of 1.9 logs (99%) and a mean maximum reduction of 1.5 logs (96.8%) in treatment naïve e-antigen (HBeAg)-positive patients. ***The Company also discussed data from an ARC-520 chimpanzee study showing that in chronically HBV-infected chimpanzees treated with ARC-520 in combination with nucleoside analogs, 7 of 9 (78%) exhibited signs of immune reactivation, which is likely a necessary step for achieving a functional cure of chronic HBV.*** The Company believes these data strongly support advancement of ARC-520 into Phase 2b and future clinical studies. In January 2016, the Company announced that it had dosed the first patient in its Phase 2b combination study for ARC-520 and is continuing to enroll patients at multiple centers in Australia and New Zealand. The Company submitted an Investigational New Drug application to the FDA which was approved in April 2015 and the Company also received regulatory clearance in Germany for two additional Phase 2b multiple-dose studies of ARC-520 to be conducted in parallel. The Company expects to file with additional Asian and European agencies to begin additional Phase 2b studies.

(Emphases added).

38. The Q1 2016 10-Q contained signed certifications pursuant to SOX by the Individual Defendants, stating that the financial information contained in the Q1 2016

10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

39. On May 10, 2016, Arrowhead issued a press release and filed a Current Report on Form 8-K with the SEC, announcing certain of the Company's financial and operating results for the quarter ended March 31, 2016 (the "Q2 2016 8-K"). For the quarter, Arrowhead reported a net loss of $20.82 million, or $0.35 per diluted share, on revenue of $0.04 million, compared to a net loss of $28.68 million, or $0.51 per diluted share, on revenue of $0.04 million for the same period in the prior year.

40. In the Q2 2016 8-K, Arrowhead stated, in part:

Fiscal 2016 Second Quarter and Recent Company Highlights

*** * ***

ARC-520

- Began dosing patients in three Phase 2b studies: the MONARCH study, 2007 long-term extension, and 2001 open-label extension
- Presented promising ARC-520 hepatitis B data at The International Liver Congress™ 2016, including the following key findings:
  - ARC-520 and entecavir produced rapid HBV DNA suppression with all hepatitis B e-antigen (HBeAg) positive, treatment naïve patients achieving serum HBV DNA reductions of up to 5.5 log (99.9997%), and all HBeAg negative, treatment naïve patients achieving reductions that put them below the limit of quantitation

- ARC-520 effectively inhibited HBV cccDNA-derived mRNA with observed viral protein reduction in HBV patients of up to 2.0 log (99%) after a single dose

- ARC-520 had a long duration of effect after a single dose with HBsAg still reduced by 83% after 2 months and 75% after 3 months, which is the final time point of the study

- Based on HBsAg epitope profile analysis, poster authors and Arrowhead collaborators had previously identified a predictive hepatitis B surface-antigen (HBsAg) Clearance Profile associated with HBsAg clearance in antiviral therapy cohorts

- There was a significant association between the development of an HBsAg Clearance Profile and ARC-520 therapy in HBV patients

- Complexed HBsAg antibodies (anti-HBs) were developed and detected in HBV patients treated with ARC-520, which may represent a recovery of the immune system response

- After monthly administration of 6-11 doses of ARC-520 in chimpanzees chronically infected with HBV, the ARC-520 target site sequences remained virtually unchanged, indicating that no drug resistance developed during the treatment period

(Emphases added).

41. On May 10, 2016, Arrowhead also filed a Quarterly Report on Form 10-Q with the SEC, reiterating the financial and operating results previously announced in the

Q2 2016 8-K and reporting in full the Company's financial and operating results for the quarter ended March 31, 2016 (the "Q2 2016 10-Q").

42. The Q2 2016 10-Q stated, in part:

Overview

Arrowhead Pharmaceuticals, Inc. develops novel drugs to treat intractable diseases by silencing the genes that cause them. Using a broad portfolio of RNA chemistries and efficient modes of delivery, Arrowhead therapies trigger the RNA interference mechanism to induce rapid, deep and durable knockdown of target genes. RNA interference (RNAi) is a mechanism present in living cells that inhibits the expression of a specific gene, thereby affecting the production of a specific protein. Arrowhead's RNAi-based therapeutics leverage this natural pathway of gene silencing. The company's pipeline includes ARC-520 and ARC-521 for chronic hepatitis B virus, ARC-AAT for liver disease associated with alpha-1 antitrypsin deficiency, ARC-F12 for hereditary angioedema and thromboembolic disorders, ARC-LPA for cardiovascular disease, and ARC-HIF2 for renal cell carcinoma

In April 2016, the Company changed its name from Arrowhead Research Corporation to Arrowhead Pharmaceuticals, Inc., which reflects the Company's transition to and focus on advancing products through clinical development to bring innovative new medicines to patients.

Arrowhead operates lab facilities in Madison and Middleton, Wisconsin, where the Company's research and development activities, including the development of RNAi therapeutics, are based. The Company's principal executive offices are located in Pasadena, California.

During the first half of fiscal year 2016, the Company continued to develop its lead clinical candidate, ARC-520, for the treatment of chronic hepatitis B as well as its second clinical candidate, ARC-AAT, an RNAi therapeutic designed to treat liver disease associated with Alpha-1 antitrypsin deficiency (AATD). ***The Company continued its Phase 2 studies in ARC-520, with no dose-limiting toxicities or serious adverse events having been observed to date.*** In connection with its Phase 2a study, the Company reported data showing that ARC-520 effectively reduced HBV viral antigens derived from cccDNA. The data showed that HBV surface

> antigen (HBsAg) was reduced substantially with a maximum reduction of 1.9 logs (99%) and a mean maximum reduction of 1.5 logs (96.8%) in treatment naïve e-antigen (HBeAg)-positive patients. ***The Company also discussed data from an ARC-520 chimpanzee study showing that in chronically HBV-infected chimpanzees treated with ARC-520 in combination with nucleoside analogs, 7 of 9 (78%) exhibited signs of immune reactivation, which is likely a necessary step for achieving a functional cure of chronic HBV. The Company believes these data strongly support advancement of ARC-520 into Phase 2 and later-stage clinical studies.*** In January 2016, the Company announced that it had dosed the first patient in its Phase 2 combination study for ARC-520 and is continuing to enroll patients at multiple centers in Australia and New Zealand. The Company submitted an Investigational New Drug application to the FDA which was approved in April 2015 and the Company also received regulatory clearance in Germany for two additional Phase 2 multiple-dose studies of ARC-520 to be conducted in parallel. The Company has also received regulatory clearance in South Korea and Hong Kong. The sites are actively recruiting and treating patients.

(Emphases added).

43. The Q2 2016 10-Q contained signed certifications pursuant to SOX by the Individual Defendants, stating that the financial information contained in the Q3 2016 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

44. On August 9, 2016, Arrowhead issued a press release and filed a Current Report on Form 8-K with the SEC, announcing certain of the Company's financial and operating results for the quarter ended June 30, 2016 (the "Q3 2016 8-K"). For the quarter, Arrowhead reported a net loss of $19.42 million, or $0.32 per diluted share, on revenue of $0.04 million, compared to a net loss of $15.94 million, or $0.27 per diluted share, on revenue of $0.12 million for the same period in the prior year.

45. In the Q3 2016 8-K, Arrowhead stated, in part:

Fiscal 2016 Third Quarter and Recent Company Highlights

*** * ***

ARC-520

- Presented promising ARC-520 hepatitis B data at The International Liver Congress™ 2016
- Expanded the MONARCH study to include additional sites, investigators, and cohorts, including patients with HBV and hepatitis Delta virus co-infection

(Emphases added).

46. On August 9, 2016, Arrowhead also filed a Quarterly Report on Form 10-Q with the SEC, reiterating the financial and operating results previously announced in the Q3 2016 8-K and reporting in full the Company's financial and operating results for the quarter ended June 30, 2016 (the "Q3 2016 10-Q").

47. The Q3 2016 10-Q stated, in part:

Overview

Arrowhead Pharmaceuticals, Inc. develops novel drugs to treat intractable diseases by silencing the genes that cause them. Using a broad portfolio of RNA chemistries and efficient modes of delivery, Arrowhead therapies trigger the RNA interference mechanism to induce rapid, deep and durable knockdown of target genes. RNA interference (RNAi) is a mechanism present in living cells that inhibits the expression of a specific gene, thereby affecting the production of a specific protein. Arrowhead's RNAi-based therapeutics leverage this natural pathway of gene silencing. The company's pipeline includes ARC-520 and ARC-521 for chronic hepatitis B virus, ARC-AAT for liver disease associated with alpha-1 antitrypsin deficiency, ARC-F12 for hereditary angioedema and

thromboembolic disorders, ARC-LPA for cardiovascular disease, and ARC-HIF2 for renal cell carcinoma

In April 2016, the Company changed its name from Arrowhead Research Corporation to Arrowhead Pharmaceuticals, Inc., to reflect the Company's focus on advancing products through clinical development to bring innovative new medicines to patients.

Arrowhead operates lab facilities in Madison and Middleton, Wisconsin, where the Company's research and development activities, including the development of RNAi therapeutics, are based. The Company's principal executive offices are located in Pasadena, California.

During the first nine months of fiscal year 2016, the Company continued to develop its lead clinical candidate, ARC-520, for the treatment of chronic hepatitis B as well as its second clinical candidate, ARC-AAT, an RNAi therapeutic designed to treat liver disease associated with Alpha-1 antitrypsin deficiency (AATD). ***The Company continued its Phase 2 studies in ARC-520, which continues to be generally well tolerated.*** In connection with its Phase 2a study, the Company reported data showing that ARC-520 effectively reduced HBV viral antigens derived from cccDNA. The data showed that HBV surface antigen (HBsAg) was reduced substantially with a maximum reduction of 1.9 logs (99%) and a mean maximum reduction of 1.5 logs (96.8%) in treatment naïve e-antigen (HBeAg)-positive patients. ***The Company also discussed data from an ARC-520 chimpanzee study showing that in chronically HBV-infected chimpanzees treated with ARC-520 in combination with nucleoside analogs, 7 of 9 (78%) exhibited signs of immune reactivation, which is likely a necessary step for achieving a functional cure of chronic HBV. The Company believes these data strongly support advancement of ARC-520 into Phase 2 and later-stage clinical studies.*** In January 2016, the Company announced that it had dosed the first patient in its Phase 2 combination study for ARC-520 and is continuing to enroll patients at multiple centers in Australia and New Zealand. The Company also continues to dose patients in multiple additional Phase 2 studies in Europe, Asia and the US.

(Emphases added).

48. The Q3 2016 10-Q contained signed certifications pursuant to SOX by the Individual Defendants, stating that the financial information contained in the Q3 2016 10-Q was accurate and disclosed any material changes to the Company's internal control over financial reporting.

49. The statements referenced in ¶¶ 19 – 48 above were materially false and/or misleading because they misrepresented and/or failed to disclose the following adverse facts pertaining to the Company's business, operational and financial results, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) the Company's ARC-520 was unsafe at certain doses and caused deaths in an ongoing primate toxicology study; and (ii) as a result, Arrowhead's public statements were materially false and misleading at all relevant times.

The Truth Emerges

50. On November 8, 2016, post-market, the Company issued a press release on Business Wire (the "Press Release") revealing that the U.S. Food & Drug Administration ("FDA") will be placing a clinical hold on its Heparc-2004 clinical study of ARC-520, likely due to deaths at the highest dose of an ongoing non-human primate toxicology study.

51. The Press Release stated, in part:

> ***Arrowhead was notified today verbally by the United States Food & Drug Administration (FDA) of its decision to place a clinical hold on Heparc-***

2004. The study is on hold while the company provides responses to questions arising from a nonclinical toxicology study in non-human primates using EX1, the company's liver-targeted, intravenously administered delivery vehicle.

The FDA did not indicate the clinical hold was based on any human findings. To date, EX1 has been administered over 800 times in more than 300 human study subjects and patients. Across this substantial clinical experience, only ***3 serious adverse events (SAE) have been observed***. Two of these were fevers, treated with acetaminophen, after which the patients continued on the study with no further complications. The other SAE was an instance of hepatic carcinoma in a patient with chronic HBV and cirrhosis, judged by the treating physician to be unrelated to the drug. A small minority (6%) of infusions in ARC-520 studies have been associated with infusion reactions, with 4 patients discontinuing ARC-520 treatment. In addition, across the ARC-520, ARC-521, and ARC-AAT clinical programs, laboratory values have not been deemed indicative of any drug-induced organ toxicity.

Arrowhead has not yet received written notice of the clinical hold from the FDA; however, based on verbal communications the clinical hold was prompted by deaths at the highest dose of an ongoing non-human primate toxicology study. This study involves higher doses of EX1 than those used clinically in humans and higher than those used in the company's previous animal toxicology studies. ***The cause of these animal deaths is unknown and under investigation***. The EX1 delivery vehicle is used in the company's ARC-520, ARC-521, and ARC-AAT programs.

(Emphases Added)

52. On this news, Arrowhead's share price fell $1.91, or 31.26%, to close at $4.20 on November 9, 2016.

53. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's common shares, Plaintiff and other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

54. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Arrowhead common shares traded on the NASDAQ during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

55. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Arrowhead common shares were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Arrowhead or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

56. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

57. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

58. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the financial condition, business, operations, and management of Arrowhead;
- whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- whether the Individual Defendants caused Arrowhead to issue false and misleading SEC filings and public statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading SEC filings and public statements during the Class Period;
- whether the prices of Arrowhead common shares during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

59. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively

small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

60. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Arrowhead common shares are traded in efficient markets;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NASDAQ, and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's common shares; and
- Plaintiff and members of the Class purchased and/or sold Arrowhead common shares between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

61. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

62. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

COUNT I

Violation of Section 10(b) of The Exchange Act and Rule 10b-5 Against All Defendants

63. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

64. This Count is asserted against Arrowhead and the Individual Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

65. During the Class Period, Arrowhead and the Individual Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

66. Arrowhead and the Individual Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;
- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Arrowhead common shares during the Class Period.

67. Arrowhead and the Individual Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of Arrowhead were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These Defendants by virtue of their receipt of information reflecting the true facts of Arrowhead, their control over, and/or receipt and/or modification of Arrowhead allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning Arrowhead, participated in the fraudulent scheme alleged herein.

68. Individual Defendants, who are the senior officers and/or directors of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other Arrowhead personnel to members of the investing public, including Plaintiff and the Class.

69. As a result of the foregoing, the market price of Arrowhead common shares was artificially inflated during the Class Period. In ignorance of the falsity of

Arrowhead's and the Individual Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of Arrowhead common shares during the Class Period in purchasing Arrowhead common shares at prices that were artificially inflated as a result of Arrowhead's and the Individual Defendants' false and misleading statements.

70. Had Plaintiff and the other members of the Class been aware that the market price of Arrowhead common shares had been artificially and falsely inflated by Arrowhead's and the Individual Defendants' misleading statements and by the material adverse information which Arrowhead's and the Individual Defendants did not disclose, they would not have purchased Arrowhead's common shares at the artificially inflated prices that they did, or at all.

71. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

72. By reason of the foregoing, Arrowhead and the Individual Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchase of Arrowhead common shares during the Class Period.

COUNT II

Violation of Section 20(a) of The Exchange Act
Against The Individual Defendants

73. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

74. During the Class Period, the Individual Defendants participated in the operation and management of Arrowhead, and conducted and participated, directly and indirectly, in the conduct of Arrowhead's business affairs. Because of their senior positions, they knew the adverse non-public information regarding Arrowhead's business practices.

75. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Arrowhead's financial condition and results of operations, and to correct promptly any public statements issued by Arrowhead which had become materially false or misleading.

76. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Arrowhead disseminated in the marketplace during the Class Period. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Arrowhead to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons"

of Arrowhead within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Arrowhead common shares.

77. Each of the Individual Defendants, therefore, acted as a controlling person of Arrowhead. By reason of their senior management positions and/or being directors of Arrowhead, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Arrowhead to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Arrowhead and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

78. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Arrowhead.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post- judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.