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INSTITUTIONAL RESEARCH

Healthcare and Technology

MORNING NOTE

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Arrowhead Research (Nasdaq/ARWR/Buy/$2.42)

Delcath Systems (Nasdaq/DCTH/Not Rated/$1.92)

1) Arrowhead Research (Nasdaq/ARWR/Buy/$2.42) – Arrowhead announced today that a study of its RNAi-based candidate ARC-520 in a chimpanzee chronically infected with the human hepatitis B virus (HBV) supports findings from rodent models indicating that ARC-520 can knock down HBV DNA and key viral antigens. Dr. Robert Lanford and his team at the Texas Biomedical Research Institute in San Antonio are conducting the study. The chimpanzee being treated has had chronic HBV for over 30 years, has high viral-titer and antigenemia, and nearly 100% of hepatocytes stain positive for HBV. Studies are ongoing and additional data will be discussed when the company hosts an analyst and investor event on March 25, from 12:30 to 2:00 p.m. in New York City, and at upcoming scientific conferences. These results follow on the recent publication in *Molecular Therapy* (2/26/2013, Wooddell et. al.) that showed a single injection of ARC-520 in mice and cynomolgus monkeys (also referred to as Crab-eating macaques) induced multi-log repression of viral RNA, proteins, and viral DNA in HBV with a long duration of effect lasting over 30 days. We are maintaining our Buy rating and $4 price target on ARWR shares. ***RMW***

2) Delcath Systems (Nasdaq/DCTH/Not Rated/$1.92) – Delcath Systems announced their Q4/2012 financial results last night and held a management conference call after the close of the market**.** Highlights for the year included:

- Initiation of U.S. Expanded Access Program (EAP) and treatment of first EAP patient in the U.S.;
- Q4 cash utilization reduced by 33% compared to Q3;
- First commercial sales in Company history;
- Treatment of first patients in Europe with the CHEMOSAT® Hepatic Delivery System for melphalan hydrochloride;
- Value 4 interim reimbursement coverage granted in Germany and identified an existing DRG code for partial reimbursement in Italy-hospitals submitting interim reimbursement applications in both countries; and
- Receipt of CE Mark approval for CHEMOSAT Hepatic Delivery System to deliver and filter doxorubicin hydrochloride injection.

The next key catalyst for Delcath will be the FDA's Oncologic Drugs Advisory Committee (ODAC) panel meeting on May 2, 2013 to assess the Company`s NDA for its proprietary drug/device combination product Melblez Kit for the treatment of patients with unresectable ocular melanoma metastatic to the liver in anticipation of an assigned PDUFA goal date of June 15, 2013. Delcath shares are not rated at this time. ***RMW***

Please find Important Disclosures beginning on Page 2.

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3) **Sell**: the analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

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	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	12	75%	8	67%
Market Perform (Neutral)	4	25%	1	25%
Market Underperform (Sell)	0	0%	0	0%
Total	16	100%	9	56%

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