

HALOZYME THERAPEUTICS INC
Form DEF 14A
April 02, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

**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 Rule 14a-6(e) (2))**
- ☐ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Under Rule 14a-12

Halozyme Therapeutics, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box) :

- ☐ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- ☐ Fee paid previously with preliminary materials:

Edgar Filing: HALOZYME THERAPEUTICS INC - Form DEF 14A

- o 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:

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

SOLICITATION AND VOTING

PROPOSAL NO. 1 ELECTION OF DIRECTORS

CORPORATE GOVERNANCE

PROPOSAL NO. 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM

PRINCIPAL ACCOUNTING FEES AND SERVICES

REPORT OF THE AUDIT COMMITTEE

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Committee Report

2008 SUMMARY COMPENSATION TABLE

2008 GRANTS OF PLAN-BASED AWARDS

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2008

OPTION EXERCISES AND STOCK VESTED

2008 DIRECTOR COMPENSATION

EQUITY COMPENSATION PLAN INFORMATION

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND
RELATED STOCKHOLDER MATTERS

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

TRANSACTION OF OTHER BUSINESS

April 2, 2009

Dear Fellow Stockholder:

This year's annual meeting of stockholders will be held on Thursday, May 7, 2009, at 8:00 a.m. local time, at the Halozyme Conference Center, 11404 Sorrento Valley Road, San Diego, California 92121. You are cordially invited to attend.

The Notice of Annual Meeting of Stockholders and a Proxy Statement, which describes the formal business to be conducted at the meeting, follow this letter.

It is important that you use this opportunity to take part in the affairs of Halozyme Therapeutics, Inc. by voting on the business to come before this meeting. After reading the Proxy Statement, please promptly mark, sign, date and return the enclosed proxy card in the prepaid envelope to assure that your shares will be represented. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters before our stockholders is important.

A copy of Halozyme's Annual Report to Stockholders is also enclosed for your information. At the annual meeting we will review Halozyme's activities over the past year and our plans for the future. The Board of Directors and management look forward to seeing you at the annual meeting.

Sincerely yours,

Jonathan E. Lim, M.D.

President and Chief Executive Officer

**11388 Sorrento Valley Road
San Diego, California 92121**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 7, 2009**

TO OUR STOCKHOLDERS:

Notice is hereby given that the annual meeting of the stockholders of Halozyme Therapeutics, Inc., a Delaware corporation, will be held on May 7, 2009, at 8:00 a.m. local time, at the Halozyme Conference Center, 11404 Sorrento Valley Road, San Diego, California 92121, for the following purposes:

1. To elect two Class II directors to hold office for a three-year term and until their respective successors are elected and qualified.
2. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.
3. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on April 1, 2009 are entitled to notice of, and to vote at, this meeting and any adjournment or postponement thereof.

David A. Ramsay

Chief Financial Officer and Secretary

San Diego, California
April 2, 2009

IMPORTANT: Please fill in, date, sign and promptly mail the enclosed proxy card in the accompanying postage-paid envelope to assure that your shares are represented at the meeting. If you attend the meeting, you may choose to vote in person even if you have previously sent in your proxy card.

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

The accompanying proxy is solicited by the Board of Directors of Halozyme Therapeutics, Inc., a Delaware corporation, for use at its annual meeting of stockholders to be held on May 7, 2009, or any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and the enclosed proxy are being mailed to stockholders on or about April 2, 2009.

SOLICITATION AND VOTING

Voting Securities. Only stockholders of record as of the close of business on April 1, 2009, will be entitled to vote at the meeting and any adjournment thereof. As of that time, we had 82,946,637 shares of common stock outstanding, all of which are entitled to vote with respect to all matters to be acted upon at the annual meeting. Each stockholder of record as of that date is entitled to one vote for each share of common stock held by him or her. Our Bylaws provide that a majority of all of the shares of the stock entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting. Votes for and against, abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum.

Broker Non-Votes. A broker non-vote occurs when a broker submits a proxy card with respect to shares held in a fiduciary capacity (typically referred to as being held in street name) but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the election of directors, increases in authorized common stock for general corporate purposes and ratification of auditors. Non-routine matters include adoptions of, and amendments to, stock plans.

Solicitation of Proxies. We will bear the entire cost of soliciting proxies for the upcoming meeting. In addition to soliciting stockholders by mail through our employees, we will request banks, brokers and other custodians, nominees and fiduciaries to solicit customers for whom they hold our stock and will reimburse them for their reasonable, out-of-pocket costs. We may use the services of our officers, directors and others to solicit proxies, personally or by telephone, without additional compensation. In addition, we may retain a proxy solicitation firm or other third party to assist us in collecting or soliciting proxies from our stockholders, although we do not currently plan on retaining such a proxy solicitor.

Voting of Proxies. All valid proxies received before the meeting will be exercised. All shares represented by a proxy will be voted, and where a proxy specifies a stockholder's choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If no choice is indicated on the proxy, the shares will be voted in favor of each proposal. A stockholder giving a proxy has the power to revoke it at any time before it is exercised by delivering to the Secretary of Halozyme a written instrument revoking the proxy or a duly executed proxy with a later date, or by attending the meeting and voting in person.

PROPOSAL NO. 1**ELECTION OF DIRECTORS**

We have a classified Board of Directors that consists of three Class I directors, three Class II directors and three Class III directors. Our directors are elected for a term of three years, with one class of directors up for election every year. At the 2009 annual meeting of stockholders we will be electing two Class II directors, while three Class III directors will be elected at the 2010 annual meeting of stockholders and three Class I directors will be elected at the 2011 annual meeting of stockholders. Once elected, directors serve until their respective successors are duly elected and qualified.

The Class II nominees recommended by the Board of Directors for election at the 2009 annual meeting are Randal J. Kirk and John S. Patton. Steven T. Thornton, a current Class II director, will not be standing for reelection. Mr. Kirk and Dr. Patton are all current members of our Board of Directors and, if elected, they will serve as directors until our annual meeting of stockholders in 2012 and until their successors are elected and qualified. Because the Nominating and Governance Committee has only recently begun to review potential candidates to replace Mr. Thornton, there will be one vacant Class II director seat following the 2009 annual meeting. The seat will be filled once an appropriate candidate has been identified pursuant to the existing policies of the Nominating and Governance Committee and the Board of Directors. If any other nominee declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although we know of no other reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as we may designate.

If a quorum is present and voting, the two nominees for Class II directors receiving the highest number of votes will be elected as the Class II directors. Abstentions and broker non-votes have no effect on the vote.

The Board of Directors recommends a vote FOR each of the nominees named above.

The following table sets forth biographical information for the two Class II nominees to be elected at this meeting as well as all other directors who will continue serving on the Board of Directors following this meeting:

Name	Principal Occupation	Age	Director Since
<i>Class II directors nominated for election at the 2009 annual meeting of stockholders:</i>			
Randal J. Kirk	Chief Executive Officer, Third Security, LLC	55	2007
John S. Patton, Ph.D.	President, Dance Pharmaceuticals	62	2000
<i>Class III directors whose terms expire at the 2010 annual meeting of stockholders:</i>			
Robert L. Engler, M.D.	Professor Emeritus, University of California, San Diego	64	2004
Gregory I. Frost, Ph.D.	Vice President, Chief Scientific Officer, Halozyme Therapeutics, Inc.	37	1999
Connie L. Matsui	Independent Consultant	55	2006
<i>Class I directors whose terms expire at the 2011 annual meeting of stockholders:</i>			
Kathryn E. Falberg	Chief Financial Officer and Chief Operating Officer, ARCA biopharma, Inc.	48	2007
Kenneth J. Kelley	Managing Director, K2 Bioventures	50	2004
Jonathan E. Lim, M.D.		37	2003

President and Chief Executive Officer, Halozyme
Therapeutics, Inc.

Directors Nominated for Election at the 2009 Annual Meeting

Randal J. Kirk. Mr. Kirk has served as the Senior Managing Director and Chief Executive Officer of Third Security, LLC, an investment management firm founded by Mr. Kirk, since March 1999. Additionally, Mr. Kirk founded and became Chairman of the Board of Directors of New River Pharmaceuticals Inc. (previously traded on Nasdaq prior to its acquisition by Shire plc in 2007) in 1996, and was President and Chief Executive Officer between October 2001 and April 2007. Mr. Kirk began his professional career in the private practice of law. Mr. Kirk served as a member of the Board of Directors of Scios, Inc. (previously traded on Nasdaq prior to its acquisition by

Johnson & Johnson) between February 2000 and May 2002. Mr. Kirk currently serves in a number of additional capacities including as Chairman of the Board of Directors of Clinical Data, Inc. (Nasdaq: CLDA) since December 2004 and as a member of the Board of Directors since September 2002; as Chairman of the Board of Directors of Intrexon Corporation since February 2008; and as Chairman of the Board of Directors of Cyntellect, Inc. since September 2008. Mr. Kirk has served on the Board of Visitors of Radford University since July 2003, was elected Rector of the Board from September 2006 to September 2008, and also has served on the Board of Directors of the Radford University Foundation, Inc. since September 1998. He was appointed to the Virginia Advisory Council on Revenue Estimates in July 2006, and was appointed as a member of the Board of Directors of the Virginia University Research Partnership in July 2007. Mr. Kirk received a B.A. in Business from Radford University and a J.D. from the University of Virginia. Mr. Kirk serves on the Compensation Committee and the Nominating and Governance Committee.

John S. Patton, Ph.D. Dr. Patton is currently the founder and President of Dance Pharmaceuticals. Prior to Dance Pharmaceuticals, Dr. Patton co-founded Nektar Therapeutics (Nasdaq-NKTR) (formerly Inhale Therapeutic Systems) and he served as Chief Scientific Officer from November 2001, and as a director from 1990, through 2008. He is an expert in the delivery of peptides and proteins. Before co-founding Nektar Therapeutics, Dr. Patton led the drug delivery group at Genentech, Inc., where he demonstrated the feasibility of systemic delivery of large molecules through the lungs. Prior to joining Genentech, Inc., he was a tenured professor at the University of Georgia. He has published a wide range of articles and has presented his work in national and international arenas. Dr. Patton received his Ph.D. in Biology from the University of California, San Diego, and held post-doctoral positions in biomedicine at Harvard Medical School and the University of Lund in Sweden. Dr. Patton chairs our Scientific and Clinical Advisory Board.

Directors Elected to Continue in Office Until the 2010 Annual Meeting

Robert L. Engler, M.D. Dr. Engler spent his career as a Cardiologist at the Veterans Affairs Medical Center and the University of California, San Diego, where he retired as Professor Emeritus in 2001. While at the Veterans Affairs Medical Center, Dr. Engler served as Associate Chief of Staff and Chief of Research and was an attending physician, in addition to running an active cardiovascular research laboratory. His research and clinical work led to the founding of two successful biotechnology companies: Gensia, Inc., and Collateral Therapeutics, Inc. He also founded and served as President of the Veterans Medical Research Foundation. Dr. Engler graduated from Georgetown Medical School. Dr. Engler is the Chair of our Nominating and Governance Committee.

Gregory I. Frost, Ph.D. Dr. Frost co-founded Halozyme in 1999 and currently serves as Vice President, Chief Scientific Officer. Dr. Frost has spent more than twelve years researching the hyaluronidase family of enzymes. Previously he was a Senior Research Scientist at the Sidney Kimmel Cancer Center (SKCC), where he focused much of his work developing the hyaluronidase technology. Prior to SKCC, his research in the Department of Pathology at the University of California, San Francisco, led directly to the purification, cloning, and characterization of the human hyaluronidase gene family, and the discovery of several metabolic disorders. He has authored multiple scientific peer-reviewed and invited articles in the hyaluronidase field and is an inventor on several key patents. Dr. Frost's prior experience includes serving as a scientific consultant to a number of biopharmaceutical companies, including Q-Med (SE), Biophausia AB (SE), and Active Biotech (SE). Dr. Frost is registered to practice before the US Patent Trademark Office, and earned a B.A. in Biochemistry and Molecular Biology from the University of California, Santa Cruz and a Ph.D. in the Department of Pathology at the University of California, San Francisco, where he was an ARCS-Scholar.

Connie L. Matsui. Ms. Matsui has over 16 years of general management experience in the biotechnology industry. Prior to her retirement in January 2009, she was the Executive Vice President, Knowledge and Innovation Networks for Biogen Idec, Inc. She served in several positions since joining IDEC Pharmaceuticals in November 1992,

including Senior Vice President, overseeing investor relations, corporate communications, human resources, project management and strategic planning. Prior to entering the biotechnology industry, Ms. Matsui worked for Wells Fargo Bank in general management, marketing and human resources. Ms. Matsui has been active on a number of not-for-profit boards and served as National President of the Girl Scouts of the USA from 1999 to 2002. Ms. Matsui earned B.A. and M.B.A. degrees from Stanford University.

Directors Elected to Continue in Office Until the 2011 Annual Meeting

Kathryn E. Falberg. Ms. Falberg joined ARCA biopharma, Inc. (Nasdaq: ABIO) in February 2009 as its Chief Financial Officer and Chief Operating Officer. From 2003 to 2008 Ms. Falberg was President of Canyon Capital & Consulting, a private investment and consulting firm. From October 2001 to June 2002 Ms. Falberg was a consultant to Inamed, a medical device company, and briefly served as its interim Chief Financial Officer. Ms. Falberg joined Amgen Inc., a global biotechnology company, in 1995 as Treasurer, and advanced through a series of positions of increasing responsibility, culminating in her appointment as Senior Vice President, Finance and Strategy, and Chief Financial Officer in 1998. Ms. Falberg left Amgen Inc. in July 2001. Ms. Falberg has served on the board of directors for companies in multiple industries and she currently serves on the board of QLT, Inc. (Nasdaq:QLTI) and ESS Technology, a privately held semiconductor company. Ms. Falberg received an M.B.A. and B.A. in Economics from the University of California, Los Angeles. Ms. Falberg is the Chair of the Audit Committee and she also serves on the Nominating and Governance Committee.

Kenneth J. Kelley. Mr. Kelley brings over 25 years of entrepreneurial, venture capital, operational and technical biotechnology experience to Halozyme. Mr. Kelley has been the managing director of K2 Bioventures, a biomedical startup consulting company, since July 2004. Mr. Kelley currently serves as the Chief Executive Officer and Chair of the Board of Directors of privately held PaxVax, Inc. From April 2002 through June 2004, Mr. Kelley was a General Partner at Latterell Venture Partners, where he made investments in early stage biotechnology and medical device startups. Mr. Kelley founded IntraBiotics Pharmaceuticals in January 1994 and over eight years served as CEO, Director and Chair of the Board of Directors. Earlier, Mr. Kelley was an Associate at Institutional Venture Partners (IVP), where he participated in the financing of twenty biotech and medical companies, fifteen of which became public companies. Prior to IVP, he was a consultant for McKinsey & Company and a scientist at Integrated Genetics (acquired by Genzyme). Mr. Kelley earned an M.B.A. from Stanford University and a B.A. in Biochemical Sciences from Harvard University. Mr. Kelley is the Chair of the Board of Directors and he also serves on the Audit Committee and the Compensation Committee.

Jonathan E. Lim, M.D. Dr. Lim joined Halozyme in 2003 and has served as Halozyme's President and Chief Executive Officer since that time. From 2001 to 2003, Dr. Lim was a management consultant at McKinsey & Company, where he specialized in the health care industry, serving a wide range of start-ups to Fortune 500 companies in the biopharmaceutical, medical products, and payor/provider segments. From 1999 to 2001, Dr. Lim was a recipient of a National Institutes of Health Postdoctoral Fellowship, during which time he conducted clinical outcomes research at Harvard Medical School. He has published articles in peer-reviewed medical journals such as the Annals of Surgery and the Journal of Refractive Surgery. Dr. Lim's prior experience also includes two years of clinical training in general surgery at the New York Hospital-Cornell Medical Center and Memorial Sloan-Kettering Cancer Center; Founder and President of a health care technology start-up company; Founding Editor-in-Chief of the McGill Journal of Medicine; and basic science and clinical research at the Salk Institute for Biological Studies and Massachusetts Eye and Ear Infirmary. Dr. Lim is currently a California-licensed physician and is a volunteer surgeon in his spare time. He was a member of the strategic planning committee of the American Medical Association from 2002 to 2005. He earned a B.S., with honors, and an M.S. in Molecular Biology from Stanford University, an M.D. from McGill University, and an M.P.H. in Health Care Management from Harvard University.

CORPORATE GOVERNANCE

Director Independence

The Board of Directors (the Board) has determined that, other than Dr. Lim, Dr. Frost and Ms. Matsui, each of the members of the Board of Directors is an independent director for purposes of the listing requirements of the Nasdaq Marketplace Rules. Drs. Lim and Frost are employees of Halozyme and Ms. Matsui has an indirect financial interest in an entity that leases office and research facilities to Halozyme.

Executive Sessions

Our independent directors meet in executive session without management present each time the Board holds its regularly scheduled meetings. Mr. Kelley, as Chair of the Board of Directors, acts as the presiding director for such executive sessions of independent directors.

Board Meetings and Committees

The Board of Directors held six meetings during the fiscal year ended December 31, 2008. The Board of Directors has three committees: (i) Audit Committee; (ii) Compensation Committee; and (iii) Nominating and Governance Committee. During the last fiscal year, each director attended at least 75% of the total number of meetings of the Board and all of the committees of the Board on which such director served during that period.

Audit Committee.

The members of the Audit Committee are Kathryn E. Falberg (Chair), Kenneth J. Kelley and Steven T. Thornton. All members of the Audit Committee satisfy the independence requirements established by the Nasdaq Marketplace Rules. Ms. Falberg is an audit committee financial expert, as defined in the rules of the Securities and Exchange Commission. The Audit Committee operates under a written charter that is available on our website at: www.halozyyme.com. The Audit Committee conducts an annual review of this charter in addition to an annual review of the committee's overall performance. The primary purpose of the Audit Committee is to oversee our accounting and financial reporting processes and the function of the Audit Committee includes retaining our independent auditors, reviewing their independence, reviewing and approving the planned scope of our annual audit, reviewing and approving any fee arrangements with our auditors, overseeing their audit work, reviewing and pre-approving any non-audit services that may be performed by them, reviewing the adequacy of accounting and financial controls, reviewing our critical accounting policies and reviewing and approving any related party transactions. The Audit Committee held four meetings during the fiscal year ended December 31, 2008.

Additional information regarding the Audit Committee is set forth in the Report of the Audit Committee immediately following Proposal No. 2.

Compensation Committee.

The members of the Compensation Committee are Steven T. Thornton (Chair), Randal J. Kirk and Kenneth J. Kelley. All members of the Compensation Committee satisfy the independence requirements established by the Nasdaq Marketplace Rules. The Compensation Committee operates under a written charter that is available on our website at: www.halozyyme.com. The Compensation Committee conducts an annual review of this charter in addition to an annual review of the committee's overall performance. The primary purpose of the Compensation Committee is to discharge the Board's responsibilities relating to compensation and benefits of our executive officers. More specifically, the Compensation Committee: reviews and determines the salary and bonus earned by the Chief Executive Officer; reviews and determines salary and bonus levels for other executive officers; approves stock option grants to executive officers and other employees; approves employment and severance agreements; and reviews the compensation of outside directors for service on the Board of Directors and its committees and recommends changes in compensation for outside directors. The Compensation Committee held six meetings during the fiscal year ended December 31, 2008.

Nominating and Governance Committee.

The members of the Nominating and Governance Committee are Robert L. Engler (Chair), Kathryn E. Falberg and Randal J. Kirk. All members of the Nominating and Governance Committee satisfy the independence requirements established by the Nasdaq Marketplace Rules. The Nominating and Governance Committee operates under a written charter that is available on our website at: www.halozyyme.com. The Nominating and Governance Committee conducts an annual review of this charter in addition to an annual review of the committee's overall performance. The primary responsibilities of the Nominating and Governance Committee are to (i) identify individuals qualified to

become Board members; (ii) select, or recommend to the Board, director nominees for each election of directors; (iii) develop and recommend to the Board criteria for selecting qualified director candidates; (iv) consider committee member qualifications, appointment and removal; (v) recommend applicable corporate governance principles, codes of conduct and compliance mechanisms, and (vi) provide oversight in the evaluation of the Board and each committee. The Nominating and Governance Committee held four meetings during the fiscal year ended December 31, 2008.

The Nominating and Governance Committee's goal is to assemble a Board of Directors that brings a variety of perspectives and skills derived from high quality business and professional experience. There are no stated minimum criteria for director nominees, but the Nominating and Governance Committee believes that at least one member of the Board meet the criteria for an audit committee financial expert as defined by SEC rules, and that a majority of the members of the Board meet the definition of independent director under the Nasdaq Marketplace Rules. The Nominating and Governance Committee also believes it appropriate for certain key members of management to participate as members of the Board.

When considering whether to recommend any candidate for inclusion in the Board's slate of recommended director nominees, including candidates recommended by our stockholders, the Nominating and Governance Committee will review the candidate's integrity, business acumen, age, experience, commitment, diligence, conflicts of interest, existing time commitments and the ability to act in the interests of all stockholders. Once a potential qualified candidate is identified, multiple members of the Nominating and Governance Committee will interview that candidate. The committee may also ask the candidate to meet with non-committee members of the Board and/or members of management and, if the committee believes a candidate would be a valuable addition to the Board, it will recommend that candidate to the full Board.

Pursuant to the terms of its charter, the Nominating and Governance Committee will consider qualified director candidates suggested by our stockholders. Stockholders may recommend individuals for the Nominating and Governance Committee to consider as potential director candidates by submitting the candidate's name, contact information and biographical information in writing to the Halozyme Nominating and Governance Committee c/o Corporate Secretary, 11388 Sorrento Valley Road, San Diego, California 92121. The biographical information and background materials will be forwarded to the Nominating and Governance Committee for its review and consideration. The committee's review process for candidates identified by our stockholders is essentially identical to the review process for candidates identified by the committee. The Nominating and Governance Committee will review periodically whether a more formal policy regarding stockholder nominations should be adopted. In addition to the process discussed above regarding the consideration of the Nominating and Governance Committee of candidates suggested by our stockholders, our Bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to our Board at our annual meeting of stockholders.

Communications with Directors

Any stockholder who desires to contact any members of our Board of Directors may do so by writing to: Board of Directors, c/o Corporate Secretary, 11388 Sorrento Valley Road, San Diego, California 92121. Communications received in writing are distributed to the Chair of the Board or the other members of the Board as appropriate depending on the facts and circumstances outlined in the communication received. Alternatively, any stockholder who desires to contact an independent member of our Board of Directors directly, may contact the Chair of our Board of Directors, Kenneth J. Kelley, electronically by sending an email to the following address: kkelley@halozyme.com.

Director Attendance at Annual Meetings

Although we do not have a formal policy regarding attendance by members of the Board at our annual meeting of stockholders, we encourage directors to attend. Directors Frost, Kelley, Lim and Matsui attended our annual meeting of stockholders in 2008.

Code of Conduct and Ethics

The Board has adopted a Code of Conduct and Ethics that applies to all of our employees, officers and directors. A copy of our Code of Conduct and Ethics is currently available on our website at: www.halozyme.com.

www.halozyme.com

Please note that the information on our website is not incorporated by reference in this Proxy Statement.

PROPOSAL NO. 2**RATIFICATION OF SELECTION OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors of Halozyme has selected Ernst & Young LLP as the independent registered public accounting firm to audit the consolidated financial statements of Halozyme for the fiscal year ending December 31, 2009. Ernst & Young LLP has acted in such capacity since its appointment on June 28, 2006. A representative of Ernst & Young LLP is expected to be present at the annual meeting, with the opportunity to make a statement if the representative desires to do so, and is expected to be available to respond to appropriate questions.

Stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm is not required by our Bylaws or otherwise. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the company and its stockholders.

PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees billed to Halozyme for the fiscal years ended December 31, 2008 and December 31, 2007 by Ernst & Young LLP:

	Fiscal 2008	Fiscal 2007
Audit Fees(1)	\$ 379,807	\$ 316,348
Audit-Related Fees(2)		
Tax Fees(3)	\$ 70,000	
All Other Fees(4)		

- (1) Audit Fees consist of fees billed for professional services rendered for the audit of the company's consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by our independent accountant in connection with statutory and regulatory filings or engagements. In addition to the Audit Fees for fiscal 2007 set forth above, we also made \$15,000 of payments to our prior independent registered public accounting firm, Cacciamatta Accountancy Corporation (Cacciamatta) in connection with obtaining their consent contained in our Form 10-K filed on March 14, 2008. In addition to the Audit Fees for fiscal 2008 set forth above, we also made \$26,500 of payments to Cacciamatta in connection with obtaining their consents contained in various filings made during 2008.
- (2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees.
- (3) Tax Fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning (domestic and international). These services include assistance regarding federal, state and international tax

compliance, acquisitions and international tax planning.

(4) All Other Fees consist of fees for products and services other than the services reported above.

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services. The independent auditor and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval. The Chair of the Audit Committee is also authorized, pursuant to delegated authority, to pre-approve

additional services of up to \$25,000 per engagement on a case-by-case basis, provided that such approvals are communicated to the full Audit Committee at its next meeting.

Vote Required and Board of Directors Recommendation

The affirmative vote of a majority of the votes cast at the meeting, at which a quorum is present, either in person or by proxy, shall ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum but will not have any effect on the outcome of the proposal.

The Board of Directors unanimously recommends a vote FOR the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees Halozyme's financial reporting process on behalf of the Board of Directors. The Audit Committee Charter describes in greater detail the responsibilities of the Audit Committee. Management has the primary responsibility for the financial statements and the reporting process, including internal control systems. Our independent auditor, Ernst & Young LLP, is responsible for expressing an opinion as to the conformity of our audited financial statements with generally accepted accounting principles.

The Audit Committee has reviewed and discussed the consolidated financial statements with management and Ernst & Young LLP. The Audit Committee has also discussed and reviewed with the auditors all matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees). The Audit Committee has met with Ernst & Young LLP, with and without management present, to discuss the overall scope of the Ernst & Young LLP audit, the results of its examinations, its evaluations of Halozyme's internal controls and the overall quality of its financial reporting.

The Audit Committee has received from Ernst & Young LLP the written disclosures and the letter required by applicable requirements of the Public Company accounting Board regarding the independent accountant's communications with the Audit Committee concerning independence, discussed with the auditors any relationships that may impact their objectivity and independence, and satisfied itself as to the auditors' independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that Halozyme's audited consolidated financial statements be included in Halozyme's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

AUDIT COMMITTEE

Kathryn E. Falberg (Chair)
Kenneth J. Kelley
Steven T. Thornton

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Goals of Compensation Program

The primary goals of our Compensation Committee with respect to the compensation of our executive officers are: (i) to attract and retain talented and dedicated executives; (ii) to tie annual cash incentives to the creation of stockholder value, as measured by the annual increase in our market capitalization; and (iii) to link long-term stock incentives to the achievement of specified company and individual performance criteria that we believe will lead to stockholder value creation. To achieve these goals, the Compensation Committee establishes compensation plans that tie a substantial portion of executives' overall compensation to the achievement of key operational, clinical and financial goals. The Compensation Committee also reviews the performance of each individual executive officer against previously established individual performance criteria. Based upon data acquired through multiple sources, the Compensation Committee believes that the base salaries for our executive officers are comparable with executives in other companies of similar size and stage of development operating in our industry. When reviewing executive compensation policies, the Compensation Committee reviews executive compensation data generated by an independent third party, Radford Biotechnology Industry Survey, as well as compensation data obtained from other sources. The Compensation Committee seeks to establish an equity compensation structure that yields initial equity grants in the 75th percentile and annual refresher grants in the 50th percentile of similar companies.

Elements of Compensation

We have a relatively simple compensation structure that is comprised of: (i) base salary; (ii) annual cash and equity incentive awards; and (iii) stock options.

Base Salary

Base salaries for our executive officers are established based on the scope of their responsibilities, taking into account competitive market compensation paid by other companies for similar positions. Generally, we target salaries for our executive officers near the median of the range of salaries for executives in similar positions with similar responsibilities and experience at comparable companies. Base salaries are reviewed annually, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience as well as the company's financial position. Annual salaries for 2008 are reflected below in the table entitled "2008 Summary Compensation Table." Annual salaries for 2009 were established by the Compensation Committee in February of 2009, and the annual base salaries for certain executive officers named in the 2008 Summary Compensation Table were set at the following levels:

Name	2009 Annual Base Salary
Jonathan E. Lim	\$ 395,000
Gregory I. Frost	\$ 375,000
Robert L. Little	\$ 334,000
William J. Fallon	\$ 287,000
David A. Ramsay	\$ 270,000

2008 Senior Executive Incentive Structure (Cash Component)

The 2008 Senior Executive Incentive Structure, which we established to govern the cash and equity-based bonus awards to senior executive officers for 2008, based the size of the cash award pool upon the appreciation of Halozyme common stock (and the corresponding increase to Halozyme's market capitalization) in 2008. The aggregate amount of the cash bonus pool was to be an escalating percentage of the overall increase to Halozyme's market capitalization, as described below.

If our stock had appreciated during 2008, the aggregate cash pool would have equaled a percentage of Halozyme's overall increase in market capitalization (as adjusted to remove the impact of any shares issued during 2008). The applicable percentage represented one-one hundredth of the year-over-year increase to the adjusted

market capitalization with a maximum applicable percentage of 2% (based on increases to market capitalization of 200% or greater). As the overall market capitalization increased, the percentage used to calculate the aggregate cash pool would also increase. For example, a 10% increase in adjusted 2008 market capitalization would have resulted in a cash award pool of approximately \$50,000 and a 40% increase in adjusted 2008 market capitalization would have resulted in a cash award pool of roughly \$850,000. Greater amounts of stock appreciation would have resulted in significantly larger cash award pools. For purposes of reference, cash awards to senior executive officers under the 2007 incentive program were not conditioned on an increase in market capitalization (cash awards were based on the accomplishment of various corporate and personal performance criteria) and the aggregate cash amount awarded to senior executive officers under the 2007 incentive program was approximately \$440,000.

Once the size of the cash pool was established, our Chief Executive Officer would then make a recommendation to the Compensation Committee on the allocation of the pool among the senior executive officers eligible to participate in the pool, with the allocation being based on the individual's achievement during 2008 of previously established personal goals. Our Board of Directors authorized the Compensation Committee to make the ultimate determination on the amount of senior executive cash awards, and the Compensation Committee had the flexibility of approving an aggregate cash award pool that was higher or lower than the aggregate amount determined pursuant to the calculation described in the paragraph above.

Our market capitalization did not increase in 2008, therefore no aggregate cash pool was established under the 2008 Senior Executive Incentive Structure and no cash awards were approved by the Compensation Committee.

2008 Senior Executive Incentive Structure (Equity Component)

Maximum equity awards were also established for each senior executive officer (amounts for selected members of senior management are set forth below in the table entitled "2008 Grants of Plan-Based Awards") and the actual amounts awarded to each senior executive officer were based upon the accomplishment of individual performance criteria during 2008, with the equity award for the Chief Executive Officer being based upon the accomplishment of corporate performance criteria during 2008. The performance criteria applicable to the senior executive officers vary from position to position, but these criteria typically contain operational, strategic and developmental elements. The company performance criteria for 2008 which were used in determining the equity award for the Chief Executive Officer contained operational, clinical and financial elements that resulted from a collaborative process between the Chief Executive Officer and members of senior management. Specific criteria included: (i) business and development goals relating to our existing corporate partners; (ii) clinical and strategic goals relating to products and product candidates; (iii) production goals relating to the supply of product for clinical and commercial programs; (iv) business and development goals applicable to new transactions; and (v) annual revenue, cash burn and end of year cash balance targets. The Compensation Committee determined that roughly 80% of the company goals were met in 2008. To be eligible for an equity award, a member of senior management had to meet at least 75% of that person's performance criteria.

Stock Options

Our 2008 Stock Plan authorizes us to grant options to purchase shares of common stock to our employees, directors and consultants, and our Compensation Committee is the administrator of this stock plan. Stock option grants are made in connection with the commencement of employment and may also be made following a significant change in job responsibilities or to meet other special retention or performance objectives. The Compensation Committee reviews and approves initial stock option awards for executive officers based upon a review of competitive compensation data. In appropriate circumstances, the Compensation Committee considers the recommendations of our Chief Executive Officer when determining the amount of an initial option grant or the amount of an annual incentive option grant for executive officers. While we awarded stock options to our executive officers pursuant to our 2008

Senior Executive Incentive Structure, those awards were not made until the first quarter of 2009. Stock options granted by us have an exercise price equal to the fair market value of our common stock on the day of grant, typically vest 25% per annum based upon continued employment over a four-year period, and generally expire ten years after the date of grant. Incentive stock options also include certain other terms necessary to assure compliance with the Internal Revenue Code of 1986, as amended.

2009 Senior Executive Incentive Plan (Cash Component)

The 2009 Senior Executive Incentive Plan establishes a cash award pool based upon the appreciation of Halozyime common stock (and the corresponding increase to Halozyime's market capitalization) in 2009. If our common stock does not appreciate during 2009, there will be no cash award pool for senior executive officers under the 2009 Senior Executive Incentive Plan. If our market capitalization does appreciate during 2009 (based upon the trading average for the last 10 trading days of 2008 compared to the last 10 trading days of 2009), the size of the cash pool will equal a percentage of the overall increase in market capitalization (as adjusted to remove the impact of any shares issued during the course of 2009). The applicable percentage will not be a flat percentage, but will instead represent one one-hundredth of the year-over-year percentage increase to the adjusted market capitalization with a maximum applicable percentage of 2% (based on increases to market capitalization of 200% or greater). In addition, if the aggregate increase to market capitalization is less than roughly 30 percent, the cash award pool dictated by the previously described formula will be reduced by 50%. For example, in the event of a 10% increase in adjusted market capitalization the formula described above results in a cash award pool of approximately \$43,000, but due to the 50% reduction feature the actual pool available for senior executive cash awards will be reduced to approximately \$21,500. Increases in market capitalization greater than roughly 30% will not be subject to the reduction feature (for example, a 50% increase in adjusted market capitalization will result in a cash award pool of roughly \$1,076,000). Greater amounts of market capitalization appreciation will result in significantly larger cash award pools. Once the size of the cash pool is established, Halozyime's Chief Executive Officer will make a recommendation to the Compensation Committee on the allocation of the pool among the senior executive officers eligible to participate in the pool and the Compensation Committee will have the flexibility of approving an aggregate amount of cash awards that is higher or lower than the aggregate amount determined pursuant to the calculation described above.

2009 Senior Executive Incentive Plan (Equity Component)

The Compensation Committee has established maximum equity awards for each senior executive officer and the actual amounts to be awarded to each senior executive officer will be based upon the accomplishment of individual performance criteria during 2009, with the equity award for the Chief Executive Officer being based upon the accomplishment of corporate performance criteria during 2009. The performance criteria applicable to the senior executive officers vary from position to position, but these criteria typically contain operational, strategic and developmental elements. The company performance criteria for 2009 which will be used in determining the equity award for the Chief Executive Officer reflect operational, clinical and financial elements that result from a collaborative process between the Chief Executive Officer, members of senior management and the Board of Directors. Specific criteria include: (i) business and development goals relating to our existing corporate partners; (ii) clinical and strategic goals relating to products and product candidates; (iii) production goals relating to the supply of product for clinical and commercial programs; (iv) business and development goals applicable to new transactions; and (v) annual revenue, cash burn and end of year cash balance targets. The Compensation Committee determined that roughly 80% of the company goals were met in both 2007 and 2008 and we anticipate the goals for 2009 will be similar in difficulty to the goals established in prior years. To be eligible for an equity award, a member of senior management must meet at least 75% of that person's performance criteria.

10b5-1 Trading Plans

In March of 2007 our Board of Directors adopted a policy that provides for the use of pre-arranged trading plans by persons subject to the company's insider trading policy. All such pre-arranged trading plans must (i) comply with certain specified guidelines, including volume limitations, (ii) be approved by a committee consisting of independent directors and the company's Chief Financial Officer and (iii) comply with Rule 10b5-1 established by the Securities and Exchange Commission. We believe that pre-arranged trading provides insiders with an opportunity to diversify their holdings in a measured process that also complies with the insider trading rules promulgated by the Securities

and Exchange Commission. Certain of our officers and directors may establish pre-arranged trading plans in the future.

Potential Components of Compensation

In addition to granting incentive and nonstatutory stock options, our 2008 Stock Plan provides for the granting of restricted stock, restricted stock units, stock appreciation rights, performance units and shares and other stock-based awards. The Compensation Committee may utilize some or all of these types of awards for executive officers if it believes that such awards are necessary to further the goals of the compensation program.

Compensation Committee Report

We, the Compensation Committee of the Board of Directors of Halozyme Therapeutics, Inc., have reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on such review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in Halozyme's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

THE COMPENSATION COMMITTEE

Steven T. Thornton (Chair)
Kenneth J. Kelley
Randal J. Kirk