

HALOZYME THERAPEUTICS INC
Form PRE 14A
March 18, 2013

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 Materials Pursuant to §240.14a-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:
 - 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:

Dear Fellow Stockholder:

This year's annual meeting of stockholders will be held on May 16, 2013, 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 on Form 10-K 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,

GREGORY I. FROST, PH.D.

President and Chief Executive Officer

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS 1

SOLICITATION AND VOTING 1

PROPOSAL NO. 1 - ELECTION OF DIRECTORS 2

CORPORATE GOVERNANCE 6

PROPOSAL NO. 2 - ADVISORY (NON-BINDING) VOTE ON EXECUTIVE
COMPENSATION (SAY-ON-PAY) 9

PROPOSAL NO. 3 - APPROVAL OF THE AMENDMENT AND RESTATEMENT OF
THE HALOZYME THERAPEUTICS, INC. 2011 STOCK PLAN 11

PROPOSAL NO. 4 - APPROVAL OF INCREASE IN NUMBER OF AUTHORIZED
SHARES OF COMMON STOCK 19

PROPOSAL NO. 5 - RATIFICATION OF SELECTION OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM 20

REPORT OF THE AUDIT COMMITTEE 22

EXECUTIVE COMPENSATION 23

SUMMARY COMPENSATION TABLE 30

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS 38

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
AND RELATED STOCKHOLDER MATTERS 39

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT 40

STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING 40

TRANSACTION OF OTHER BUSINESS 40

DELIVERY OF PROXY MATERIALS AND ANNUAL REPORTS 41

APPENDIX I

11388 Sorrento Valley Road
San Diego, California 92121
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 16, 2013

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 16, 2013, 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 three Class III directors to hold office for a three-year term and until their respective successors are elected and qualified;
2. To consider an advisory vote on executive compensation;
3. To approve the Amended and Restated 2011 Stock Plan;
4. To approve an amendment to our Certificate of Incorporation to increase our authorized number of shares of common stock from 150,000,000 shares to 200,000,000 shares;
5. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013; and
6. To transact such other business as may properly come before the annual meeting.

Only stockholders of record at the close of business on March 18, 2013 are entitled to notice of, and to vote at, this annual meeting and any adjournment or postponement thereof.

Important Notice Regarding the Availability of Proxy Materials for
The Stockholder Meeting To Be Held on May 16, 2013

The Proxy Statement and the 2012 Annual Report to Stockholders are available at www.halozyme.com/proxy.

JEAN I. LIU

Vice President, General Counsel and Secretary
San Diego, California

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 on behalf of the Board of Directors of Halozyme Therapeutics, Inc., a Delaware corporation, for use at Halozyme's annual meeting of stockholders to be held on May 16, 2013 at 8:00 am local time, at the Halozyme Conference Center, 11404 Sorrento Valley Road, San Diego, California 92121, and at 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 _____.

SOLICITATION AND VOTING

Voting Securities. Only stockholders of record as of the close of business on March 18, 2013, will be entitled to vote at the meeting and any adjournment thereof. As of that time, we had _____ 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. When a quorum is present at the meeting, the election of directors will be determined by a plurality of the votes cast by the stockholders entitled to vote at the election, and any other matter will be determined by a majority in voting power of the shares present in person or represented by proxy and entitled to vote on the matter. 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 is prohibited from voting on a particular matter because the broker has not received voting instructions from the beneficial owner and therefore does not have discretion to vote the beneficial owner's shares with respect to that matter. 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 increases in authorized common stock for general corporate purposes and ratification of independent registered public accounting firm. Non-routine matters include the election of directors, the advisory vote on executive compensation and 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 two Class I directors, two 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 2013 annual meeting of stockholders, we will be electing three Class III directors, while two Class I directors will be elected at the 2014 annual meeting of stockholders and two Class II directors will be elected at the 2015 annual meeting of stockholders. Once elected, directors serve until their respective successors are duly elected and qualified. The Class III nominees recommended by the Board of Directors for election at the 2013 annual meeting are: Robert L. Engler, M.D., Gregory I. Frost, Ph.D. and Connie L. Matsui. Dr. Engler, Dr. Frost and Ms. Matsui are current members of our Board of Directors and, if elected, they will serve as directors until our annual meeting of stockholders in 2016 and until their successors are elected and qualified. If any 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.

Vote Required

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

Recommendation

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

The following table sets forth biographical information for the three Class III 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	Age	Director Since	Position with the Company	Committee Membership
Class III directors nominated for election at the 2013 annual meeting of stockholders:				
Robert L. Engler, M.D.	68	2004	Director	Nominating & Corporate Governance Committee (Chair) Audit Committee
Gregory I. Frost, Ph.D.	41	1999	President, Chief Executive Officer & Director	
Connie L. Matsui	59	2006	Director	Compensation Committee (Chair) Nominating & Corporate Governance Committee
Class I directors whose terms expire at the 2014 annual meeting of stockholders:				
Kathryn E. Falberg	52	2007	Director	Audit Committee (Chair) Compensation Committee
Kenneth J. Kelley	54	2004	Chairman of the Board of Directors	Audit Committee Nominating & Corporate Governance Committee
Class II directors whose terms expire at the 2015 annual meeting of stockholders:				
Randal J. Kirk	59	2007	Director	
John S. Patton, Ph.D.	66	2000	Director	Compensation Committee

Directors Nominated for Election at the 2013 Annual Meeting

Robert L. Engler, M.D. Dr. Engler brings extensive medical and clinical experience to the Board. 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 and Chairman of the Board of the Veterans Medical Research Foundation, where he currently serves on the Board of Directors. He is on the Board of Directors of Verdezyne (private) and Glysens, Inc. (private). Dr. Engler is a consultant to and Chief Medical Advisor to Cardium Therapeutics, Inc. Dr. Engler graduated with honors from Georgetown University School of Medicine.

The Nominating and Corporate Governance Committee believes that Dr. Engler's medical and clinical experience, including his extensive experience as a medical researcher and his experience founding multiple biotechnology companies, combined with his business acumen and judgment, provide our Board with valuable scientific and operational expertise and leadership skills, leading the Nominating and Corporate Governance Committee to determine that Dr. Engler should serve as one of our directors.

Gregory I. Frost, Ph.D. Dr. Frost possesses significant scientific expertise as well as an extensive knowledge of the biotechnology industry. Dr. Frost was named Halozyme's President and Chief Executive Officer in 2010 and has served on the Board of Directors and in various operational and management roles over the past thirteen years at the Company, including Chief Scientific Officer since 2002. He brought the founding technologies to Halozyme in 1999 and has spent more than sixteen years conducting research on the extracellular matrix. Over the past decade, Dr. Frost has led the R&D efforts at Halozyme from discovery through FDA approval for a number of biotechnology products. Prior to joining Halozyme, he was a Scientist at the Sidney Kimmel Cancer Center. In the Department of Pathology at the University of California, San Francisco, his research 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 field and is an inventor on several key patents. Dr. Frost is a member of the American Association for Cancer Research and the American Society of Clinical Oncology and he is registered to practice before the U.S. Patent and Trademark Office. Dr. Frost earned his B.A. in biochemistry and molecular biology from the University of California, Santa Cruz, and his Ph.D. in the Department of Pathology at the University of California, San Francisco.

The Nominating and Corporate Governance Committee believes that Dr. Frost's scientific and operational experience, including his extensive experience as a medical researcher, his service as our Chief Executive Officer, his experience and expertise in biological molecules and the extracellular matrix and his deep knowledge of our company and the competitive environment, combined with his business acumen and judgment, provide our Board with valuable scientific and operational expertise and leadership skills, leading the Nominating and Corporate Governance Committee to determine that Dr. Frost should serve as one of our directors.

Connie L. Matsui. Ms. Matsui brings to our Board 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 (a predecessor of Biogen Idec) 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. The Nominating and Corporate Governance Committee believes that Ms. Matsui's operational experience, including her extensive knowledge of the biotechnology industry, her service in other public company management teams and her prior business experience, combined with her business acumen and judgment, provide our Board with valuable management and operational expertise and leadership skills, leading the Nominating and Corporate Governance Committee to determine that Ms. Matsui should serve as one of our directors.

Directors Elected to Continue in Office Until the 2014 Annual Meeting

Kathryn E. Falberg. Ms. Falberg contributes considerable healthcare industry knowledge, particularly in the areas of finance, accounting, business development and operations. Ms. Falberg has served as Executive Vice President and Chief Financial Officer of Jazz Pharmaceuticals, Inc. (Nasdaq: JAZZ) since March 2012 and Senior Vice President and Chief Financial Officer since December 2009. From 2001 through 2009, Ms Falberg worked with a number of smaller companies while serving as a corporate director and audit committee chair for several companies. From 1995 through 2001, Ms. Falberg was with Amgen, Inc., where she served as Senior Vice President, Finance and Strategy and Chief Financial Officer, and before that as Vice President, Controller and Chief Accounting Officer, and Vice President, Treasurer. Ms. Falberg received an M.B.A. and B.A. in Economics from the University of California, Los Angeles and is a Certified Public Accountant. Ms. Falberg currently serves on the Board and is Chair of the Audit Committee of Medivation, Inc. (Nasdaq: MDVN).

The Nominating and Corporate Governance Committee believes that Ms. Falberg's healthcare industry experience, including her extensive experience in finance, accounting and operations, her service in other public company management teams and her prior business experience, combined with her business acumen and judgment provide our Board with valuable financial, strategic and operational expertise and leadership skills, leading the Nominating and Corporate Governance Committee to determine that Ms. Falberg should serve as one of our directors.

Kenneth J. Kelley. Mr. Kelley brings 30 years of entrepreneurial, venture capital, operational and technical biotechnology experience to Halozyme. Mr. Kelley currently serves as the Chief Executive Officer 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 for 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 biotech and medical 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.

The Nominating and Corporate Governance Committee believes that Mr. Kelley's strategic and operational experience, including his extensive experience as a venture capitalist in the biotechnology industry and his prior executive management experience, combined with his business acumen and judgment provide our Board with valuable insight operational expertise and leadership skills, leading the Nominating and Corporate Governance Committee to determine that Mr. Kelley should serve as one of our directors.

Directors Elected to Continue in Office Until the 2015 Annual Meeting

Randal J. Kirk. Mr. Kirk provides our Board with a wealth of strategic, operational and management experience. Mr. Kirk currently serves as the Senior Managing Director and Chief Executive Officer of Third Security, LLC, an investment management firm founded by Mr. Kirk. Additionally, Mr. Kirk founded and became Chairman of the Board 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. Previously, 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, and as a member of the Board of Directors of Clinical Data, Inc. (previously traded on Nasdaq prior to its acquisition by Forest Laboratories, Inc. in April 2011) from September 2002 to April 2011, and was Chairman of the Board from December 2004 to April 2011. Mr. Kirk currently serves in a number of additional capacities including as a member of the Board of Directors of ZIOPHARM Oncology, Inc. (Nasdaq: ZIOP) since January 2011; as Chairman of the Board of Directors of Intrexon Corporation since February 2008 and Chief Executive Officer since April 2009. Mr. Kirk served on the Board of Visitors of Radford University from July 2003 to June 2009, was Rector of the Board from September 2006 to September 2008, and served on the Board of Directors of the Radford University Foundation, Inc. from September 1998 to May 2011. He served on the Board of Visitors of the University of Virginia and Affiliated Schools from July 2009 to October 2012, on the Virginia Advisory Council on Revenue Estimates from July 2006 to October 2012 and on the Governor's Economic Development and Jobs Creation Commission from April 2010 to October 2012. Mr. Kirk received a B.A. in Business from Radford University and a J.D. from the University

of Virginia.

4

The Nominating and Corporate Governance Committee believes that Mr. Kirk's business experience, including his extensive business experience as chief executive officer of multiple companies, his experience as an investor, his service on committees of academic institutions and other public company boards, combined with his business acumen and judgment, provide our Board with valuable strategic and operational expertise and leadership skills, leading the Nominating and Corporate Governance Committee to determine that Mr. Kirk should serve as one of our directors.

John S. Patton, Ph.D. Dr. Patton brings to our Board extensive scientific and operational experience in the biotechnology industry. Dr. Patton is currently the President and Chief Executive Officer of Dance Pharmaceuticals as well as the Executive Chairman of InCarda Therapeutics, Inc. 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.

The Nominating and Corporate Governance Committee believes that Dr. Patton's scientific and operational experience, including his extensive experience as a medical researcher and his experience and expertise in drug delivery and medical devices, combined with his business acumen and judgment, provide our Board with valuable scientific and operational expertise and leadership skills, leading the Nominating and Corporate Governance Committee to determine that Dr. Patton should serve as one of our directors.

CORPORATE GOVERNANCE

Director Independence

The Board of Directors (or “Board”) has determined that, other than Dr. Frost and Mr. Kirk, each of the members of the Board of Directors is an independent director for purposes of the listing requirements of the Nasdaq Marketplace Rules. Dr. Frost is the President and Chief Executive Officer of Halozyme.

Board Leadership

In December 2005, the Board decided to separate the Chief Executive Officer and Board Chair positions. The Board's objectives in separating these positions were to: (i) provide a stronger corporate governance structure; (ii) improve overall Board effectiveness; and (iii) enhance communication between management and the Board. Mr. Kelley has served as the non-management Chair of the Board since December 2005.

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, 2012. The Board of Directors has three committees: (i) Audit Committee; (ii) Compensation Committee; and (iii) Nominating and Corporate 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), Robert L. Engler, M.D. and Kenneth J. Kelley. 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.halozyme.com. The primary purpose of the Audit Committee is to oversee our accounting and financial reporting processes and the functions of the Audit Committee include retaining our independent registered public accounting firm, reviewing its independence, reviewing and approving the planned scope of its annual audit, reviewing and approving any fee arrangements with our independent registered public accounting firm, overseeing its audit work, reviewing and pre-approving any non-audit services that may be performed by the independent registered public accounting firm, reviewing the adequacy of our accounting and financial controls, reviewing our critical accounting policies and reviewing and approving any related party transactions. The Audit Committee held five meetings during the fiscal year ended December 31, 2012.

Additional information regarding the Audit Committee is set forth in the Report of the Audit Committee immediately following Proposal No. 5.

Compensation Committee

The members of the Compensation Committee are Connie L. Matsui (Chair), Kathryn E. Falberg and John S. Patton, Ph.D. 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.halozyme.com. 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 makes recommendations to the full Board of Directors for the salary and bonus earned by the Chief Executive Officer and other executive officers; approves stock option grants to executive officers; approves employment and severance agreements of

executive officers; and reviews the compensation of outside directors for service on the Board of Directors and its committees. The Compensation Committee held five meetings during the fiscal year ended December 31, 2012.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Robert L. Engler, M.D. (Chair), Connie L. Matsui and Kenneth J. Kelley. All members of the Nominating and Corporate Governance Committee satisfy the independence requirements established by the Nasdaq Marketplace Rules. The Nominating and Corporate Governance Committee operates under a written charter that is available on our website at: www.halozyyme.com. The primary responsibilities of the Nominating and Corporate 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 Corporate Governance Committee held four meetings during the fiscal year ended December 31, 2012.

The Nominating and Corporate 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 Corporate Governance Committee believes that at least one member of the Board should meet the criteria for an "audit committee financial expert" as defined by SEC rules, and that a majority of the members of the Board should meet the definition of "independent director" under the Nasdaq Marketplace Rules. The Nominating and Corporate Governance Committee also believes it is appropriate for at least one key member of management to participate as a member of the Board.

While we do not have a formal diversity policy, our Board of Directors believes that our Board should have diversity of knowledge base, professional experience and skills, and takes age, gender and ethnic background into account when considering director nominees. 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 Corporate 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 Corporate 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 Corporate Governance Committee will consider qualified director candidates suggested by our stockholders. Stockholders may recommend individuals for the Nominating and Corporate Governance Committee to consider as potential director candidates by submitting the candidate's name, contact information and biographical information in writing to the "Halozyyme Nominating and Corporate 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 Corporate 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 Corporate 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 Corporate 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.

Risk Management

Our Board is responsible for reviewing and assessing business enterprise risk and other major risks facing the company, and evaluating management's approach to addressing such risks. Periodically, our Board reviews key risks facing the company, plans for addressing these risks and the company's risk management practices overall. In connection with these reviews, our

Board members rely on information from external sources as well as on their individual experiences identifying and managing business enterprise risk for other entities both within and outside of our industry. In addition, the committees of our Board consider and address risk as they perform their respective committee responsibilities. For example, financial risks are overseen by our Audit Committee and our Compensation Committee periodically reviews the most important enterprise risks to ensure that our compensation programs do not encourage excessive risk-taking. All committees report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise risk.

Our senior management team is responsible for day-to-day risk management and regularly reports on risks to our full Board or a relevant committee. Our legal, finance and regulatory areas serve as the primary monitoring and evaluation function for company-wide policies and procedures, and manage the day-to-day oversight of the risk management strategy for our business. This oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, compliance and reporting levels.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing our company and that the leadership structure of our Board supports this approach.

Communications with Directors

Any stockholder who desires to contact any members of our Board of Directors may do so by writing to the “Halozyme 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 directly contact an independent member of our Board of Directors 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 Engler, Falberg, Frost, Kelley and Matsui attended our annual meeting of stockholders in 2012.

Code of Conduct and Ethics

The Board has adopted a Code of Conduct and Ethics and Corporate Governance Guidelines that apply to all of our employees, officers and directors. Copies of these documents are currently available on our website at: www.halozyme.com. Amendments to or waivers of our Code of Conduct and Ethics granted to any of our directors or executive officers will be published promptly on our web site.

www.halozyme.com

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

PROPOSAL NO. 2
ADVISORY (NON-BINDING) VOTE
ON EXECUTIVE COMPENSATION (SAY-ON-PAY)

Background

The advisory vote on executive compensation is a non-binding vote on the compensation of our “Named Executive Officers,” as described in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure, set forth in this Proxy Statement. Please read the Compensation Discussion and Analysis section starting on page 23 of this Proxy Statement for a detailed discussion about our executive compensation programs, including information about the fiscal 2012 compensation of our Named Executive Officers.

The advisory vote on executive compensation is not a vote on our general compensation policies, the compensation of our Board of Directors, or our compensation policies as they relate to risk management. The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that we hold the advisory vote on executive compensation at least once every three years. Following our 2011 annual meeting, upon the recommendation of our stockholders, our board of directors determined that we will hold the advisory vote on executive compensation annually until the next required non-binding stockholder advisory vote on the frequency of the stockholder non-binding advisory vote on the compensation of our Named Executive Officers, which will occur no later than our 2017 Annual Meeting of the Stockholders.

We have many compensation practices that ensure consistent leadership, decision-making and actions without taking inappropriate or unnecessary risks. Most importantly our compensation practices are intended to align management with the interests of stockholders. The practices are discussed in detail in the Compensation Discussion and Analysis section starting on page 23 of this Proxy Statement and have the following objectives:

• Compensation structure balances both long and short term incentives.

• Both long term and short term pay are based on the achievement of corporate and various individual objectives.

• Annual cash incentives are tied directly to stockholder value creation and achievement of corporate goals.

• Equity incentive awards are based upon the accomplishment of individual performance criteria and subject to certain minimum thresholds.

The vote solicited by this Proposal No. 2 is advisory, and therefore is not binding on the company, our Board of Directors or our Compensation Committee, nor will its outcome require the company, our Board of Directors or our Compensation Committee to take any action. Moreover, the outcome of the vote will not be construed as overruling any decision by the company, the Board or the Compensation Committee.

Furthermore, because this non-binding, advisory resolution primarily relates to the compensation of our Named Executive Officers that has already been paid or contractually committed, there is generally no opportunity for us to revisit these decisions. However, our Board, including our Compensation Committee, values the opinions of our stockholders and, to the extent there is any significant vote against the executive officer compensation as disclosed in this Proxy Statement, we will consider our stockholders' concerns and evaluate what actions, if any, may be appropriate to address those concerns.

Stockholders will be asked at the Annual Meeting to approve the following resolution pursuant to this Proposal No. 2: RESOLVED, that the stockholders of Halozyme Therapeutics, Inc. approve, on an advisory basis, the compensation of the company's Named Executive Officers, disclosed pursuant to Item 402 of Regulation S-K in the company's Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders.

Vote Required

Approval of this resolution requires the affirmative vote of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter. Abstentions will be treated as votes “against” the proposal. Broker non-votes will have no effect on the outcome of the vote.

Recommendation

The Board of Directors believes that the compensation of our Named Executive Officers, as described in the Compensation Discussion and Analysis and the tabular disclosures under the heading “Executive Compensation and Related Information” is appropriate for the reasons stated above. Therefore, the Board unanimously recommends a vote “FOR” approval of the compensation for our Named Executive Officers.

PROPOSAL NO. 3

APPROVAL OF THE AMENDMENT AND RESTATEMENT
OF THE HALOZYME THERAPEUTICS, INC.
2011 STOCK PLAN

On May 5, 2011, the stockholders approved our proposed 2011 Stock Plan (the “2011 Plan”). The 2011 Plan replaced our prior stock plans, consisting of our 2008 Stock Plan, 2006 Stock Plan and 2004 Stock Plan (each, a “Prior Plan”). The Prior Plans were terminated such that no additional awards could be granted thereunder. The terms of the Prior Plans remain in effect with respect to outstanding awards until they are exercised, settled, forfeited or otherwise canceled in full. No new awards have been made under those Prior Plans after May 5, 2011.

Our board of directors has approved an amendment and restatement of the 2011 Plan (as amended and restated, the “Amended and Restated 2011 Plan”), subject to the approval of our stockholders. The Amended and Restated 2011 Plan includes two material amendments:

The Amended and Restated 2011 Plan includes an increase in the share pool available for awards under the plan by 6,500,000 shares so that we can continue to provide appropriate equity-based incentive compensation to our employees, directors and consultants. The initial share pool available for awards under the 2011 Plan was 6,000,000 shares. The revised share pool available for awards under the Amended and Restated 2011 Plan is 12,500,000 shares.

The Amended and Restated 2011 Plan includes an increase in the limit on “Full Value Awards” that may be granted by 2,000,000 shares, from 4,000,000 shares to 6,000,000 shares. “Full Value Awards” are stock awards, restricted stock awards, restricted stock unit awards and performance awards.

The Amended and Restated 2011 Plan will become effective upon its approval by the stockholders at the annual meeting. If the Amended and Restated 2011 Plan is not approved by our stockholders, the 2011 Plan as previously approved by stockholders will remain in effect, but it will have very few shares available for grant and will not allow us to continue our broad-based equity compensation programs.

We believe that appropriate equity incentives are critical to attracting and retaining the best employees in our industry. The approval of this proposal will enable us to continue to provide such incentives, which have become a standard element of compensation for companies in the biopharmaceutical industry. Our Board of Directors believes that the benefits of maintaining our ability to continue granting equity incentives as part of a competitive compensation package outweigh the potential dilutive effect of the additional shares available for issuance under the Amended and Restated 2011 Plan.

Key Features Designed to Protect Stockholders' Interests

The design of the Amended and Restated 2011 Plan reflects our commitment to strong corporate governance and the desire to preserve stockholder value as demonstrated by the following features of the plan:

• Independent administrator. The Compensation Committee of the Board of Directors, which is comprised solely of non-employee directors will be the administrator of the Amended and Restated 2011 Plan.

No evergreen feature. The maximum number of shares available for issuance under the Amended and Restated 2011 Plan is fixed and cannot be increased without stockholder approval. In addition, the Amended and Restated 2011 Plan expires by its terms on a specified date.

Repricing and reloading prohibited. Stockholder approval is required for any repricing, replacement, or buyout of underwater awards. In addition, no new awards are granted automatically upon the exercise or settlement of any outstanding award.

• No recycling of payment shares. The Amended and Restated 2011 Plan counts shares withheld or reacquired by us in payment of the exercise price or withholding tax against the available share pool.

No discount awards; maximum term specified. Stock options and stock appreciation rights must have an exercise price or base price no less than the closing price of our common stock on the date the award is granted and a term no longer than ten years' duration.

Per-participant limits on awards. The Amended and Restated 2011 Plan limits the size of awards that may be granted during any one year to any one participant.

Award design flexibility. Different kinds of awards may be granted under the Amended and Restated 2011 Plan, giving us the flexibility to design our equity incentives to compliment the other elements of compensation and to support the attainment of our strategic goals.

No liberal definition of change in control. The Amended and Restated 2011 Plan's definition of a change-in-control transaction ensures that any award benefits triggered by such a transaction are contingent upon the actual consummation of the transaction, not merely its approval by the Board of Directors or stockholders.

The Board of Directors has full discretion to determine the number of awards to be granted to participants under the Amended and Restated 2011 Plan, subject to an annual limitation on the total number of awards that may be granted to any employee. Prior to the 2013 annual meeting, we will not grant any awards under the Amended and Restated 2011 Plan.

Summary of the Amended and Restated 2011 Plan

The following is a summary of the material terms of the Amended and Restated 2011 Plan. It is qualified in its entirety by the specific language of the Amended and Restated 2011 Plan, a copy of which is included in this Proxy Statement as Appendix I.

General. The Amended and Restated 2011 Plan provides for the grant of incentive and nonstatutory stock options as well as stock appreciation rights, stock awards, restricted stock, restricted stock units, performance units, and performance shares. Incentive stock options granted under the Amended and Restated 2011 Plan are intended to qualify as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). Nonstatutory stock options granted under the Amended and Restated 2011 Plan are not intended to qualify as incentive stock options under the Code.

Purpose. The purpose of the Amended and Restated 2011 Plan is to advance the interests of the company and our stockholders by providing an incentive to attract and retain persons eligible to receive awards under the Amended and Restated 2011 Plan and by motivating such persons to contribute to our growth and profitability.

Administration. The Amended and Restated 2011 Plan is administered by the Compensation Committee, any other committee designated by the Board of Directors, or, if no committee is designated, the Board of Directors. As used herein with respect to the Amended and Restated 2011 Plan, the "Board" refers to the Compensation Committee, or any other committee designated by the Board of Directors, as well as to the Board of Directors itself. The Board has the power to construe and interpret the Amended and Restated 2011 Plan and, subject to the provisions of the Amended and Restated 2011 Plan, to determine the persons to whom and the dates on which awards will be granted, the number of shares to be subject to each award, the time or times during the term of each award within which all or a portion of such award vests or becomes exercisable, the exercise price, the type of consideration to be paid, if any, upon exercise of an award, and other terms of the award.

Stock Subject to the Amended and Restated 2011 Plan. Shares issuable under the Amended and Restated 2011 Plan will consist of authorized but unissued or reacquired shares of our common stock. The maximum number of shares of our common stock that may be issued under the Amended and Restated 2011 Plan is 12,500,000 shares. That maximum will be proportionately adjusted, however, in the event of a stock split or similar change in our capitalization. If an outstanding award granted under the Amended and Restated 2011 Plan for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares acquired pursuant to an award granted under the Amended and Restated 2011 Plan that are subject to forfeiture or repurchase are forfeited or repurchased by us, the shares allocable to the terminated portion of such award or such forfeited or repurchased shares shall restore to the Amended and Restated 2011 Plan and be available for issuance under the Amended and Restated 2011 Plan. In the event that a stock appreciation right's appreciation value is settled in shares of the company's common stock, the unissued shares that are subject to the stock appreciation right to measure its

appreciation value shall not be restored to the Amended and Restated 2011 Plan or otherwise be made available for future issuance under the Amended and Restated 2011 Plan. Shares will not be counted as having been issued pursuant to the Amended and Restated 2011 Plan with respect to any portion of an award that is settled in cash. In general, no more than 6,000,000 shares of the company's common stock may be issued under the Amended and Restated 2011 Plan pursuant to stock awards, restricted stock awards, restricted stock unit awards and performance awards.

Eligibility. Awards other than incentive stock options generally may be granted to employees, directors and consultants of the company. An incentive stock option can only be granted to a person who, on the effective date of grant, is an employee of the company, a parent corporation or a subsidiary corporation. As of March 1, 2013, approximately 152 employees and 6 non-employee directors of the board were eligible to receive grants under the 2011 Plan.

No incentive stock options may be granted under the Amended and Restated 2011 Plan to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of the company, or any of its parent or subsidiary corporations, unless the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and the term of the option does not exceed 5 years from the date of grant. The aggregate fair market value, determined at the time of grant, of the shares of common stock with respect to which incentive stock options granted under the Amended and Restated 2011 Plan are exercisable for the first time by an optionee during any calendar year (under all such plans of the company and its parent and subsidiary corporations) may not exceed \$100,000. In order to permit awards to qualify as “performance-based compensation” under Section 162(m) of the Code (“Section 162(m)”), no employee may be granted awards under the Amended and Restated 2011 Plan in excess of the following in each fiscal year of the company:

Stock options and stock appreciation rights: No more than 1,000,000 shares; provided, however, that such maximum number shall be 2,000,000 shares with respect to any individual during the first fiscal year that the individual is employed with Halozyme.

Restricted stock and restricted stock unit awards having vesting based upon the attainment of performance goals: No more than 500,000 shares; provided, however, that such maximum number shall be 1,000,000 shares with respect to any individual during the first fiscal year that the individual is employed with Halozyme.

Performance share awards: No more than 500,000 shares for each full fiscal year contained in the performance period of the award.

Performance unit awards: No more than 500,000 for each full fiscal year contained in the performance period of the award.

Stock Options and Stock Appreciation Rights

The following is a description of the general terms of stock options and stock appreciation rights under the Amended and Restated 2011 Plan. Individual grants may have terms that differ from those described below.

Exercise Price; Payment. The exercise price of incentive stock options under the Amended and Restated 2011 Plan may not be less than the fair market value of the common stock subject to the option on the date of the option grant, and in some cases (see “Eligibility” above), may not be less than 110% of such fair market value. The exercise price of nonstatutory stock options and stock appreciation rights may not be less than the fair market value of the stock subject to the award on the date of the option grant. On March 1, 2013, the closing price of the company's common stock as reported on the Nasdaq Global Market was \$5.51 per share. The exercise price of options granted under the Amended and Restated 2011 Plan may be paid: (i) in cash, by check or cash equivalent, (ii) by tender to the company, or attestation to the ownership of shares of common stock of the company owned by the optionee having a fair market value not less than the exercise price, (iii) by broker-assisted cashless exercise, (iv) to the extent permitted by the Board, in its sole discretion, by net share settlement (other than for incentive stock options, unless the optionee consents to converting the option to a nonstatutory stock option), (v) in any other form of legal consideration acceptable to the Board, or (vi) any combination of the above.

No Repricing. The Amended and Restated 2011 Plan does not permit the company to lower the exercise price of options or base price of stock appreciation rights or to exchange options or stock appreciation rights for awards with a lower exercise or base price without further stockholder approval.

Exercise. Options and stock appreciation rights granted under the Amended and Restated 2011 Plan may become exercisable (“vest”) in cumulative increments as determined by the Board provided that the holder's employment by, or service as a director or consultant to, the company or certain related entities or designated affiliates (“service”) continues from the date of grant until the applicable vesting date. Shares covered by awards granted under the Amended and Restated 2011 Plan may be subject to different vesting terms. The Board has the power to accelerate the time during which an award may be exercised.

Term. The maximum term of options and stock appreciation rights under the Amended and Restated 2011 Plan is ten years. The Amended and Restated 2011 Plan provides for earlier termination of an award due to the holder's cessation of service.

Restrictions on Transfer. Incentive stock options granted under the Amended and Restated 2011 Plan may not be transferred except by will or by the laws of descent and distribution, and may be exercised during the lifetime of the person to whom the option is granted only by such person. A nonstatutory stock option or stock appreciation right is not transferable in any manner other than (i) by will or by the laws of descent and distribution, (ii) by written designation of a beneficiary taking effect upon the death of the optionee, (iii) by delivering written notice to the company that the optionee will be gifting to certain family members or other specific entities controlled by or for the benefit of such family members, and such other transferees as the Board may approve.

Restricted Stock Units

The Board may grant restricted stock units under the Amended and Restated 2011 Plan that represent a right to receive shares of our common stock at a future date determined in accordance with the participant's award agreement. No monetary payment is required for receipt of restricted stock units or the shares issued in settlement of the award, the consideration for which is furnished in the form of the participant's services to the company. The Board may grant restricted stock unit awards subject to the attainment of one or more performance goals similar to those described below in connection with performance awards, or may make the awards subject to vesting conditions similar to those applicable to restricted stock awards. Unless otherwise provided by the Board, a participant will forfeit any restricted stock units which have not vested prior to the participant's termination of service. Participants have no voting rights or rights to receive cash dividends with respect to restricted stock unit awards until shares of common stock are issued in settlement of such awards. However, the Board may grant restricted stock units that entitle their holders to receive dividend equivalents. A dividend equivalent may be paid in cash or in the form of additional restricted stock units for a number of shares whose value is equal to any cash dividends we pay.

Stock and Restricted Stock Awards

The Board may grant stock awards, with or without restrictions, under the Amended and Restated 2011 Plan either in the form of a stock purchase right, giving a participant an immediate right to purchase common stock, or in the form of a stock bonus, for which the participant furnishes consideration in the form of services to the company. The Board determines the purchase price payable under stock purchase awards, which may be less than the then current fair market value of our common stock. Restricted stock awards may be subject to vesting conditions based on such service or performance criteria as the Board specifies, including the attainment of one or more performance goals similar to those described below in connection with performance awards. Shares acquired pursuant to a restricted stock award may not be transferred by the participant until vested. Unless otherwise provided by the Board, a participant will forfeit any shares of restricted stock as to which the restrictions have not lapsed prior to the participant's termination of service. Participants holding restricted stock will generally have the right to vote the shares and to receive any dividends paid, except that dividends or other distributions paid in shares will be subject to the same restrictions as the original award.

Performance Awards

The Board may grant stock-based performance awards subject to such conditions and the attainment of such performance goals over such periods as the Board determines in writing and sets forth in a written agreement between the company and the participant. To the extent compliance with Section 162(m) of the Code is desired, a committee comprised solely of “outside directors” under Section 162(m) shall act with respect to performance awards. Performance awards may be designated as performance shares or performance units. Performance units are unfunded bookkeeping entries generally having an initial value equal to the fair market value, determined on the grant date, of a share of common stock. Performance awards will specify a predetermined amount of performance shares or performance units that may be earned by the participant to the extent that one or more predetermined performance goals are attained within a predetermined performance period. To the extent earned, performance awards may be settled in cash, shares of common stock (including shares of restricted stock) or any combination thereof.

Prior to the beginning of the applicable performance period or such later date as permitted under Section 162(m), the Board will establish one or more performance goals applicable to the award. Performance goals will be based on the attainment of specified target levels with respect to one or more measures of business or financial performance of the company and each subsidiary corporation consolidated with the company for financial reporting purposes, or such division or business unit of the company as may be selected by the Board. The Board, in its discretion, may base performance goals on one or more of the following such measures:

Earnings or Profitability Metrics: including, but not limited to, sales revenue; revenue under collaborative agreements; earnings/loss (gross, operating, net, or adjusted); earnings/loss before interest and taxes (“EBIT”); earnings/loss before interest, taxes, depreciation and amortization (“EBITDA”); profit margin; operating margin; income (gross, operating or net); expense levels or ratios; in each case adjusted to eliminate the effect of any one or more of the following: interest expense, asset impairments, stock-based compensation expense, changes in generally accepted accounting principles or critical accounting policies, or other extraordinary or non-recurring items, as specified by the Board when establishing the performance goals;

Return Metrics: including, but not limited to, return on investment, assets, equity or capital (total or invested);

Cash Flow Metrics: including, but not limited to, operating cash flow; cash flow sufficient to achieve financial ratios or a specified cash balance; free cash flow; cash flow return on capital; net cash provided by operating activities; cash flow per share; working capital;

Liquidity Metrics: including, but not limited to, debt reduction; extension of maturity dates of outstanding debt; debt leverage (debt to capital, net debt-to-capital, debt-to-EBITDA or other liquidity ratios) or access to capital; debt ratings; total or net debt; other similar measures approved by the Board;

Stock Price and Equity Metrics: including, but not limited to, return on stockholders' equity; total stockholder return; revenue (gross, operating or net); revenue growth; stock price; stock price appreciation; market price of stock; market capitalization; earnings/loss per share (basic or diluted) (before or after taxes); price-to-earnings ratio; and

Strategic Metrics: including, but not limited to, product research and development; completion of an identified special project; clinical trials; regulatory filings or approvals; patent application or issuance; manufacturing or process development; total or net sales; market share; market penetration; economic value added; customer service; customer satisfaction; inventory control; balance of cash, cash equivalents and marketable securities; growth in assets; key hires; employee satisfaction; employee retention; business expansion; acquisitions, divestitures, joint ventures or financing; legal compliance, safety, or risk reduction; or such other measures as determined by the Board.

The target levels with respect to these performance measures may be expressed on an absolute basis or relative to a standard specified by the Board. The degree of attainment of performance measures will be calculated in accordance with generally accepted accounting principles, but prior to the accrual or payment of any performance award for the same performance period, and, according to criteria established by the Board, excluding the effect (whether positive or negative) of changes in accounting standards occurring after the establishment of the performance goals applicable to a performance award.

Following completion of the applicable performance period, the Board will certify in writing the extent to which the applicable performance goals have been attained and the resulting value to be paid to the participant. The Board retains the discretion to eliminate or reduce, but not increase, the amount that would otherwise be payable on the basis of the performance goals attained to a participant who is a “covered employee” within the meaning of Section 162(m). However, no such reduction may increase the amount paid to any other participant. The Board may make positive or negative adjustments to award payments to participants other than covered employees to reflect the participant's individual job performance or other factors determined by the Board. In its discretion, the Board may provide for the accrual of dividend equivalents to a participant awarded performance shares or units with respect to cash dividends paid on the company's common stock, with such dividend equivalents becoming payable if and when the performance shares or units are earned. The Board may provide for award payments in lump sums or installments.

Unless otherwise provided by the Board, if a participant's service terminates for any reason, including the participant's death or disability prior to completion of the applicable performance period, the final award value will be determined at the end of the performance period on the basis of the performance goals attained during the entire performance period but will be prorated for the number of months of the participant's service during the performance period. No performance award may be sold or transferred other than by will or the laws of descent and distribution prior to the end of the applicable performance period.

Effect of Certain Corporate Events

In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the company, appropriate adjustments will be made in the number and class of shares subject to the Amended and Restated 2011 Plan and to any outstanding awards, in the aggregate and Section 162(m) per-employee grant limits (see “Federal Income Tax Information - Potential Limitation on Company Deductions,” below), and in the exercise price per share of any outstanding awards. Any fractional share resulting from an adjustment will be rounded down to the nearest whole number, and at no time will the exercise price of any option or stock appreciation right be decreased to an amount less than par value of the stock subject to the award.

If a change in control occurs, the surviving, continuing, successor or purchasing corporation or parent corporation thereof may either assume the company's rights and obligations under the outstanding awards or substitute substantially equivalent awards for such corporation's stock. Awards that are not assumed, replaced or exercised prior to the change in control will terminate. The Board may grant awards that will accelerate in connection with a change in control. The acceleration of an award in the event of an acquisition or similar corporate event may be viewed as an anti-takeover provision, which may have the effect of discouraging a proposal to acquire or otherwise obtain control of the company.

Duration, Amendment and Termination

The Board may amend or terminate the Amended and Restated 2011 Plan at any time. If not earlier terminated, the Amended and Restated 2011 Plan will expire on March 9, 2021.

The Board may also amend the Amended and Restated 2011 Plan at any time or from time to time. However, no amendment authorized by the Board will be effective unless approved by the stockholders of the company if the amendment would: (i) increase the number of shares reserved for awards under the Amended and Restated 2011 Plan; (ii) change the (a) class of persons eligible to receive incentive stock options, (b) prohibition on repricing and reloading of options, (c) limits on shares subject to stock awards, restricted stock awards, restricted stock unit awards, and performance awards (including those intended to qualify as “performance-based compensation” under Section 162(m)), (d) minimum exercise price, maximum term, and vesting period of options or stock appreciation rights, or (e) limitation on the vesting conditions applicable to restricted stock or restricted stock unit awards; or (iii) modify the Amended and Restated 2011 Plan in any other way if such modification requires stockholder approval under applicable law, regulation or rule.

Incentive Plan Benefits

Future Awards: The granting of awards under the 2011 Plan is subject to the discretion of the Compensation Committee, so the benefits or amounts that any participant or group of participants may receive in the future under the 2011 Plan are not currently determinable.

Past Awards: The aggregate numbers of shares of common stock made subject to awards granted to certain persons and groups under the 2011 Plan since its inception in May 2011 are as follows: (1) Gregory I. Frost, President and Chief Executive Officer, 318,065 shares; (2) Kurt A. Gustafson, Vice President and Chief Financial Officer, 272,471 shares; (3) James P. Shaffer, Vice President and Chief Commercial Officer, 386,020 shares; (4) H. Michael Shepard, Vice President and Chief Scientific Officer, 234,444 shares; (5) Jean I. Liu, Vice President, General Counsel and Secretary, 349,444 shares; (6) all current executive officers as a group, an aggregate of 1,560,444 shares; ; and (7) all employees, including current officers who are not executive officers, as a group, an aggregate of 3,841,848 shares. No awards were granted from the 2011 Plan to the current directors who are not executive officers.

U.S. Federal Income Tax Information

Incentive Stock Options. An optionee recognizes no taxable income for regular income tax purposes as the result of the grant or exercise of an incentive stock option. Optionees who do not dispose of their shares for two years following the date the incentive stock option was granted or within one year following the exercise of the option will normally recognize a long-term capital gain or loss equal to the difference, if any, between the sale price and the purchase price of the shares. If an optionee satisfies both such holding periods upon a sale of the shares, the company will not be entitled to any deduction for federal income tax purposes. If an optionee disposes of shares either within two years after the date of grant or within one year from the date of exercise (referred to as a “disqualifying disposition”), the difference between the fair market value of the shares on the exercise date and the option exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. A capital gain or loss will be long-term if the optionee's holding period is more than 12 months. Any ordinary income recognized by the optionee upon the disqualifying disposition of the shares generally should be deductible by the company for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code or the regulations thereunder. The difference between the option exercise price and the fair market value of the shares on the exercise date of an incentive stock option is an adjustment in computing the optionee's alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the regular tax for the year. Special rules may apply with respect to certain subsequent sales of the shares in a disqualifying disposition, certain basis adjustments for purposes of computing the alternative minimum taxable income on a subsequent sale of the shares and certain tax credits which may arise with respect to optionees subject to the alternative minimum tax.

Nonstatutory Stock Options and Stock Appreciation Rights. Nonstatutory stock options and stock appreciation rights have no special tax status. A holder of these awards generally does not recognize taxable income as the result of the grant of such award. Upon exercise of a nonstatutory stock option or stock appreciation right, the holder normally recognizes ordinary income in an amount equal to the difference between the exercise price and the fair market value of the shares on the exercise date. If the holder is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of stock acquired by the exercise of a nonstatutory stock option or stock appreciation right, any gain or loss, based on the difference between the sale price and the fair market value on the exercise date, will be taxed as capital gain or loss. A capital gain or loss will be long-term if the holding period of the shares is more than 12 months. The company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the optionee as a result of the exercise of a nonstatutory stock option or stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code or the regulations thereunder. No tax deduction is available to the company with respect to the grant of a nonstatutory stock option or stock appreciation right or the sale of the stock acquired pursuant to such grant.

Restricted Stock. A participant acquiring restricted stock generally will recognize ordinary income equal to the fair market value of the shares on the “determination date.” The “determination date” is the date on which the participant acquires the shares unless the shares are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date is after the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to have the

date of acquisition be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date on which the shares are acquired. If the participant is an employee, such ordinary income generally is subject to withholding of income and

17

employment taxes. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

Performance Awards and Restricted Stock Unit Awards. A participant generally will recognize no income upon the receipt of a performance share, performance unit, or restricted stock unit award. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of receipt in an amount equal to the cash received and the fair market value of any substantially vested shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described above (see discussion under “Restricted Stock”). Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value on the “determination date” (as defined above under “Restricted Stock”), will be taxed as capital gain or loss. The company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

Potential Limitation on Company Deductions. Section 162(m) denies a deduction to the company for compensation paid to certain employees in a taxable year to the extent that compensation exceeds \$1 million for a covered employee. It is possible that compensation attributable to any type of award granted under the plan, when combined with all other types of compensation received by a covered employee from the company, may cause this limitation to be exceeded in any particular year. Certain kinds of compensation, including qualified “performance-based compensation,” are disregarded for purposes of the deduction limitation. In accordance with applicable regulations issued under Section 162(m), compensation attributable to stock options and stock appreciation rights will qualify as performance-based compensation, provided that: (i) the option plan contains a per-employee limitation on the number of shares for which options or stock appreciation rights may be granted during a specified period, (ii) the per-employee limitation is approved by the stockholders, (iii) the option is granted by a Compensation Committee comprised solely of “outside directors” (as defined in Section 162(m)) and (iv) the exercise price of the option or right is no less than the fair market value of the stock on the date of grant.

For the aforementioned reasons, the Amended and Restated 2011 Plan provides for an annual per-employee limitation as required under Section 162(m) and the company's Compensation Committee is comprised solely of outside directors. Accordingly, options or stock appreciation rights granted by the Compensation Committee should qualify as performance-based compensation, and the other awards subject to performance goals may qualify. Nevertheless, the Compensation Committee may choose to grant awards under the 2011 Plan that do not give rise to qualified performance-based compensation under Section 162(m) if the Compensation Committee feels it is in the interest of the company to do so.

Other Tax Consequences. The foregoing discussion is intended to be a general summary only of the federal income tax aspects of awards granted under the Amended and Restated 2011 Plan; tax consequences may vary depending on the particular circumstances at hand. In addition, administrative and judicial interpretations of the application of the federal income tax laws are subject to change. Furthermore, no information is given with respect to state or local taxes that may be applicable. Participants in the Amended and Restated 2011 Plan who are residents of or are employed in a country other than the United States may be subject to taxation in accordance with the tax laws of that particular country in addition to or in lieu of United States federal income taxes.

Vote Required

Approval of this proposal would require the affirmative vote of a majority of the votes cast at the annual meeting of stockholders. Abstentions and broker non-votes will have no effect on the outcome of this Proposal.

Board of Directors Recommendation

The Board believes that the approval of the amendment and restatement of the 2011 Plan is in the best interests of Halozyme and its stockholders for the reasons stated above. Therefore, the Board unanimously recommends a vote “FOR” approval of the amendment and restatement of the 2011 Plan.

PROPOSAL NO. 4

APPROVAL OF INCREASE IN NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

The Board of Directors is requesting stockholder approval of an amendment to our Certificate of Incorporation to increase our authorized number of shares of common stock from 150,000,000 shares to 200,000,000 shares.

The additional common stock that would be authorized by adoption of the amendment would have rights identical to our currently outstanding shares of common stock. Adoption of the proposed amendment and any future issuance of the common stock would not affect the rights of the holders of our currently outstanding common stock, except for effects incidental to the increase in the number of shares of our common stock outstanding, such as dilution of the per share operating results and the voting rights of current holders of our common stock. If the amendment is adopted, it will become effective upon filing a Certificate of Amendment of our Certificate of Incorporation with the Secretary of State of the State of Delaware.

In addition to the 113,122,900 shares of common stock outstanding on March 1, 2013, the Board has reserved 8,478,886 shares for issuance upon exercise of stock options and other equity awards that were outstanding on March 1, 2013 and 7,357,459 shares for future issuances and grants made under our equity incentive plans (including the 6,500,000 shares proposed to be added to our 2011 Stock Plan if our stockholders approve Proposal 3). As a result, without this proposed increase there would be only 21,040,755 shares of common stock available for issuance for other purposes.

Although at present the Board of Directors has no other plans to issue the additional shares of common stock, the Board believes it would be prudent and advisable to have those shares available to provide additional flexibility regarding the potential use of shares of common stock for business and financial purposes in the future. The additional shares could be used for various purposes without further stockholder approval. These purposes may include: raising capital; providing equity incentives to employees, officers or directors; establishing strategic relationships with other companies; expanding our business or product lines through the acquisition of other businesses or products; and other purposes.

The additional shares of common stock that would become available for issuance if the proposal is adopted could also be used by us to oppose a hostile takeover attempt or to delay or prevent changes in control or management of the company. For example, without further stockholder approval, the Board of Directors could strategically sell shares of common stock in a private transaction to purchasers who would oppose a takeover or favor the current Board of Directors. Although this proposal to increase the authorized common stock has been prompted by business and financial considerations and not by the threat of any hostile takeover attempt (nor is the Board of Directors aware of any such attempts directed at us), stockholders should be aware that approval of this proposal could facilitate future efforts by the company to deter or prevent changes in control of the company, including transactions in which the stockholders might otherwise receive a premium for their shares over then current market prices.

The affirmative vote of the holders of a majority of the outstanding shares of our common stock will be required to approve this amendment to our Certificate of Incorporation. As a result, abstentions and any broker non-votes will have the same effect as negative votes.

If this proposal is approved and the amendment becomes effective, the first paragraph of Article Fourth of our Certificate of Incorporation, which sets forth our currently authorized capital stock, will be amended to read in its entirety as follows:

The Corporation is authorized to issue two classes of stock, to be designated "Common Stock," with a par value of \$0.001 per share, and "Preferred Stock," with a par value of \$0.001 per share. The total number of shares of Common Stock that the Corporation shall have the authority to issue is 200,000,000 and the total number of shares of Preferred Stock that the Corporation shall have the authority to issue is 20,000,000.

Board of Directors Recommendation

The Board of Directors unanimously recommends a vote "FOR" amending our Certificate of Incorporation to increase the number of authorized shares of common stock from 150,000,000 shares to 200,000,000 shares.

PROPOSAL NO. 5

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, 2013. 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.

Vote Required

The affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013. Abstentions will be treated as votes “against” the proposal. Broker non-votes will have no effect on the outcome of the vote.

Board of Directors Recommendation

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, 2013.

PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees billed to Halozyme for the fiscal years ended December 31, 2012 and 2011 by Ernst & Young LLP:

	Fiscal 2012	Fiscal 2011
Audit Fees(1)	\$543,426	\$435,305
Audit-Related Fees	\$—	\$—
Tax Fees(2)	\$3,500	\$—
All Other Fees(3)	\$1,995	\$1,975

Audit Fees consist of fees billed for professional services rendered for the audit of the company's consolidated annual financial statements, including the audit of internal control over financial reporting and review of the (1) interim consolidated financial statements included in quarterly reports and services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

(2) Tax Fees consist of fees billed for professional services rendered for tax compliance and tax advice.

(3) All Other Fees consist of annual subscription fees for Ernst & Young's online accounting and auditing information tools.

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. 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 registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval. The Chair of the Audit Committee is also authorized, pursuant to delegated authority, to pre-approve additional services on a case-by-case basis, provided that such approvals are communicated to the full Audit Committee at its next meeting.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited consolidated financial statements in the Annual Report with Company management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those audited consolidated financial statements with U.S. generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Committee by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, the rules of the Securities and Exchange Commission, and other applicable regulations. In addition, the Committee has received from the independent registered public accounting firm the written disclosures required by the Public Company Accounting Oversight Board Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, and discussed with the independent registered public accounting firm the firm's independence from Company management and the Company, including the matters in such letter. The Committee also considered the compatibility of non-audit services with the independent registered public accounting firm's independence.

The Committee also reviewed and discussed together with management and the independent registered public accounting firm the Company's audited consolidated financial statements for the year ended December 31, 2012 and the results of management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent registered public accounting firm's audit of internal control over financial reporting.

The Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for their respective audits. The Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations; their evaluations of the Company's internal control, including internal control over financial reporting; and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited consolidated financial statements and management's assessment of the effectiveness of the Company's internal control over financial reporting be included in the Annual Report on Form 10-K for the year ended December 31, 2012 filed by the Company with the Securities and Exchange Commission.

The Committee is comprised solely of independent directors as defined by the Nasdaq Marketplace listing standards and Rule 10A-3 of the Securities Exchange Act of 1934.

AUDIT COMMITTEE

Kathryn E. Falberg (Chair)

Robert L. Engler, M.D.

Kenneth J. Kelley

EXECUTIVE COMPENSATION AND RELATED INFORMATION

This section of the proxy statement includes the following:

The Compensation Discussion and Analysis (CD&A) section describes and analyzes our compensation programs and the specific amounts of compensation paid to our Chief Executive Officer (our “CEO”) and Chief Financial Officer (our “CFO”), as well as the other individuals included in the Summary Compensation Table below (our “Named Executive Officers” or “NEOs”). It also provides a brief overview of the factors that we believe are most relevant to stockholders as they consider their votes on Proposal No. 2 (the advisory vote on executive compensation).

The Compensation Tables and Narrative Disclosure section reports the compensation and benefit amounts paid to our NEOs for fiscal 2012. The amounts attributable to long-term equity incentive awards represent the grant date fair value of those awards for which actual amounts earned or realized is dependent upon our future stock price performance.

Compensation Discussion and Analysis

Overview

The Compensation Committee has the responsibility for establishing, implementing and monitoring adherence with our compensation practices. The Compensation Committee makes all compensation decisions for our NEOs. The primary goals of our Compensation Committee with respect to the compensation of our NEOs are: (i) to attract, retain, motivate and reward talented and dedicated executives and maintain a cohesive management team comprised of individuals with substantial skill and experience required to implement our business strategies; (ii) to tie annual cash incentives to the creation of stockholder value by aligning the financial interests of our NEOs with the financial interests of our stockholders; and (iii) to link long-term equity incentives to the achievement of individual performance criteria that we believe will lead to stockholder value creation. To achieve these goals, the Compensation Committee uses a mix of compensation including base salary, annual cash incentive awards and annual equity awards. The Compensation Committee reviews the performance of individual NEOs against previously established individual performance criteria in connection with determining annual equity awards and salaries. The Compensation Committee believes that the base salaries for our NEOs are comparable with executives in other companies of similar size and stage of development operating in our industry. The Radford Global Life Sciences U.S. Executive Survey (the “Radford Survey”) is the primary source of benchmarking information we use with respect to compensation of our NEOs. We also use third party compensation consultants from time to time as useful and appropriate. For example, the Compensation Committee relied on information provided by Barney & Barney to establish stock ownership guidelines (discussed below). The Compensation Committee seeks to establish an equity compensation structure that yields initial target equity grants and target annual refresher grants that approximates the 75th percentile based on data from the Radford Survey.

Stockholder Advisory Vote on Executive Compensation

In establishing 2013 compensation, the Compensation Committee considered the results of the most recent stockholder advisory vote on executive compensation (the “say-on-pay proposal”) at our annual meeting of stockholders held in May 2012, where a substantial majority of the votes cast on the say-on-pay proposal were voted in favor of the proposal. Similarly, the compensation and benefits for 2012 reported below resulted from programs, policies and decisions that were adopted reflecting previous votes that expressed support by a substantial margin for our executive compensation programs. The Compensation Committee believes these results affirm stockholder support for our executive compensation decisions and policies, and as such, the results of the most recent say-on-pay proposal did not cause the Compensation Committee to change its approach to the 2013 compensation of our NEOs. The Compensation Committee will continue to consider the results of future say-on-pay proposals when making executive compensation decisions and policies.

Elements of Compensation

We have a relatively simple compensation structure that is comprised of: (i) base salary; (ii) annual cash incentive awards; (iii) equity incentive awards, including stock options and restricted stock units; and (iv) company contributions pursuant to our 401(k) plan. We also provide our NEOs with the same package of employee benefits that are provided to all full time employees, including health insurance, group term life and disability insurance.

We have selected each component of our compensation structure for the following reasons:

Taken as a whole, the components of our executive compensation program are comparable to compensation programs offered by other companies of our size in our industry, which helps us attract new executive talent and retain, motivate, and reward the executives that we currently employ.

The annual cash incentive awards are dependent, in substantial part, on tangible creation of stockholder value, and align our executives' financial interests with those of our stockholders. The portion of the annual cash incentive awards that is not dependent on the increase in stockholder value is based on achievement of corporate or individual goals that we believe should lead to increases in stockholder value. Payments under this program underscore our desire to have our executives focus their efforts on actions that directly or indirectly maximize stockholder value.

Equity awards, including stock options and performance based restricted stock unit awards, act as retention devices which align our NEO's financial interests with long-term stockholder value. Equity awards act as retention devices because the NEO must continue employment with us to vest his or her options and to exercise the options to realize value. With respect to restricted stock unit awards, the NEO must continue employment, and the case of performance based vesting, we must realize certain performance goals, in each case for the awards to vest. Equity awards also align the interests of management with those of our stockholders with the goal of creating long-term growth and value for our stockholders.

Base Salary

Base salaries for our NEOs 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 NEOs 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 our financial position. Annual salaries for 2012 are reflected below in the table entitled "2012 Summary Compensation Table." The following annual salaries for 2013 for our NEO's were established by the Compensation Committee in February 2013:

Name	2013 Annual
------	-------------