Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☑ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

OR

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 001-32335

Halozyme Therapeutics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**88-0488686**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
11388 Sorrento Valley Road, San Diego, California	**92121**
(Address of principal executive offices)	*(Zip Code)*

(858) 794-8889
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Act:
None

Securities registered under Section 12(g) of the Act:

Common Stock, Par Value $.001
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer , or a smaller reporting company. See the definitions of "large accelerated filer" "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☑	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 29, 2007 was approximately $563,072,000 based on the closing price on the NASDAQ Stock Market reported for such date. Shares of common stock held by each officer and director and by each person who is known to own 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 1, 2008, there were 78,432,949 shares of the registrant's $.001 par value common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the issuer's Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2008 Annual Meeting of Stockholders, to be filed subsequent to the date hereof, are incorporated by reference into Parts II and III of this Annual Report. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the conclusion of the issuer's fiscal year ended December 31, 2007.

Table of Contents

PART I

Item 1. *Business*

This Annual Report on Form 10-K contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this Annual Report. Additionally, statements concerning future matters such as the development or regulatory approval of new products, enhancements of existing products or technologies, third party performance under key collaboration agreements, revenue and expense levels and other statements regarding matters that are not historical are forward-looking statements.

Although forward-looking statements in this Annual Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include without limitation those discussed under the heading "Risk Factors" below, as well as those discussed elsewhere in this Annual Report. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report. Readers are urged to carefully review and consider the various disclosures made in this Annual Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Overview

We are a biopharmaceutical company developing and commercializing products targeting the extracellular matrix ("Matrix") for the drug delivery, oncology, and dermatology markets. Our portfolio of products is based on intellectual property covering the family of human enzymes known as hyaluronidases. Our key partnerships are with Roche to apply Enhanze ™ Technology to Roche's biological therapeutic compounds for up to 13 targets and with Baxter to apply Enhanze Technology to Baxter's biological therapeutic compound, GAMMAGARD LIQUID 10%.

Our operations to date have been focused on organizing and staffing Halozyme Therapeutics, Inc. ("Halozyme" or the "Company"), acquiring, developing and securing its technology and undertaking product development for our existing products and for our product candidates. We have received FDA approval for two products: Cumulase ®, for use in in-vitro fertilization, and HYLENEX, for use as an adjuvant to increase the absorption and dispersion of other injected drugs and fluids.

In November 2007, we reincorporated from the State of Nevada to the State of Delaware. Our principal offices and research facilities are located at 11388 Sorrento Valley Road, San Diego, California 92121. Our telephone number is (858) 794-8889 and our e-mail address is *info@halozyme.com.* Additional information about the Company can be found on our website at *www.halozyme.com*, and in our periodic and current reports filed with the Securities and Exchange Commission ("SEC"). Copies of our current and periodic reports filed with the SEC are available at the SEC Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549, and online at *www.sec.gov* and our website at *www.halozyme.com.*

Technology

Our technology is based on recombinant human PH20 (rHuPH20), a human synthetic version of hyaluronidase that degrades hyaluronic acid, a space-filling, gel-like substance that is a major component of tissues throughout the body, such as skin and bone. The PH20 enzyme is a naturally occurring enzyme that digests hyaluronic acid to temporarily break down the gel, thereby facilitating the penetration and dispersion of other drugs and fluids that are injected under the skin or in the muscle. It also degrades the cumulus matrix surrounding oocytes (eggs) facilitating in vitro fertilization (IVF).

Our proprietary technology, as evidenced by our exclusive license with the University of Connecticut of the patent covering the DNA sequence that encodes human hyaluronidase, may both expand existing markets and create new ones. Gaps in existing hyaluronidase offerings may create demand for our solution, and provide new market opportunities. Our objective is to apply our products and products under development to key markets in multiple therapeutic areas.

Strategy

We are a biopharmaceutical company developing and commercializing products targeting the Matrix for the drug delivery, oncology, and dermatology markets. The Matrix is a key structural component found in both normal tissues such as skin and bone, and abnormal tissues such as tumors. By expanding upon our scientific expertise in the Matrix, we hope to develop therapeutic and aesthetic drugs. Our lead enzyme, rHuPH20 hyaluronidase, is an example of a Matrix modifying enzyme. By degrading hyaluronan, a key Matrix component in the skin, rHuPH20 facilitates the delivery of drugs and fluids through the Matrix and into circulation. While rHuPH20 is the underlying drug delivery technology of both Hylenex for generic small molecules and fluids, and Enhanze Technology for proprietary small and large molecules, we are seeking ways to combine or co-formulate rHuPH20 with previously approved small molecule drugs to develop new proprietary products.

We are also expanding our scientific work in the Matrix by developing other enzymes and agents that target unique aspects of the Matrix, giving rise to potential new molecular entities targeting indications in oncology, dermatology and metabolism. For instance, we are developing a pegylated version of rHuPH20 that lasts longer in the bloodstream, and may therefore better target solid tumors by clearing away the surrounding hyaluronan and reducing the interstitial fluid pressure within malignant tumors to allow better penetration by chemotherapeutic agents. In addition, we are developing a Matrix modifying enzyme that targets components of the skin and subcutaneous tissues that may have both therapeutic and aesthetic applications within dermatology. Key aspects of our corporate strategy include the following:

- Develop our own proprietary products based on our PH20 enzyme and other new molecular entities;
- Continue to expand the commercialization of Hylenex through our partner, Baxter Healthcare;
- Continue product development under our Roche Enhanze Technology collaboration;
- Continue product development under our Baxter Bioscience Enhanze Technology collaboration;
- Continue clinical development of our lead oncology product candidate, Chemophase ®;
- Continue to seek partnerships for our Enhanze Technology drug delivery platform; and
- Continue to commercialize Cumulase through our distributors.

Current Products and Product Candidates

We have two marketed products and multiple product candidates targeting several indications in various stages of development. The following table summarizes our lead clinical products and product candidates:

Product	Indication (Brief Description)	Development Status
Cumulase	In vitro fertilization	Marketed
Hylenex	Agent for drug and fluid infusion	Marketed
Chemophase	Chemoadjuvant for superficial bladder cancer	Phase I/IIa
Enhanze Technology	Agent for enhanced drug delivery	Phase I
Proprietary PH20	Oncology, metabolism	Pre-Clinical
Proprietary Non-PH20	Oncology, dermatology	Pre-Clinical

Cumulase

Cumulase is an *ex vivo* (used outside of the body) formulation of rHuPH20 to replace the bovine (bull) enzyme currently used for the preparation of oocytes (eggs) prior to IVF during the process of intracytoplasmic sperm

injection (ICSI), in which the enzyme is an essential component. The enzyme strips away the hyaluronic acid that surrounds the oocyte. This allows the clinician to then perform the ICSI procedure, injecting the sperm into the oocyte. The FDA considers hyaluronidase IVF products to be medical devices subject to 510(k) approval and we filed our 510(k) application during September 2004. We received a CE (European Conformity) Mark for Cumulase in December 2004, which allows us to market Cumulase in the European Union. We received FDA clearance in April 2005. We launched Cumulase in the European Union and in the United States in June 2005. We believe the total ICSI market consisted of an estimated 500,000 intracytoplasmic sperm injection cycles worldwide in 2005 (Source: CDC, 2001; ESHRE, 2002).

Hylenex

Hylenex is a human recombinant formulation of rHuPH20 to facilitate the absorption and dispersion of other injected drugs or fluids. When injected under the skin or in the muscle, hyaluronidase can digest the hyaluronic acid gel, allowing for temporarily enhanced penetration and dispersion of other injected drugs or fluids. We filed a New Drug Application (NDA) in March 2005 and we received approval of our Hylenex NDA in December 2005.

Enzymatically-Augmented Subcutaneous Infusion (EASI): Hylenex facilitates subcutaneous delivery of fluids up to one liter without the need for intravenous access, a procedure known as EASI. Children and the elderly, in particular, often have difficult venous access (referred to as DVA), making it challenging even for skilled nurses to start and maintain intravenous access. Importantly, EASI for fluid replacement in children and the elderly may be achieved with limited or no need for nursing assistance.

INFUSE-LR Study: During January 2006, we completed the Increased Flow Utilizing Subcutaneously-Enabled Lactated Ringer's clinical trial, or INFUSE-LR study, which was designed to determine the subcutaneous (Sub-Q) infusion flow rate of Lactated Ringer's solution with and without Hylenex, determine the Sub-Q infusion flow rate dose response to Hylenex over one order of magnitude of dose, and assess safety and tolerability. This prospective, double-blind, randomized, placebo-controlled, within-subject, dose-comparison study enrolled 54 volunteer subjects who received Sub-Q infusions simultaneously in both upper arms through 24 gauge catheters. Key results from the study included:

- The use of Hylenex compared to placebo preceding Sub-Q infusion, under gravity flow, to accelerate the flow rate was assessed. Hylenex accelerated flow versus placebo in every subject studied, and by an overall mean ratio of approximately four-fold. The overall mean flow rate for Sub-Q infusion with Hylenex was 464 mL/hr versus 118 mL/hr with placebo ($p < 0.0001$).
- The faster flow rates did not result in an increase in edema. A total of 94% of subjects had moderate or severe arm edema with placebo compared to 17% with Hylenex ($p < 0.0001$).
- In the study, there were no serious or severe adverse events (AE). Based on the AE profile, Hylenex was at least as well tolerated as placebo.

INFUSE-Morphine Study: During October 2006, we completed the Increased Flow Utilizing Subcutaneously-Enabled Morphine clinical trial, or INFUSE-Morphine study, which was designed to determine the time to maximal blood levels of morphine after subcutaneous administration with and without Hylenex, to determine the time to maximal blood levels after intravenous administration of morphine, and to assess safety and tolerability. This prospective, double-blind, randomized, placebo-controlled, within-subject, dose-comparison study enrolled 12 evaluable patients who received Sub-Q infusions. Key results from the study included:

- The primary endpoint hypothesis was achieved by demonstrating a statistically significant acceleration in the average time to maximal plasma concentration (Tmax) of morphine. Tmax was reduced from 13.8 minutes when injected subcutaneously with the saline placebo to a Tmax of 9.2 minutes when injected with Hylenex, a 33% reduction in the time to maximal plasma concentration ($p<0.05$).
- Sub-Q administration of morphine plus Hylenex provided total drug exposure (4-hour AUC) of morphine and its active metabolite that was at least comparable to IV morphine administration, as calculated based on the sampling time points for measuring absorption.

- Morphine plus Hylenex appeared to be safe and well tolerated. The most commonly reported adverse events were mild injection site redness, rash, swelling, and itching. However, no Hylenex-related toxicity was apparent based on a comparison of adverse events for Sub-Q injections with rHuPH20 versus saline placebo.

Chemophase

Chemophase, our lead oncology product candidate, is an investigative chemoadjuvant designed to enhance the transport of chemotherapeutic agents to tumor tissue, increasing diffusion in tissues without affecting vascular permeability. Many solid tumor types (e.g., colon, breast, prostate) accumulate hyaluronic acid, creating a barrier to the effective penetration of current or future chemotherapeutics. Previous clinical trials of bovine PH20 in patients showed some promise in enhancing chemotherapy regimens using adjunctive systemic hyaluronidase in previously chemo-refractory patients.

Furthermore, we have observed significant reduction of tumor interstitial fluid pressure following the administration of rHuPH20 in solid tumors grown in mice. Tumor interstitial pressure is widely believed to be an important factor limiting the access of cytostatic regimens to solid tumors. By digesting the hyaluronic acid gel, rHuPH20 may reduce interstitial pressure in the tumor and promote more effective delivery of chemotherapy throughout the tumor, as it does under the skin in the case of Hylenex. This could potentially lead to increased patient survival and extended product lifecycles of many commonly used chemotherapeutic agents.

As we continue development of an intravenous formulation of rHuPH20, we hope to realize time and cost savings by leveraging our current manufacturing process and toxicology package to support a clinical program for a local oncology application. As such, during June 2005 we submitted an investigational new drug application (“IND”) in order to begin clinical testing of our Chemophase product candidate in combination with Mitomycin in superficial bladder cancer. We received authorization to initiate clinical testing of Chemophase in August 2005, and we commenced patient enrollment in our initial clinical protocol under this IND in October 2005. In March 2006, we completed enrollment in our Chemophase Phase I clinical trial. In April 2006, we commenced patient enrollment in our Chemophase Phase I/IIa clinical trial. In September 2007, we completed enrollment in our Phase I/IIa clinical trial.

Each year there are approximately 63,000 new cases of urinary bladder cancer in the United States (Source: American Cancer Society, 2005). Approximately 70% of these new cases are “superficial” bladder cancer (Source: AUA Bladder Cancer Guidelines Panel, 1999). There are approximately 500,000 prevalent cases of urinary bladder cancer (Source: NCI SEER Cancer Statistics Review, 2002) in the United States. Approximately 30% of treated patients have a recurrence within 12 months (Source: Southwest Oncology Group Study, 1995).

Enhanze Technology

Enhanze Technology, a proprietary drug delivery platform using Halozyme’s first approved enzyme, rHuPH20, is our broader technology opportunity that can potentially lead to partnerships with other pharmaceutical companies. When co-formulated with other injectable drugs, Enhanze Technology may facilitate the penetration and dispersion of these drugs by temporarily opening flow channels under the skin. Molecules as large as 200 nanometers may pass freely through the extracellular matrix, which recovers its normal density within approximately 24 hours, leading to a drug delivery platform which does not permanently alter the architecture of the skin. The principal focus of our Enhanze Technology platform is the use of rHuPH20 to facilitate subcutaneous or intramuscular routes of administration for large molecule biological therapeutics. We are seeking partnerships with pharmaceutical companies that market drugs requiring or benefiting from injection via the subcutaneous or intramuscular routes that could benefit from this technology. In December 2006, we signed our first Enhanze Technology partnership with F. Hoffmann-La Roche Ltd and Hoffmann-La Roche, Inc. (collectively, “Roche”). In September 2007, we signed our second Enhanze Technology partnership with Baxter Healthcare Corporation (“BHC”) and Baxter Healthcare S.A. (“BHSA” and along with BHC, collectively, “Baxter”).

Roche Agreement

In December 2006, we signed our first Enhanze Technology partnership with Roche. Under the terms of the agreement, Roche obtained a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20, our proprietary recombinant human hyaluronidase, and up to thirteen Roche target compounds resulting from the collaboration. Also under the terms of the agreement, we are obligated to significantly scale up the production of rHuPH20 and to identify a second source manufacturer to assist us in meeting these production obligations. Roche paid us $20 million as an initial upfront payment for the application of rHuPH20 to three pre-defined Roche biologic targets. Pending the successful completion of a series of clinical, regulatory, and sales events, Roche may pay us further milestones which could potentially reach a value of up to $111 million. In addition, Roche may pay us royalties on potential product sales for these first three targets. Over the next ten years, Roche will also have the option to exclusively develop and commercialize rHuPH20 with an additional ten targets to be identified by Roche, provided that Roche will be obligated to pay continuing exclusivity maintenance fees to us in order to maintain its exclusive development rights for these targets. For each of the additional ten targets, Roche may pay us further upfront and milestone payments of up to $47 million per target as well as royalties on potential product sales for each of these additional ten targets. Additionally, Roche will obtain access to our expertise in developing and applying rHuPH20 to Roche targets. In addition, in December 2006, an affiliate of Roche purchased 3,385,000 shares of common stock for an aggregate of approximately $11.1 million.

Baxter Gammagard Agreement

In September 2007, we signed our second Enhanze Technology partnership with Baxter. Under the terms of the agreement, Baxter obtained a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20, Halozyme's proprietary recombinant human hyaluronidase, with a current Baxter product, Gammagard Liquid ™. Gammagard Liquid is indicated for the treatment of primary immunodeficiency disorders associated with defects in humoral immunity. Under the terms of the agreement, Baxter made an initial upfront payment of $10 million to us. Pending successful completion of a series of regulatory and sales milestones, Baxter may make further milestone payments totaling $37 million to us. In addition, Baxter will pay royalties on the sales, if any, of the products that result from the collaboration. The agreement is applicable to both kit and co-formulation combinations. Baxter will assume all development, manufacturing, clinical, regulatory, sales and marketing costs under the agreement, while we will be responsible for the supply of the rHuPH20 enzyme. In addition, Baxter has certain product development and commercialization obligations in major markets identified in the agreement.

Sales and Marketing

Cumulase

Our sales and marketing strategy in the IVF market consists of a multi-channel approach that targets patients, clinicians, suppliers, and regulators. We are currently seeking to raise public awareness of the current risk of using animal-derived products in IVF applications among industry professionals and the general public through advertising in trade journals, presentations and booths at conferences and trade shows, Web initiatives, and brand-building efforts such as press releases and other public relations efforts. Two of the highest impact target audiences are, the Society for Assisted Reproductive Technology (SART) in the United States and, the European Society of Human Reproduction and Embryology (ESHRE) in Europe. We have signed non-exclusive distribution agreements with distributors of IVF reagents and media who sell directly to IVF clinics in both the United States and European markets. During 2007, sales to MediCult for the EU were approximately $337,000 and sales to MidAtlantic were approximately $179,000, of which approximately $70,000 was to the EU.

Hylenex

The sales and marketing strategy for Hylenex primarily consists of building a strong clinical foundation with post-marketing trials as well as educating the market on the concept of difficult venous access. Post-marketing clinical trials are ongoing to explore the potential of Hylenex in a variety of situations, since limited or no data with Hylenex exist in most situations in which our partner, Baxter, will market it. Examples of the trials include the completed INFUSE-LR study and the completed INFUSE-Morphine study. In addition, Baxter is currently

enrolling patients in the INFUSE-Pediatric Rehydration Study, which is designed to determine the rehydration success rate (efficacy) and safety in children treated with Hylenex-augmented subcutaneous fluid infusion. Baxter currently has a team of Medical Science Liaisons as well as Nurse Educators that are engaging in market education and development prior to commercial launches in various market segments following publication of related clinical data.

Baxter Agreements

In February 2007, we amended certain agreements with Baxter for Hylenex and entered into a new agreement, collectively the Baxter Agreements, for kits and co-formulations with rHuPH20. Under the terms of the Baxter Agreements, Baxter paid us a nonrefundable upfront payment of $10 million and, pending the successful completion of a series of regulatory and sales events, Baxter will make milestone payments to us which could potentially reach a value of up to $25 million. In addition, Baxter will make payments to us based on the sales of products covered under the Baxter Agreements. In February 2007, Baxter prepaid $1.0 million of such product-based payments in connection with the execution of the Baxter Agreements. In January 2008, Baxter prepaid another $3.5 million of such product-based payments and is obligated to prepay $5.5 million of additional product-based payments on or prior to January 1, 2009. Baxter will also now assume all development, manufacturing, clinical, regulatory, sales and marketing costs of the products covered by the Baxter Agreements. We will continue to supply Baxter with the active pharmaceutical ingredient ("API") for Hylenex, and Baxter will fill and finish Hylenex and hold it for subsequent distribution. In addition, Baxter will obtain a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20 with Baxter hydration fluids and generic small molecule drugs, with the exception of combinations with (i) bisphosphonates, (ii) cytostatic and (iii) cytotoxic chemotherapeutic agents, the rights to which have been retained by us. In addition, in February 2007, an affiliate of Baxter purchased 2,070,394 shares of our common stock for an aggregate of approximately $20 million. Additionally, Baxter will make product-based payments on the sales, if any, of the products that result from the collaboration.

Competition

Cumulase

A key clinical selling point for Cumulase is that it may eliminate the risk of animal pathogen transmission and toxicity inherent in slaughterhouse preparations. The competing enzymes are of animal origin, creating an opportunity for us to enter the market with a recombinant human enzyme alternative. The leading IVF suppliers are CooperSurgical, Irvine Scientific, and Cook Ob/Gyn (all three of these companies produce bovine products) in the US, and MediCult (ovine product) and Vitrolife (bovine product) outside the US. Cumulase is priced at a premium compared to the animal-derived products sold by these leading IVF suppliers, which may make market penetration difficult.

Hylenex

Other manufacturers have FDA approved products for use as spreading agents, including ISTA Pharmaceuticals, Inc. ("ISTA"), with an ovine (ram) hyaluronidase, Vitrase ®, Amphastar Pharmaceuticals, Inc., with a bovine hyaluronidase, Amphadase ™, and Primapharm, Inc. also with a bovine hyaluronidase, Hydase ™. The FDA has determined that Amphadase, Hydase, Hylenex and Vitrase are distinct new chemical entities and hence afforded five years of market exclusivity. The five year market exclusivity precludes identical new chemical entity products from being marketed for a period of five years. As each of these products is established as distinctly different new chemical entities, the marketing exclusivity granted does not prohibit the marketing of the products. In addition, some commercial pharmacies now compound hyaluronidase preparations for institutions and physicians. However, there are some concerns with using a compounded sterile product. Compounded preparations are not FDA-approved products. Some compounding pharmacies do not test every batch of product for drug concentration, sterility, and lack of pyrogens. In addition, Hylenex is priced at a significant premium compared to the animal-derived hyaluronidases currently in the marketplace. This price premium may slow market adoption of Hylenex and make market penetration difficult.

Patents and Proprietary Rights

Patents and other proprietary rights are essential to our business. Our success will depend in part on our ability to obtain patent protection for our inventions, to preserve our trade secrets and to operate without infringing the proprietary rights of third parties. Our strategy is to actively pursue patent protection in the United States and certain foreign jurisdictions for technology that we believe to be proprietary and that offers us a potential competitive advantage. Our patent portfolio includes six issued patents and a number of pending patent applications. We are the exclusive licensee of the University of Connecticut under a patent covering the DNA sequence that encodes human hyaluronidase. This patent expires in 2015. We have patents and patent applications pertaining to recombinant human hyaluronidases and their methods of manufacture. We believe our patent filings represent a barrier to entry for potential competitors looking to utilize these hyaluronidases.

In addition to patents, we rely on trade secrets and proprietary know-how. We seek protection of these trade secrets and proprietary know-how, in part, through confidentiality and proprietary information agreements. Our policy is to require our employees, directors, consultants, advisors, outside scientific collaborators and sponsored researchers, other advisors and other individuals and entities to execute confidentiality agreements upon the start of employment, consulting or other contractual relationships with us. These agreements provide that all confidential information developed or made known to the individual or entity during the course of the relationship is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of employees and some other parties, the agreements provide that all inventions conceived by the individual will be our exclusive property. Despite the use of these agreements and our efforts to protect our intellectual property, there will always be a risk of unauthorized use or disclosure of information. Furthermore, our trade secrets may otherwise become known to, or be independently developed by, our competitors.

We also file trademark applications to protect the names of our products. These applications may not mature to registration and may be challenged by third parties. We are pursuing trademark protection in a number of different countries around the world.

Development and Manufacturing

We have signed a commercial supply agreement with Avid Bioservices, Inc. (“Avid”), a contract manufacturing organization, to produce bulk recombinant enzyme product for clinical and commercial use. Avid will manufacture the API under commercial good manufacturing practices for commercial scale production and will provide support for chemistry, manufacturing and controls sections for any FDA regulatory filings. We have entered into discussions to establish arrangements with an additional manufacturer for these ingredients. Difficulties in our relationship with Avid or delays or interruptions in Avid’s supply of its requirements could limit or stop its ability to provide sufficient quantities of our products, on a timely basis, for clinical trials and commercial sales, which would have a material adverse effect on our business and consolidated financial condition.

In the event that any of our product candidates are used in clinical trials or receive the necessary regulatory approval for commercialization, we rely on third parties to prepare, fill, finish and package the products prior to their distribution. If we are unable to locate third parties to perform these functions on terms that are economically acceptable to us, the progress of clinical trials could be delayed or even suspended and the commercialization of approved product candidates could be delayed or prevented. We currently utilize a third party to prepare, fill, finish and package Cumulase. We have entered into an agreement with another third party to prepare, fill, finish and package Cumulase. We are currently in the technology transfer stage with this third party and expect to initiate commercial manufacturing later this year. We also utilize Baxter Pharmaceutical Solutions (BPS), a subsidiary of Baxter, to prepare, fill, finish and package Hylenex. Baxter has only limited experience manufacturing Hylenex batches, and we rely on its ability to successfully manufacture Hylenex batches according to product specifications. Any delays or interruptions in Baxter’s ability to manufacture Hylenex batches could limit its ability to provide sufficient quantities of our Hylenex product, on a timely basis, for commercial sales, which would have a material adverse effect on our business and consolidated financial condition.

Research and Development Activities

Our research and development expenses consist primarily of costs associated with the development and manufacturing of our product candidates, compensation and other expenses for research and development personnel, supplies and materials, costs for consultants and related contract research, facility costs, amortization and depreciation. We charge all research and development expenses to operations as they are incurred. Historically, our research and development activities were primarily focused on the development of our Cumulase and Hylenex products, but we are also developing our Chemophase product candidate, and we completed enrollment in our Phase I/IIa clinical trial for Chemophase in September 2007. Our industry is subject to rapid technological advancements, developing industry standards and new product introductions and enhancements. As a result, our success depends, in large part, on our ability to develop and commercialize products.

Our research and development expenditures in fiscal 2007, 2006 and 2005 totaled approximately $20.6 million, $9.2 million and $10.2 million, respectively. Research and development expenditures in fiscal 2007 were primarily related to the manufacturing and production of our rHuPH20 enzyme, and the development of Enhanze Technology, our Hylenex product, and our Chemophase product candidate. Research and development expenditures in fiscal 2006 and 2005 were primarily related to the development of our Cumulase and Hylenex products, and our Chemophase product candidate. We anticipate that we will incur significant research and development expenses in the future in connection with the development of product candidates.

Government Regulations

The FDA and comparable regulatory agencies in foreign countries regulate extensively the manufacture and sale of the pharmaceutical products that we have developed or currently are developing. The FDA has established guidelines and safety standards that are applicable to the non-clinical evaluation and clinical investigation of therapeutic products and stringent regulations that govern the manufacture and sale of these products. The process of obtaining regulatory approval for a new therapeutic product usually requires a significant amount of time and substantial resources. The steps typically required before a product can be produced and marketed for human use include:

- Animal pharmacology studies to obtain preliminary information on the safety and efficacy of a drug;
- Non-clinical evaluation *in vitro* and *in vivo* including extensive toxicology studies.

The results of these non-clinical studies may be submitted to the FDA as part of an IND application. The sponsor of an IND application may commence human testing of the compound 30 days after submission of the IND, unless notified to the contrary by the FDA.

The clinical testing program for a new drug typically involves three phases:

- Phase I investigations are generally conducted in healthy subjects. In certain instances, subjects with a life-threatening disease, such as cancer, may participate in Phase I studies that determine the maximum tolerated dose and initial safety of the product;
- Phase II studies are conducted in limited numbers of subjects with the disease or condition to be treated and are aimed at determining the most effective dose and schedule of administration, evaluating both safety and whether the product demonstrates therapeutic effectiveness against the disease; and
- Phase III studies involve large, well-controlled investigations in diseased subjects and are aimed at verifying the safety and effectiveness of the drug.

Data from all clinical studies, as well as all non-clinical studies and evidence of product quality, typically are submitted to the FDA in an NDA. Although the FDA's requirements for clinical trials are well established and we believe that we have planned and conducted our clinical trials in accordance with the FDA's applicable regulations and guidelines, these requirements, including requirements relating to testing the safety of drug candidates, may be subject to change as a result of recent announcements regarding safety problems with approved drugs. Additionally, we could be required to conduct additional trials beyond what we had planned due to the FDA's safety and/or

efficacy concerns or due to differing interpretations of the meaning of our clinical data. (See Part I — Item 1A, "Risk Factors.")

The FDA's Center for Drug Evaluation and Research ("CDER") must approve a new drug application for a drug before it may be marketed in the U.S. If we begin to market our proposed products for commercial sale in the U.S., any manufacturing operations that may be established in or outside the U.S. will also be subject to rigorous regulation, including compliance with current Good Manufacturing Practices ("cGMP"). We also may be subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substance Control Act, the Export Control Act and other present and future laws of general application. In addition, the handling, care and use of laboratory mice, including the hu-PBL-SCID mice and rats, are subject to the Guidelines for the Humane Use and Care of Laboratory Animals published by the National Institutes of Health.

Regulatory obligations continue post-approval, and include the reporting of adverse events when a drug is utilized in the broader commercial population. Promotion and marketing of drugs is also strictly regulated, with penalties imposed for violations of FDA regulations, the Lanham Act (trademark statute), and other federal and state laws, including the federal anti-kickback statute.

We currently intend to continue to seek, directly or through our partners, approval to market our products and product candidates in foreign countries, which may have regulatory processes that differ materially from those of the FDA. We anticipate that we will rely upon pharmaceutical or biotechnology companies to license our proposed products or independent consultants to seek approvals to market our proposed products in foreign countries. We cannot assure you that approvals to market any of our proposed products can be obtained in any country. Approval to market a product in any one foreign country does not necessarily indicate that approval can be obtained in other countries.

Product Liability Insurance

We currently maintain product liability insurance on our products and clinical trials that provides coverage in the amount of $5,000,000 per incident and $5,000,000 in the aggregate.

Executive Officers of the Registrant

Information concerning our executive officers, including their names, ages and certain biographical information can be found in Part III-Item 10. "Directors, Executive Officers and Corporate Governance." This information is incorporated by reference into Part I of this report.

Employees

As of February 29, 2008, we had 92 full-time employees, including 64 engaged in research and clinical development activities. Included in our total headcount are 32 employees who hold Ph.D. or M.D. degrees. We currently anticipate hiring approximately 25 to 50 additional employees by the end of 2008. None of our employees are unionized and we believe our relationship with our employees is good.

Item 1A. ***Risk Factors***

Risks Related To Our Business

We have generated only minimal revenue from product sales to date; we have a history of net losses and negative cash flow, and we may never achieve or maintain profitability.

We have generated only minimal revenue from product sales to date and may never generate significant revenues from future product sales. Even if we do achieve significant revenues from product sales, licensing revenues and milestone payments, we expect to incur significant operating losses over the next several years. We have never been profitable, and we may never become profitable. Through December 31, 2007, we have incurred aggregate net losses of approximately $65.0 million.

If we do not receive and maintain regulatory approvals for our product candidates, we will not be able to commercialize our products, which would substantially impair our ability to generate revenues.

With the exception of the December 2004 receipt of a CE (European Conformity) Mark, the April 2005 FDA clearance for Cumulase and the December 2005 FDA approval for our spreading agent, Hylenex, none of our product candidates has received regulatory approval from the FDA or from any similar national regulatory agency or authority in any other country in which we intend to do business. Approval from the FDA is necessary to manufacture and market pharmaceutical products in the United States. Most other countries in which we may do business have similar requirements.

Other manufacturers have FDA approved products for use as spreading agents, including ISTA Pharmaceuticals, Inc., with an ovine-derived hyaluronidase, Vitrase ®, Amphastar Pharmaceuticals, Inc., with a bovine-derived hyaluronidase, Amphadase ™, and Primapharm, Inc., also with a bovine-derived hyaluronidase, Hydase ™. The FDA has determined that Amphadase, Hydase, Hylenex and Vitrase are each distinct new chemical entities and hence afforded five years of market exclusivity. The five year market exclusivity precludes identical new chemical entity products from being marketed for a period of five years. For so long as each of these products is established as a distinctly different new chemical entity, the marketing exclusivity granted does not prohibit the marketing of any of these products, including Hylenex. If the FDA changes its earlier determination that Hylenex is a distinct new chemical entity, our ability to market Hylenex will be materially impaired.

The process for obtaining FDA approval is extensive, time-consuming and costly, and there is no guarantee that the FDA will approve any NDAs that we intend to file with respect to any of our product candidates, or that the timing of any such approval will be appropriate for our product launch schedule and other business priorities, which are subject to change. We have not currently begun the NDA approval process for any of our other potential products, and we may not be successful in obtaining such approvals for any of our potential products.

We may not receive regulatory approvals for our product candidates for a variety of reasons, including unsuccessful clinical trials.

Clinical testing of pharmaceutical products is a long, expensive and uncertain process and the failure of a clinical trial can occur at any stage. Even if initial results of pre-clinical studies or clinical trial results are promising, we may obtain different results that fail to show the desired levels of safety and efficacy, or we may not obtain FDA approval for a variety of other reasons. The clinical trials of any of our product candidates could be unsuccessful, which would prevent us from obtaining regulatory approval and commercializing the product. FDA approval can be delayed, limited or not granted for many reasons, including, among others:

- FDA officials may not find a product candidate safe or effective enough to merit either continued testing or final approval;
- FDA officials may not find that the data from pre-clinical testing and clinical trials justifies approval, or they may require additional studies that would make it commercially unattractive to continue pursuit of approval;
- the FDA may reject our trial data or disagree with our interpretations of either clinical trial data or applicable regulations;
- the cost of a clinical trial may be greater than what we originally anticipate, and we may decide to not pursue FDA approval for such a trial;
- the FDA may not approve our manufacturing processes or facilities, or the processes or facilities of our contract manufacturers or raw material suppliers;
- the FDA may change its formal or informal approval requirements and policies, act contrary to previous guidance, or adopt new regulations; or
- the FDA may approve a product candidate for indications that are narrow or under conditions that place the product at a competitive disadvantage, which may limit our sales and marketing activities or otherwise adversely impact the commercial potential of a product.

If the FDA does not approve our product candidates in a timely fashion on commercially viable terms, or if we terminate development of any of our product candidates due to difficulties or delays encountered in the regulatory approval process, it will have a material adverse impact on our business and we will be dependent on the development of our other product candidates and/or our ability to successfully acquire other products and technologies. We may not receive regulatory approval of our Chemophase product candidate or any other product candidates, in a timely manner, or at all.

We intend to market certain of our products, and perhaps have certain of our products manufactured, in foreign countries. The process of obtaining regulatory approvals in foreign countries is subject to delay and failure for many of the same reasons set forth above as well as for reasons that vary from jurisdiction to jurisdiction. The approval process varies among countries and jurisdictions and can involve additional testing. The time required to obtain approval may differ from that required to obtain FDA approval. We may not obtain foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or jurisdictions or by the FDA.

If we fail to comply with regulatory requirements, regulatory agencies may take action against us, which could significantly harm our business.

Any approved products, along with the manufacturing processes, post-approval clinical data, labeling, advertising and promotional activities for these products, are subject to continual requirements and review by the FDA and other regulatory bodies. Regulatory authorities subject a marketed product, its manufacturer and the manufacturing facilities to continual review and periodic inspections. We will be subject to ongoing FDA requirements, including required submissions of safety and other post-market information and reports, registration requirements, current Good Manufacturing Processes, or cGMP, regulations, requirements regarding the distribution of samples to physicians and recordkeeping requirements. The cGMP regulations include requirements relating to quality control and quality assurance, as well as the corresponding maintenance of records and documentation. We rely on the compliance by our contract manufacturers with cGMP regulations and other regulatory requirements relating to the manufacture of our products. We are also subject to state laws and registration requirements covering the distribution of our products. Regulatory agencies may change existing requirements or adopt new requirements or policies. We may be slow to adapt or may not be able to adapt to these changes or new requirements.

Later discovery of previously unknown problems with our products, manufacturing processes or failure to comply with regulatory requirements, may result in any of the following:

- restrictions on our products or manufacturing processes;
- warning letters;
- withdrawal of the products from the market;
- voluntary or mandatory recall;
- fines;
- suspension or withdrawal of regulatory approvals;
- suspension or termination of any of our ongoing clinical trials;
- refusal to permit the import or export of our products;
- refusal to approve pending applications or supplements to approved applications that we submit;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

If any party to a key collaboration agreement, including us, fails to perform material obligations under such agreement, or if a key collaboration agreement is terminated for any reason, our business would significantly suffer.

We have entered into key collaboration agreements under which we may receive significant future payments in the form of maintenance fees, milestone payments and royalties. In the event that a party fails to perform under a key collaboration agreement, or if a key collaboration agreement is terminated, the reduction in anticipated revenues could delay or suspend our product development activities for some of our product candidates as well as our commercialization efforts for some or all of our products. In addition, the termination of a key collaboration agreement by one of our partners could materially impact our ability to enter into additional collaboration agreements with new partners on favorable terms, if at all. In certain circumstances, the termination of a key collaboration agreement would require us to revise our corporate strategy going forward and reevaluate the applications and value of our technology.

If we are unable to sufficiently develop our sales, marketing and distribution capabilities or enter into successful agreements with third parties to perform these functions, we will not be able to fully commercialize our products.

We may not be successful in marketing and promoting our existing product candidates or any other products we develop or acquire in the future. We are currently in the process of developing our sales, marketing and distribution capabilities. However, our current capabilities in these areas are very limited. In order to commercialize any products successfully, we must internally develop substantial sales, marketing and distribution capabilities or establish collaborations or other arrangements with third parties to perform these services. We do not have extensive experience in these areas, and we may not be able to establish adequate in-house sales, marketing and distribution capabilities or engage and effectively manage relationships with third parties to perform any or all of such services. To the extent that we enter into co-promotion or other licensing arrangements, our product revenues are likely to be lower than if we directly marketed and sold our products, and any revenues we receive will depend upon the efforts of third parties, whose efforts may not meet our expectations or be successful.

We have entered into non-exclusive distribution agreements with MediCult AS, a Denmark-based distributor, and MidAtlantic Diagnostics, Inc., a New Jersey-based distributor, to market and sell our Cumulase product. We have entered into an exclusive sales and marketing agreement with Baxter to market and sell our Hylenex product in the United States and Puerto Rico. Baxter also has the right to market and sell Hylenex on an exclusive basis in all territories outside of the United States, if and when we seek and receive the applicable regulatory approvals in those territories.

We depend upon the efforts of these third parties, such as Baxter, to promote and sell our current products, but there can be no assurance that the efforts of these third parties will meet our expectations or result in any significant product sales. While these third parties are largely responsible for the speed and scope of sales and marketing efforts, they may not dedicate the resources necessary to maximize product opportunities and our ability to cause these third parties to increase the speed and scope of their efforts may be limited. In addition, sales and marketing efforts could be negatively impacted by the delay or failure to obtain additional supportive clinical trial data for our products. Our third party partners are responsible for conducting these additional clinical trials and our ability to increase the efforts and resources allocated to these trials may be limited.

If our sole contract manufacturer is unable to manufacture significant amounts of the active pharmaceutical ingredient used in our products, our product development and commercialization efforts could be delayed or stopped.

We have signed a commercial supply agreement with Avid Bioservices, Inc. (“Avid”), a contract manufacturing organization, to produce bulk recombinant human hyaluronidase for clinical trials and commercial use. Avid will produce the active pharmaceutical ingredient used in each of Cumulase, Hylenex, Chemophase, and Enhanze Technology under cGMP for clinical or commercial scale production and will provide support for the chemistry, manufacturing and controls sections for FDA regulatory filings. Avid has only limited experience manufacturing our active pharmaceutical ingredient batches, and we rely on its ability to successfully manufacture these batches

according to product specifications. In addition, as a result of our contractual obligations to Roche, we will be required to significantly scale up our active pharmaceutical ingredient production during the next few years. We do not currently have a significant inventory of the active pharmaceutical ingredient used in our products and product candidates, so if Avid does not maintain its status as an FDA-approved manufacturing facility, is unable to successfully scale up our active pharmaceutical ingredient production, or is unable to manufacture the active pharmaceutical ingredient used in our products and product candidates according to product specifications for any other reason, the commercialization of our products and the development of our product candidates will be delayed and our business will be adversely affected. We have entered into discussions to establish arrangements with an additional manufacturer for these ingredients. We have not yet established, and may not be able to establish, favorable arrangements with additional manufacturers for these ingredients or products should the existing supplies become unavailable or in the event that our sole contract manufacturer is unable to adequately perform its responsibilities. Any delays or interruptions in the supply of materials by Avid could cause the delay of clinical trials and could delay or prevent the commercialization of product candidates that may receive regulatory approval. Such delays or interruptions would have a material adverse effect on our business and financial condition.

If we have problems with the third parties that prepare, fill, finish, and package our product candidates for distribution, our product development and commercialization efforts for these candidates could be delayed or stopped.

In the event that any of our product candidates are used in clinical trials or receive the necessary regulatory approval for commercialization, we rely on third parties to prepare, fill, finish, and package the products prior to their distribution. If we are unable to locate third parties to perform these functions on terms that are economically acceptable to us, the progress of clinical trials could be delayed or even suspended and the commercialization of approved product candidates could be delayed or prevented. We currently utilize a third-party to prepare, fill, finish, and package Cumulase. This third party has only limited experience manufacturing Cumulase batches and, to date, has not demonstrated a consistent ability to manufacture Cumulase according to product specifications. We have entered into an agreement with another third party to prepare, fill, finish and package Cumulase. We are currently in the technology transfer stage with this third party and expect to initiate commercial manufacturing in 2008. If our third party manufacturers are unable to successfully manufacture Cumulase, we may be unable to supply enough Cumulase product to meet demand. In addition, we currently utilize a subsidiary of Baxter to prepare, fill, finish, and package Hylenex under a development and supply agreement. Baxter has only limited experience manufacturing Hylenex batches, and we rely on its ability to successfully manufacture Hylenex batches according to product specifications. Any delays or interruptions in Baxter's ability to manufacture Hylenex batches in amounts necessary to meet product demand could have a material adverse impact on our business and financial condition.

We may wish to raise funds in the next twelve months, and there can be no assurance that such funds will be available.

During the next twelve months, we may wish to raise additional capital to complete or accelerate the steps required to continue development of our product candidates and to fund general operations. If we engage in acquisitions of companies, products, or technology in order to execute our business strategy, we may need to raise additional capital. We may be required to raise additional capital in the future through the public offering of securities, collaborative agreements, private financings and various other equity or debt financings, including calling outstanding warrants to purchase our common stock.

Currently, warrants to purchase approximately 4.9 million shares of our common stock are outstanding and this amount of outstanding warrants may make us a less desirable candidate for investment for some potential investors. Approximately 1.6 million of our outstanding warrants contain a call feature that, potentially, may allow us to raise funds from the holders of these warrants. We have the ability, at our sole discretion, to call warrants exercisable for up to approximately 1.6 million shares of common stock and, upon such a call, the holders of these warrants have thirty days to decide whether to exercise their warrants at a price of $1.75 per share or receive $0.01 from us for each share of common stock that is not exercised.

Considering our stage of development and the nature of our capital structure, if we are required to raise additional capital in the future, the additional financing may not be available on favorable terms, or at all. If we are

successful in raising additional capital, a substantial number of additional shares may be issued and these shares will dilute the ownership interest of our current investors.

If our product candidates are approved by the FDA but do not gain market acceptance, our business will suffer because we may not be able to fund future operations.

Assuming that we obtain the necessary regulatory approvals, a number of factors may affect the market acceptance of any of our existing product candidates or any other products we develop or acquire in the future, including, among others:

- the price of our products relative to other therapies for the same or similar treatments;
- the perception by patients, physicians and other members of the health care community of the effectiveness and safety of our products for their prescribed treatments;
- our ability to fund our sales and marketing efforts;
- the degree to which the use of our products is restricted by the product label approved by the FDA;
- the effectiveness of our sales and marketing efforts; and
- the introduction of generic competitors.

If our products do not gain market acceptance, we may not be able to fund future operations, including the development or acquisition of new product candidates and/or our sales and marketing efforts for our approved products, which would cause our business to suffer.

In addition, our ability to market and promote our product candidates will be restricted to the labels approved by the FDA. If the approved labels are restrictive, our sales and marketing efforts may be negatively affected.

Developing and marketing pharmaceutical products for human use involves product liability risks, for which we currently have limited insurance coverage.

The testing, marketing and sale of pharmaceutical products involves the risk of product liability claims by consumers and other third parties. Although we maintain product liability insurance coverage, product liability claims can be high in the pharmaceutical industry and our insurance may not sufficiently cover our actual liabilities. If product liability claims were made against us, it is possible that our insurance carriers may deny, or attempt to deny, coverage in certain instances. If a lawsuit against us is successful, then the lack or insufficiency of insurance coverage could materially and adversely affect our business and financial condition. Furthermore, various distributors of pharmaceutical products require minimum product liability insurance coverage before purchase or acceptance of products for distribution. Failure to satisfy these insurance requirements could impede our ability to achieve broad distribution of our proposed products and the imposition of higher insurance requirements could impose additional costs on us.

Our inability to attract, hire and retain key management and scientific personnel, and to recruit qualified independent directors, could negatively affect our business.

Our success depends on the performance of key management and scientific employees with biotechnology experience. Given our small staff size and programs currently under development, we depend substantially on our ability to hire, train, retain and motivate high quality personnel, especially our scientists and management team in this field. If we are unable to retain existing personnel or identify or hire additional personnel, we may not be able to research, develop, commercialize or market our product candidates as expected or on a timely basis and, as a result, our business may be harmed. In addition, we rely on the expertise and guidance of independent directors to develop business strategies and to guide our execution of these strategies. Due to changes in the regulatory environment for public companies over the past few years, the demand for independent directors has increased and it may be difficult for us, due to competition from both like-size and larger companies, to recruit qualified independent directors.

Furthermore, if we were to lose key management personnel, particularly Jonathan Lim, M.D., our chief executive officer, or Gregory Frost, Ph.D., our chief scientific officer, then we would likely lose some portion of our

institutional knowledge and technical know-how, potentially causing a substantial delay in one or more of our development programs until adequate replacement personnel could be hired and trained. For example, Dr. Frost has been with us from soon after our inception, and he possesses a substantial amount of knowledge about our development efforts. If we were to lose his services, we would experience delays in meeting our product development schedules. We have not entered into any retention or other agreements specifically designed to motivate officers or other employees to remain with us, other than standard agreements relating to the vesting of stock options that every optionee of the Company must enter into as a condition of receiving an option grant.

We do not have key man life insurance policies on the lives of any of our employees, including Dr. Lim and Dr. Frost.

Risks Related To Ownership of Our Common Stock

Future sales of shares of our common stock upon the exercise of currently outstanding securities or pursuant to our universal shelf registration statement may negatively affect our stock price.

As a result of our January 2004 private financing transaction, we issued warrants to private investors for the purchase of approximately 10.5 million shares of common stock at purchase prices ranging from $0.77 to $1.75 per share. Currently, approximately 2.8 million shares of common stock remain issuable upon the exercise of these warrants. As a result of our October 2004 financing transaction, we issued warrants for the purchase of approximately 2.7 million shares of common stock at a purchase price of $2.25 per share. Currently, approximately 2.0 million shares of common stock remain issuable upon the exercise of these warrants. The exercise of these warrants could result in significant dilution to stockholders at the time of exercise which could negatively affect our stock price.

We currently have the ability, from time to time, to offer and sell up to $32.5 million of additional equity or debt securities under a currently effective universal shelf registration statement. Sales of substantial amounts of shares of our common stock or other securities under our universal shelf registration statement could lower the market price of our common stock and impair our ability to raise capital through the sale of equity securities. In the future, we may issue additional options, warrants or other derivative securities convertible into our common stock.

Our stock price is subject to significant volatility.

We participate in a highly dynamic industry which often results in significant volatility in the market price of common stock irrespective of company performance. As a result, our high and low sales prices of our common stock during the year ended December 31, 2007 were $11.00 and $6.00, respectively. We expect our stock price to continue to be subject to significant volatility and, in addition to the other risks and uncertainties described elsewhere in this Annual Report on Form 10-K and all other risks and uncertainties that are either not known to us at this time or which we deem to be immaterial, any of the following factors may lead to a significant drop in our stock price:

- our failure, or the failure of one of our third party partners, to comply with the terms of our collaboration agreements;
- the termination, for any reason, of any of our collaboration agreements;
- the sale of common stock by any significant shareholder, including, but not limited to, direct or indirect sales by members of our Board of Directors;
- general negative conditions in the healthcare industry;
- general negative conditions in the financial markets;
- the failure, for any reason, to obtain FDA approval for any of our products;
- the failure, for any reason, to secure or defend our intellectual property position;
- for those products that are approved by the FDA, the failure of the FDA to approve such products in a timely manner consistent with the FDA’s historical approval process;

- the suspension of our Chemophase clinical trial due to safety or patient tolerability issues;
- the suspension of our Chemophase clinical trial due to market and/or competitive conditions;
- our failure, or the failure of our third party partners, to successfully commercialize products approved by the FDA;
- our failure, or the failure of our third party partners, to generate product revenues anticipated by investors;
- problems with our sole API contract manufacturer or our sole fill and finish manufacturer for Hylenex;
- the exercise of our right to redeem certain outstanding warrants to purchase our common stock;
- the sale of additional debt and/or equity securities by us; and
- the departure of key personnel.

Trading in our stock has historically been limited, so investors may not be able to sell as much stock as they want to at prevailing market prices.

Our stock has historically traded at a low daily trading volume. If recent trading volumes decrease, it may be difficult for stockholders to sell their shares in the public market at any given time at prevailing prices.

Our decision to redeem outstanding warrants may drive down the market price of our stock.

We may have the ability to redeem certain outstanding warrants, under certain conditions, that may be exercised for approximately 1.6 million shares of common stock. The redemption price for these warrants is $0.01 per share, but the warrant holders have the opportunity to exercise their warrants prior to redemption at the price of $1.75 per share. If we decide to redeem any portion of our outstanding warrants in the future, some selling security holders may choose to sell outstanding shares of common stock in order to finance the exercise of the warrants prior to their redemption. This pattern of selling may result in a reduction of our common stock's market price.

Risks Related To Our Industry

Compliance with the extensive government regulations to which we are subject is expensive and time consuming and may result in the delay or cancellation of product sales, introductions or modifications.

Extensive industry regulation has had, and will continue to have, a significant impact on our business. All pharmaceutical companies, including ours, are subject to extensive, complex, costly and evolving regulation by the federal government, principally the FDA and, to a lesser extent, the U.S. Drug Enforcement Administration ("DEA") and foreign and state government agencies. The Federal Food, Drug and Cosmetic Act, the Controlled Substances Act and other domestic and foreign statutes and regulations govern or influence the testing, manufacturing, packaging, labeling, storing, recordkeeping, safety, approval, advertising, promotion, sale and distribution of our products. Under certain of these regulations, Halozyme and its contract suppliers and manufacturers are subject to periodic inspection of its or their respective facilities, procedures and operations and/or the testing of products by the FDA, the DEA and other authorities, which conduct periodic inspections to confirm that Halozyme and its contract suppliers and manufacturers are in compliance with all applicable regulations. The FDA also conducts pre-approval and post-approval reviews and plant inspections to determine whether our systems, or our contract suppliers' and manufacturers' processes, are in compliance with cGMP and other FDA regulations. If we, or our contract supplier, fail these inspections, we may not be able to commercialize our product in a timely manner without incurring significant additional costs, or at all.

In addition, the FDA imposes a number of complex regulatory requirements on entities that advertise and promote pharmaceuticals including, but not limited to, standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities, and promotional activities involving the internet.

We are dependent on receiving FDA and other governmental approvals prior to manufacturing, marketing and shipping our products. Consequently, there is always a risk that the FDA or other applicable governmental

authorities will not approve our products, or will take post-approval action limiting or revoking our ability to sell our products, or that the rate, timing and cost of such approvals will adversely affect our product introduction plans or results of operations.

Our suppliers and sole manufacturer are subject to regulation by the FDA and other agencies, and if they do not meet their commitments, we would have to find substitute suppliers or manufacturers, which could delay the supply of our products to market.

Regulatory requirements applicable to pharmaceutical products make the substitution of suppliers and manufacturers costly and time consuming. We have no internal manufacturing capabilities and are, and expect to be in the future, entirely dependent on contract manufacturers and suppliers for the manufacture of our products and for their active and other ingredients. The disqualification of these manufacturers and suppliers through their failure to comply with regulatory requirements could negatively impact our business because the delays and costs in obtaining and qualifying alternate suppliers (if such alternative suppliers are available, which we cannot assure) could delay clinical trials or otherwise inhibit our ability to bring approved products to market, which would have a material adverse effect on our business and financial condition.

We may be required to initiate or defend against legal proceedings related to intellectual property rights, which may result in substantial expense, delay and/or cessation of the development and commercialization of our products.

We rely on patents to protect our intellectual property rights. The strength of this protection, however, is uncertain. For example, it is not certain that:

- our patents and pending patent applications cover products and/or technology that we invented first;
- we were the first to file patent applications for these inventions;
- others will not independently develop similar or alternative technologies or duplicate our technologies;
- any of our pending patent applications will result in issued patents; and
- any of our issued patents, or patent pending applications that result in issued patents, will be held valid and infringed in the event the patents are asserted against others.

We currently own or license several U.S. patents and also have pending patent applications. There can be no assurance that our existing patents, or any patents issued to us as a result of our pending patent applications, will provide a basis for commercially viable products, will provide us with any competitive advantages, or will not face third party challenges or be the subject of further proceedings limiting their scope or enforceability. Such limitations in our patent portfolio could have a material adverse effect on our business and financial condition. In addition, if any of our pending patent applications do not result in issued patents, this could have a material adverse effect on our business and financial condition.

We may become involved in interference proceedings in the U.S. Patent and Trademark Office to determine the priority of our inventions. In addition, costly litigation could be necessary to protect our patent position. We also rely on trademarks to protect the names of our products. These trademarks may be challenged by others. If we enforce our trademarks against third parties, such enforcement proceedings may be expensive. We also rely on trade secrets, unpatented proprietary know-how and continuing technological innovation that we seek to protect with confidentiality agreements with employees, consultants and others with whom we discuss our business. Disputes may arise concerning the ownership of intellectual property or the applicability or enforceability of these agreements, and we might not be able to resolve these disputes in our favor.

In addition to protecting our own intellectual property rights, third parties may assert patent, trademark or copyright infringement or other intellectual property claims against us based on what they believe are their own intellectual property rights. If we become involved in any intellectual property litigation, we may be required to pay substantial damages, including but not limited to treble damages, for past infringement if it is ultimately determined that our products infringe a third party’s intellectual property rights. Even if infringement claims against us are without merit, defending a lawsuit takes significant time, may be expensive and may divert management’s attention

from other business concerns. Further, we may be stopped from developing, manufacturing or selling our products until we obtain a license from the owner of the relevant technology or other intellectual property rights. If such a license is available at all, it may require us to pay substantial royalties or other fees.

Future acquisitions could disrupt our business and harm our financial condition.

In order to augment our product pipeline or otherwise strengthen our business, we may decide to acquire additional businesses, products and technologies. As we have limited experience in evaluating and completing acquisitions, our ability as an organization to make such acquisitions is unproven. Acquisitions could require significant capital infusions and could involve many risks, including, but not limited to, the following:

- we may have to issue convertible debt or equity securities to complete an acquisition, which would dilute our stockholders and could adversely affect the market price of our common stock;
- an acquisition may negatively impact our results of operations because it may require us to incur large one-time charges to earnings, amortize or write down amounts related to goodwill and other intangible assets, or incur or assume substantial debt or liabilities, or it may cause adverse tax consequences, substantial depreciation or deferred compensation charges;
- we may encounter difficulties in assimilating and integrating the business, products, technologies, personnel or operations of companies that we acquire;
- certain acquisitions may disrupt our relationship with existing customers who are competitive with the acquired business, products or technologies;
- acquisitions may require significant capital infusions and the acquired businesses, products or technologies may not generate sufficient revenue to offset acquisition costs;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- acquisitions may involve the entry into a geographic or business market in which we have little or no prior experience; and
- key personnel of an acquired company may decide not to work for us.

If any of these risks occurred, it could adversely affect our business, financial condition and operating results. We cannot assure you that we will be able to identify or consummate any future acquisitions on acceptable terms, or at all. If we do pursue any acquisitions, it is possible that we may not realize the anticipated benefits from such acquisitions or that the market will not view such acquisitions positively.

If third party reimbursement and customer contracts are not available, our products may not be accepted in the market.

Our ability to earn sufficient returns on our products will depend in part on the extent to which reimbursement for our products and related treatments will be available from government health administration authorities, private health insurers, managed care organizations and other healthcare providers.

Third-party payors are increasingly attempting to limit both the coverage and the level of reimbursement of new drug products to contain costs. Consequently, significant uncertainty exists as to the reimbursement status of newly approved healthcare products. Third party payors may not establish adequate levels of reimbursement for the products that we commercialize, which could limit their market acceptance and result in a material adverse effect on our financial condition.

Customer contracts, such as with group paying organizations and hospital formularies, will often not offer contract or formulary status without either the lowest price or substantial proven clinical differentiation. If our products are compared to animal-extracted hyaluronidases by these entities, it is possible that neither of these conditions will be met, which could limit market acceptance and result in a material adverse effect on our financial condition.

The rising cost of healthcare and related pharmaceutical product pricing has led to cost containment pressures that could cause us to sell our products at lower prices, resulting in less revenue to us.

Any of our products that have been or in the future are approved by the FDA may be purchased or reimbursed by state and federal government authorities, private health insurers and other organizations, such as health maintenance organizations and managed care organizations. Such third party payors increasingly challenge pharmaceutical product pricing. The trend toward managed healthcare in the United States, the growth of such organizations, and various legislative proposals and enactments to reform healthcare and government insurance programs, including the Medicare Prescription Drug Modernization Act of 2003, could significantly influence the manner in which pharmaceutical products are prescribed and purchased, resulting in lower prices and/or a reduction in demand. Such cost containment measures and healthcare reforms could adversely affect our ability to sell our products. Furthermore, individual states have become increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access, importation from other countries and bulk purchasing. Legally mandated price controls on payment amounts by third party payors or other restrictions could negatively and materially impact our revenues and financial condition. We anticipate that we will encounter similar regulatory and legislative issues in most other countries outside the United States.

We face intense competition and rapid technological change that could result in the development of products by others that are superior to the products we are developing.

We have numerous competitors in the United States and abroad including, among others, major pharmaceutical and specialized biotechnology firms, universities and other research institutions that may be developing competing products. Such competitors include, but are not limited to, Sigma-Aldrich Corporation, ISTA Pharmaceuticals, Inc., or ISTA, Amphastar Pharmaceuticals, Inc., or Amphastar, and Primapharm, Inc. or Primapharm, among others. These competitors may develop technologies and products that are more effective, safer, or less costly than our current or future product candidates or that could render our technologies and product candidates obsolete or noncompetitive. Many of these competitors have substantially more resources and product development, manufacturing and marketing experience and capabilities than we do. In addition, many of our competitors have significantly greater experience than we do in undertaking pre-clinical testing and clinical trials of pharmaceutical product candidates and obtaining FDA and other regulatory approvals of products and therapies for use in healthcare. Other manufacturers have FDA approved products for use as spreading agents, including ISTA, with an ovine-derived hyaluronidase, Vitrase ®, Amphastar, with a bovine-derived hyaluronidase, Amphadase ™, and Primapharm, also with a bovine-derived hyaluronidase, Hydase ™. The FDA has determined that Amphadase, Hydase, Hylenex and Vitrase are distinct new chemical entities and hence afforded five years of market exclusivity. The five year market exclusivity precludes identical new chemical entity products from being marketed for a period of five years. As each of these products is established as distinctly different new chemical entities, the marketing exclusivity granted does not prohibit the marketing of the products.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Our administrative offices and research facilities are currently located in San Diego, California. We sublease an aggregate of approximately 48,800 square feet of office and research space for an initial monthly rent expense of approximately $108,000, net of costs and property taxes associated with the operation and maintenance of the subleased facilities. We had two separate leases for approximately 18,400 combined square feet of facilities, which expired in December 2007. We believe the current space is adequate for our immediate needs.

Item 3. ***Legal Proceedings***

From time to time, we may be involved in litigation relating to claims arising out of operations in the normal course of our business. Any of these claims could subject us to costly litigation and, while we generally believe that

we have adequate insurance to cover many different types of liabilities, our insurance carriers may deny coverage or our policy limits may be inadequate to fully satisfy any damage awards or settlements. If this were to happen, the payment of any such awards could have a material adverse effect on our results of operations and financial position. Additionally, any such claims, whether or not successful, could damage our reputation and business. We currently are not a party to any legal proceedings, the adverse outcome of which, in management's opinion, individually or in the aggregate, would have a material adverse effect on our results of operations or financial position.

Item 4. *Submission of Matters to a Vote of Security Holders*

A special meeting of stockholders was held on November 14, 2007. One proposal was considered. The proposal was to approve an Agreement and Plan of Merger pursuant to which we would reincorporate from the State of Nevada to the State of Delaware. This proposal received the following votes:

	Shares
For approval	40,216,282
Against approval	1,638,578
Abstained	71,428

The foregoing proposal was approved.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Since May 10, 2007, our common stock has traded on the NASDAQ Stock Market under the symbol "HALO". During the period from January 1, 2006 to May 9, 2007, our common stock traded under the symbol "HTI" on The American Stock Exchange (the "AMEX"). The following table sets forth the high and low sales prices per share of our common stock during each quarter of the two most recent fiscal years:

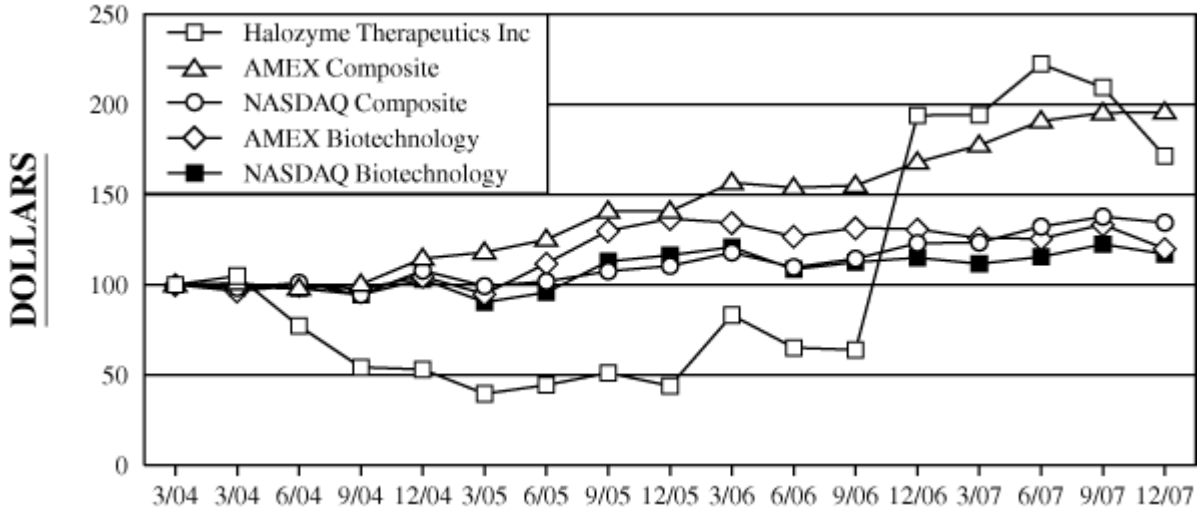
Fiscal Year 2007	High	Low
First Quarter	$ 9.70	$6.75
Second Quarter	$11.00	$8.00
Third Quarter	$10.50	$7.49
Fourth Quarter	$ 9.46	$6.00

Fiscal Year 2006	High	Low
First Quarter	$3.71	$1.79
Second Quarter	$3.59	$2.20
Third Quarter	$2.74	$2.15
Fourth Quarter	$8.70	$2.46

On February 29, 2008, the closing sales price of our common stock on the NASDAQ Stock Market was $5.50 per share. As of February 29, 2008, we had approximately 3,500 stockholders of record. We have not paid any dividends on our common stock since our inception and do not expect to pay dividends on our common stock in the foreseeable future.

The graph below compares Halozyme Therapeutics, Inc.'s cumulative 45-month total shareholder return on common stock with the cumulative total returns of the AMEX Composite index, the NASDAQ Composite index, the AMEX Biotechnology index and the NASDAQ Biotechnology index. The graph tracks the performance of a $100 investment in our common stock and in each of the indexes (with the reinvestment of all dividends) from 3/12/2004 to 12/31/2007. The historical stock price performance included in this graph is not necessarily indicative of future stock price performance.

COMPARISON OF 45 MONTH CUMULATIVE TOTAL RETURN*
Halozyme Therapeutics Inc.



* $100 invested on 3/12/04 in stock or on 2/29/04 in index-including reinvestment of dividends.
Fiscal year ending December 31.

	3/04	3/04	6/04	9/04	12/04	3/05	6/05	9/05	12/05	3/06	6/06	9/06	12/06	3/07	6/07	9/07	12/07
Halozyme Therapeutics Inc	**100**	**105**	**77**	**54**	**53**	**40**	**44**	**51**	**44**	**83**	**65**	**64**	**194**	**194**	**222**	**209**	**171**
AMEX Composite	**100**	**101**	**98**	**100**	**115**	**118**	**125**	**141**	**141**	**157**	**154**	**155**	**168**	**177**	**191**	**195**	**196**
NASDAQ Composite	**100**	**98**	**101**	**94**	**108**	**99**	**102**	**108**	**110**	**118**	**110**	**114**	**123**	**123**	**132**	**138**	**134**
AMEX Biotechnology	**100**	**96**	**100**	**98**	**104**	**95**	**112**	**130**	**137**	**134**	**127**	**132**	**131**	**126**	**126**	**133**	**120**
NASDAQ Biotechnology	**100**	**98**	**98**	**94**	**103**	**90**	**96**	**113**	**116**	**121**	**109**	**113**	**115**	**112**	**115**	**122**	**117**

Recent Sales of Unregistered Securities

During the three months ended December 31, 2007, holders of various outstanding warrants exercised their rights to purchase 520,161 common shares for gross proceeds of approximately $635,000. The shares and underlying warrants were purchased for investment in a private placement exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof.

Item 6. ***Selected Financial Data***

The selected consolidated financial data set forth below as of December 31, 2007 and 2006, and for the fiscal years ended December 31, 2007, 2006 and 2005, are derived from our audited consolidated financial statements included elsewhere in this report. This information should be read in conjunction with those consolidated financial statements, the notes thereto, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected consolidated financial data set forth below as of December 31, 2005, 2004 and 2003, and for the years ended December 31, 2004 and 2003, are derived from our audited consolidated financial statements that are contained in reports previously filed with the SEC, not included herein.

Summary Financial Information

	Years Ended December 31,				
Statement of operations data:	**2007**	**2006**	**2005**	**2004**	**2003**
Total revenues	$ 3,799,521	$ 981,746	$ 127,209	$ —	$ —
Net loss	$(23,896,183)	$(14,751,986)	$(13,275,373)	$ (9,091,376)	$(2,115,025)
Net loss per share, basic and diluted	$ (0.32)	$ (0.24)	$ (0.26)	$ (0.26)	$ (0.31)
Shares used in computing net loss per share, basic and diluted	74,317,930	62,610,265	50,317,021	35,411,127	6,826,109

	As of December 31,				
Balance sheet data:	**2007**	**2006**	**2005**	**2004**	**2003**
Cash and cash equivalents	$ 97,679,085	$44,189,403	$19,132,194	$16,007,714	$503,580
Working capital	$ 92,312,937	$41,343,010	$17,802,804	$14,566,209	$230,140
Total assets	$103,460,374	$46,091,320	$20,510,255	$16,403,671	$647,247
Deferred revenues	$ 39,269,491	$19,981,537	$ 254,138	$ —	$ —
Total liabilities	$ 45,692,450	$23,010,085	$ 2,303,368	$ 1,579,413	$273,440
Stockholders' equity	$ 57,767,924	$23,081,235	$18,206,887	$14,824,258	$373,807

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operation***

In addition to historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ substantially from those referred to herein due to a number of factors, including but not limited to risks described in the section entitled Risks Related to Our Business and elsewhere in this Annual Report.

Overview

We are a biopharmaceutical company dedicated to the development and commercialization of products targeting the extracellular matrix for the drug delivery, oncology and dermatology markets. Our existing products and our products under development are based on intellectual property covering the family of human enzymes known as hyaluronidases. Hyaluronidases are enzymes (proteins) that break down hyaluronic acid which is a naturally occurring substance in the human body. Our technology is based on our proprietary recombinant human PH20 enzyme, or rHuPH20, a human synthetic version of hyaluronidase that degrades hyaluronic acid, a space-filling, gel-like substance that is a major component of tissues throughout the body, such as skin and bone. The PH20 enzyme is a naturally occurring enzyme that digests hyaluronic acid to temporarily break down the gel, thereby facilitating the penetration and diffusion of other drugs and fluids that are injected under the skin or in the muscle. It also degrades the cumulus matrix surrounding oocytes (eggs) facilitating in vitro fertilization, or IVF.

Our operations to date have been limited to organizing and staffing the Company, acquiring, developing and securing our technology and undertaking product development for our existing products and a limited number of product candidates. We have two marketed products: Cumulase ®, a product used for IVF, and Hylenex, a product

used as an adjuvant to increase the absorption and dispersion of other injected drugs and fluids. Currently, we have only limited revenue from the sales of Cumulase and Hylenex, in addition to revenues from collaborative agreements with Baxter Healthcare Corporation, or Baxter, and F. Hoffmann-La Roche, Ltd and Hoffmann-La Roche, Inc., (collectively "Roche"). Revenues from product sales depend on our ability to develop, manufacture, obtain regulatory approvals for and successfully commercialize our product candidates. All of our product candidates are in the research, pre-clinical, or clinical stage. It may be years, if ever, before we are able to obtain the regulatory approvals necessary to generate meaningful revenue from the sale of these product candidates. We have incurred net operating losses each year since inception, with an accumulated deficit of approximately $65.0 million as of December 31, 2007.

We currently have an effective universal shelf registration statement which will permit us, from time to time, to offer and sell up to $32.5 million of additional equity or debt securities. Sales of a substantial number of shares of our common stock pursuant to this registration statement or in connection with other transactions, or even the potential for such sales through the exercise of currently outstanding warrants, could lower the market price of our common stock and impair our ability to raise capital through the sale of equity securities. In the future, we may issue additional options, warrants or other derivative securities convertible into our common stock to fund the continued development of our product candidates and for other general corporate purposes.

Current Products and Product Candidates

We have two marketed products and multiple product candidates targeting several indications in various stages of development. The following table summarizes our lead clinical products and product candidates:

Product	Indication (Brief Description)	Development Status
Cumulase	In vitro fertilization	Marketed
Hylenex	Agent for drug and fluid infusion	Marketed
Chemophase	Chemoadjuvant for superficial bladder cancer	Phase I/IIa
Enhanze Technology	Agent for enhanced drug delivery	Phase I
Proprietary PH20	Oncology, metabolism	Pre-Clinical
Proprietary Non-PH20	Oncology, dermatology	Pre-Clinical

Cumulase is an *ex vivo* (used outside the body) formulation of rHuPH20 to replace the bovine enzyme currently used for the preparation of oocytes prior to IVF during the process of intracytoplasmic sperm injection, in which the enzyme is an essential component. We launched Cumulase in the European Union and the United States in June 2005.

Hylenex is a human recombinant formulation for rHuPH20 to facilitate the absorption and dispersion of other injected drugs or fluids. When injected under the skin or in the muscle, hyaluronidase can digest the hyaluronic acid gel, allowing for temporarily enhanced penetration and dispersion of other injected drugs or fluids. We received approval from the Food and Drug Administration, or FDA, for Hylenex in December 2005. In February 2007, we entered into an expanded collaboration agreement with Baxter under which Baxter fills and finishes Hylenex and holds it for subsequent distribution.

Chemophase, our lead oncology product candidate, is an investigative chemoadjuvant designed to enhance the transport of chemotherapeutic agents to tumor tissue, potentially increasing diffusion in tissues without affecting vascular permeability. Chemophase is being developed for potential use in the treatment of patients with superficial bladder cancer. In April 2006, we commenced patient enrollment in our Chemophase Phase I/IIa clinical trial. In September 2007, we completed enrollment in our Phase I/IIa clinical trial.

Enhanze ™ Technology, a proprietary drug enhancement system using rHuPH20, is our broader technology opportunity that can potentially lead to proprietary partnerships with other pharmaceutical companies. We are currently seeking partnerships with pharmaceutical companies that market or develop drugs requiring or benefiting from injection via the subcutaneous or intramuscular routes that could benefit from this technology. In December 2006, we signed our first Enhanze Technology partnership with Roche. In September 2007, we signed our second Enhanze Technology partnership with Baxter.

Collaborative Agreements

Roche Agreement

In December 2006, we entered into a License and Collaboration Agreement (the "Roche Agreement") with Roche for Enhanze Technology. Under the terms of the Roche Agreement, Roche obtained a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20 and up to thirteen Roche target compounds resulting from the collaboration. Roche paid us $20 million as an initial upfront license fee for the application of rHuPH20 to three pre-defined Roche biologic targets. Pending the successful completion of a series of clinical, regulatory, and sales events, Roche will pay us further milestones which could potentially reach a value of up to $111 million. In addition, Roche will pay us royalties on product sales for these first three targets. Over the next ten years, Roche will also have the option to exclusively develop and commercialize rHuPH20 with an additional ten targets to be identified by Roche, provided that Roche will be obligated to pay continuing exclusivity maintenance fees to us in order to maintain its exclusive development rights for these targets. For each of the additional ten targets, Roche may pay us further upfront and milestone payments of up to $47 million per target, as well as royalties on product sales for each of these additional ten targets. Additionally, Roche will obtain access to our expertise in developing and applying rHuPH20 to Roche targets. In addition, in December 2006, an affiliate of Roche purchased 3,385,000 shares of common stock for an aggregate of approximately $11.1 million.

Baxter Agreements

In September 2007, we entered into an Enhanze Technology License and Collaboration Agreement (the "Gammagard License") with Baxter. Under the terms of the Gammagard License, Baxter obtained a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20 with a current Baxter product, Gammagard Liquid ™ . Under the terms of the agreement, Baxter made an initial upfront payment of $10 million to us. Pending successful completion of a series of regulatory and sales milestones, Baxter may make further milestone payments totaling $37 million to us. In addition, Baxter will pay royalties on the sales, if any, of the products that result from the collaboration. The Gammagard License is applicable to both kit and co-formulation combinations. Baxter will assume all development, manufacturing, clinical, regulatory, sales and marketing costs under the Gammagard License, while we will be responsible for the supply of the rHuPH20 enzyme. In addition, Baxter has certain product development and commercialization obligations in major markets identified in the Gammagard License.

In February 2007, we amended certain agreements with Baxter for Hylenex and entered into a new agreement, collectively the Baxter Agreements, for kits and co-formulations with rHuPH20. Under the terms of the Baxter Agreements, Baxter paid us a nonrefundable upfront payment of $10 million and, pending the successful completion of a series of regulatory and sales events, Baxter will make milestone payments to us which could potentially reach a value of up to $25 million. In addition, Baxter will make payments to us based on the sales of products covered under the Baxter Agreements. In February 2007, Baxter prepaid $1.0 million of such product-based payments in connection with the execution of the Baxter Agreements. In January 2008, Baxter prepaid another $3.5 million of such product-based payments and is obligated to prepay $5.5 million of additional product-based payments on or prior to January 1, 2009. Baxter will also now assume all development, manufacturing, clinical, regulatory, sales and marketing costs of the products covered by the Baxter Agreements. We will continue to supply Baxter with the API for Hylenex, and Baxter will prepare, fill, finish and package Hylenex and hold it for subsequent distribution. In addition, Baxter will obtain a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20 with Baxter hydration fluids and generic small molecule drugs, with the exception of combinations with (i) bisphosphonates, as well as (ii) cytostatic and cytotoxic chemotherapeutic agents, the rights to which have been retained by us. In addition, in February 2007, an affiliate of Baxter purchased 2,070,394 shares of our common stock for an aggregate of approximately $20 million. Additionally, Baxter will make product-based payments on the sales, if any, of the products that result from the collaboration.

Revenues

Revenues from product sales depend on our ability to develop, manufacture, obtain regulatory approvals for and successfully commercialize our products and product candidates.

Revenues from license and collaboration agreements are recognized based on the performance requirements of the underlying agreements. Revenue is deferred for fees received before earned. Non-refundable upfront fees, where we have an ongoing involvement or performance obligation, are recorded as deferred revenue and recognized as revenue over the contract or development period. Milestone payments are generally recognized as revenue upon the achievement of the milestones as specified in the underlying agreement, assuming we meet certain criteria. Royalty revenues from the sale of licensed products are recognized upon the sale of such products.

During 2006 and 2007, we entered into the Roche Agreement, the Baxter Agreements and the Gammagard License, which consist of non-refundable upfront license fees, reimbursements of research and development services, various clinical, regulatory or sales milestones and future product-based or royalty payments, as applicable. Due to our ongoing involvement obligations under the agreements, we recorded the non-refundable upfront license fees as deferred revenues. Such revenues are being recognized over the terms of the underlying agreements.

Costs and Expenses

Cost of Sales. Cost of sales consists primarily of raw materials, third-party manufacturing costs, fill and finish costs, and freight costs associated with the sales of Cumulase, and the API for Hylenex.

Research and Development. Our research and development expenses consist primarily of costs associated with the development and manufacturing of our product candidates, compensation and other expenses for research and development personnel, supplies and materials, costs for consultants and related contract research, clinical trials, facility costs, and depreciation. We charge all research and development expenses to operations as they are incurred. Our research and development activities are primarily focused on the development of our various product candidates.

Since our inception in 1998 through 2007, we have incurred research and development expenses of $48.9 million. From 2005 through 2007, approximately 27% of our research and development expenses were associated with the research and development of our recombinant human PH20 enzyme used in our Cumulase and Hylenex products, and approximately 17% of our research and development expenses were associated with the development of our Chemophase product candidate. Due to the uncertainty in obtaining FDA approval, our reliance on third parties, and competitive pressures, we are unable to estimate with any certainty the additional costs we will incur in the continued development of our Chemophase product candidate for commercialization. However, we expect our research and development expenses to increase substantially if we are able to advance our Chemophase product candidate and our other product candidates into later stages of clinical development.

Clinical development timelines, likelihood of success, and total costs vary widely. Although we are currently focused primarily on advancing Chemophase, we anticipate that we will make determinations as to which research and development projects to pursue and how much funding to direct to each project on an ongoing basis in response to the scientific and clinical progress of each product candidate and other market and regulatory developments.

Product candidate completion dates and costs vary significantly for each product candidate and are difficult to estimate. The lengthy process of seeking regulatory approvals and the subsequent compliance with applicable regulations require the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could cause our research and development expenditures to increase and, in turn, have a material adverse effect on our results of operations. We cannot be certain when, or if, our Chemophase product candidate, or any of our other product candidates, will receive regulatory approval or whether any net cash inflow from our Chemophase product candidate, or any of our other product candidates, or development projects, will commence.

Selling, General and Administrative. Selling, general and administrative expenses consist primarily of compensation and other expenses related to our corporate operations and administrative employees, accounting and legal fees, other professional services expenses, marketing expenses, as well as other expenses associated with operating as a publicly traded company. We anticipate continued increases in selling, general and administrative expenses as our operations continue to expand.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial position and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We review our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

The Company generates revenues from product sales and collaborative agreements. Payments received under collaborative agreements may include nonrefundable fees at the inception of the agreements, milestone payments for specific achievements designated in the collaborative agreements, reimbursements of research and development services and/or royalties on sales of products resulting from collaborative arrangements.

We recognize revenue in accordance with SEC Staff Accounting Bulletin No. 104, *Revenue Recognition,* and Emerging Issues Task Force, or EITF, Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* . Revenue is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the seller's price to the buyer is fixed and determinable; and (4) collectibility is reasonably assured.

Product Sales

Revenues from the sale of Cumulase are recognized when the transfer of ownership occurs which is upon shipment to the distributors. We are obligated to accept returns for product that does not meet product specifications. Historically, we have not had any product returns; therefore, no allowance for product returns has been established.

Under the terms of the Baxter Agreements, we supply Baxter the API for Hylenex at our fully burdened cost plus a margin. Baxter fills and finishes Hylenex and holds it for subsequent distribution, at which time we ensure it meets product specifications and release it as available for sale. Because of our continued involvement in the development and production process of Hylenex, the earnings process is not considered to be complete. Accordingly, we defer the revenue and related product costs on the API for Hylenex until the product is filled, finished, packaged and released. In addition, we receive product-based payments upon the sale of Hylenex by Baxter, in accordance with the terms of the Baxter Agreements. Product sales revenues are recognized as we earn such revenues based on Baxter's shipments of Hylenex to its distributors when such amounts can be reasonably estimated. In February 2007, Baxter prepaid $1.0 million of such product-based payments which was deferred and is being recognized as earned. In January 2008, Baxter prepaid another $3.5 million of such product-based payments and is obligated to prepay $5.5 million of additional product-based payments on or prior to January 1, 2009.

Revenues under Collaborative Agreements

Revenues from collaborative and licensing agreements are recognized based on the performance requirements of the underlying agreements. Revenue is deferred for fees received before earned. Nonrefundable upfront payments, in which we have an ongoing involvement or performance obligation, are recorded as deferred revenue and recognized as revenue over the contract or development period. In February 2007, we entered into the Baxter Agreements which consist of nonrefundable upfront license fees, reimbursements of research and development services, various clinical, regulatory or sales milestones and product-based payments. Due to our ongoing involvement obligations, the nonrefundable upfront license fee received in February 2007 under the Baxter Agreements was deferred and is being recognized over the term of the agreement. In September 2007, we entered

into the Gammagard License with Baxter. Under the terms of that agreement, Baxter made an initial upfront payment of $10 million, which is being deferred and recognized over the term of the agreement.

We recognize milestone payments upon the achievement of specified milestones if (1) the milestone is substantive in nature, and the achievement of the milestone was not reasonably assured at the inception of the agreement, (2) the fees are nonrefundable and (3) our performance obligations after the milestone achievement will continue to be funded by our collaborator at a level comparable to the level before the milestone achievement. Any milestone payments received prior to satisfying these revenue recognition criteria are recorded as deferred revenue. Reimbursements of research and development services are recognized as revenue during the period in which the services are performed. Royalties to be received based on sales of licensed products by our collaborators incorporating our products are recognized as earned in accordance with the terms of the underlying agreements.

Share-Based Compensation

We account for share-based awards exchanged for employee services in accordance with Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* , or SFAS 123R, which we adopted effective January 1, 2006, including the provisions of the SEC's Staff Accounting Bulletin No. 107, or SAB 107. We use the fair value method to account for share-based payments with a modified prospective application which provides for certain changes to the method for valuing share-based compensation. The valuation provisions of SFAS 123R apply to new awards and awards that are outstanding on the effective date and subsequently modified or cancelled. Under the modified prospective application, prior periods were not revised for comparative purposes.

The fair value of each option award is estimated on the date of grant using a Black-Scholes-Merton option pricing model, or Black-Scholes model, that uses assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends. Expected volatilities are based on historical volatility of our common stock and our peer group. The expected term of options granted is based on analyses of historical employee termination rates and option exercises. The risk-free interest rates are based on the U.S. Treasury yield in effect at the time of the grant. Since we do not expect to pay dividends on our common stock in the foreseeable future, we estimated the dividend yield to be 0%. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We estimate pre-vesting forfeitures based on our historical experience and those of our peer group.

If factors change and we employ different assumptions in the application of SFAS 123R in future periods, the share-based compensation expense that we record under SFAS 123R may differ significantly from what we have recorded in the current period. There is a high degree of subjectivity involved when using option pricing models to estimate share-based compensation under SFAS 123R. Certain share-based payments, such as employee stock options, may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our consolidated financial statements. Alternatively, values may be realized from these instruments that are significantly in excess of the fair values originally estimated on the grant date and reported in our consolidated financial statements. There is currently no market-based mechanism or other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor is there a means to compare and adjust the estimates to actual values. Although the fair value of employee share-based awards is determined in accordance with SFAS 123R and SAB 107 using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

Clinical Trial and Contract Research Expenses

Research and development expenses are charged to operations as incurred. Our expenses related to clinical trials are based on estimates of the services received and efforts expended pursuant to contracts with multiple research institutions, clinical research organizations, and other vendors that conduct and manage clinical trials on our behalf. The financial terms of these agreements are subject to negotiation and vary from contract to contract and may result in uneven payment flows. Generally, these agreements set forth the scope of work to be performed at a fixed fee or unit price. Payments under the contracts depend on factors such as the successful enrollment of patients or the completion of clinical trial milestones. Expenses related to clinical trials generally are accrued based on

contracted amounts applied to the level of patient enrollment and activity according to the protocol. If timelines or contracts are modified based upon changes in the clinical trial protocol or scope of work to be performed, we modify our estimates accordingly on a prospective basis.

In addition, we have several contracts that extend across multiple reporting periods, including our largest contract representing a $1.3 million research contract for the management of a toxicology study. We recognize expenses as the services are provided pursuant to management's assessment of the progress that has been made to date. Such contracts require an assessment of the work that has been completed during the period, including measurement of progress, analysis of data that justifies the progress and management's judgment. Based on our experience and management's intimate involvement with these outsourced contracts, it is reasonably likely that we may experience a 3% variance in our estimate of the work completed. A 3% variance in our estimate of the work completed in our largest contract could increase or decrease our operating expenses by approximately $40,000 which would not represent a material change to historically reported results of operations.

Inventory

Inventory consists of our Cumulase product and our API for Hylenex. Inventory primarily represents raw materials used in production, work in process, and finished goods inventory on hand, valued at actual cost. Inventory is reviewed periodically for slow-moving or obsolete items. If a launch of a new product is delayed, inventory may not be fully utilized and could be subject to impairment, at which point we would record a reserve to adjust inventory to its net realizable value.

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP. There are also areas in which our management's judgment in selecting any available alternative would not produce a materially different result. Please see our audited consolidated financial statements and notes thereto included in Part II — Item 8 of this report, which contain accounting policies and other disclosures required by U.S. GAAP.

Results of Operations — Comparison of Years Ended December 31, 2007 and 2006

Product Sales — Product sales were $640,000 for the year ended December 31, 2007 compared to $671,000 for the year ended December 31, 2006, a decrease of $31,000, or 5%. Cumulase product sales were $516,000 and $342,000 for the years ended December 31, 2007 and 2006, respectively. Sales of the API for Hylenex decreased by $205,000 resulting from the disposition by Baxter of short-dated Hylenex vials in 2006.

Revenues Under Collaborative Agreements — Revenues under collaborative agreements were approximately $3.2 million for the year ended December 31, 2007 compared to $311,000 for the year ended December 31, 2006. Revenues under collaborative agreements primarily consisted of the amortization of upfront fees received from Baxter and Roche of approximately $1.9 million and $81,000 in 2007 and 2006, respectively. Revenues under collaborative agreements also included reimbursements for research and development services from Baxter and Roche of $1.3 million and $230,000 in 2007 and 2006, respectively.

Cost of Sales — Cost of sales were $240,000 for the year ended December 31, 2007 compared to $437,000 for the year ended December 31, 2006, a decrease of $197,000, or 45%. The decrease was primarily due to the decrease in sales of the API for Hylenex resulting from the disposition by Baxter of short-dated Hylenex vials in 2006.

Research and Development — Research and development expenses were $20.6 million for the year ended December 31, 2007 compared to $9.2 million for the year ended December 31, 2006. Our research and development expenses, which include costs incurred in connection with the collaborative agreements, consisted primarily of costs associated with the development and manufacturing of our product candidates, compensation and other expenses for research and development personnel, supplies and materials, costs for consultants and related contract research, facility costs, amortization and depreciation. The increase of approximately $11.4 million was primarily due to the increase in outsourced research and development expenses of $6.2 million due to our various pre-clinical programs and the manufacturing scale-up of our rHuPH20 enzyme. In addition, compensation costs increased by $2.8 million, of which $238,000 related to share-based compensation. At December 31, 2007, our headcount for research and development functions totaled 56 employees, compared with 25 employees at December 31, 2006.

Additionally, our facilities expenses increased by $1.3 million, research supplies and services expenses increased by $740,000 and depreciation expense increased by $281,000. We expect research and development costs to continue to increase in future periods as we increase our research efforts, expand our clinical trials, and continue to develop and manufacture our product candidates.

Selling, General and Administrative — Selling, general and administrative expenses ("SG&A") were $11.2 million for the year ended December 31, 2007 compared to $6.9 million for the year ended December 31, 2006. The increase of approximately $4.3 million was primarily due to the increase in compensation costs of $2.5 million, of which $1.1 million related to share-based compensation. At December 31, 2007, our headcount for SG&A functions totaled 27 employees, compared with 11 employees at December 31, 2006. In addition, other increases included an increase in legal expenses, primarily related to intellectual property matters and collaborative agreements, of $554,000 and an increase in facilities expenses of $367,000. We expect SG&A expenses to increase in future periods as we continue to increase headcount.

Share-Based Compensation — Total compensation cost for our share-based payments for the years ended December 31, 2007 and 2006 was $2.6 million and $1.3 million, respectively. Research and development expense included share-based compensation of approximately $663,000 and $425,000, respectively, for the years ended December 31, 2007 and 2006. Selling, general and administrative expense included share-based compensation of approximately $1.9 million and $850,000, respectively, for the years ended December 31, 2007 and 2006. As of December 31, 2007, $5.0 million of total unrecognized compensation costs related to non-vested stock options and restricted stock awards is expected to be recognized over a weighted average period of 2.2 years.

Interest Income — Interest income was $4.3 million for the year ended December 31, 2007 compared to $831,000 for the year ended December 31, 2006. The increase in interest income was due to higher average cash and cash equivalents balances during 2007.

Net Loss — Net loss for the year ended December 31, 2007 was $23.9 million, or $0.32 per common share, compared to $14.8 million, or $0.24 per common share for the year ended December 31, 2006. The increase in net loss was primarily due to an increase in operating expenses, partially offset by increases in revenues and interest income.

Comparison of Years Ended December 31, 2006 and 2005

Product Sales — Product sales were $671,000 for the year ended December 31, 2006 compared to $127,000 for the year ended December 31, 2005, an increase of $544,000, or 428%. Cumulase product sales were $342,000 and $127,000 and sales of the API for Hylenex were $329,000 and $0 for the years ended December 31, 2006 and 2005, respectively.

Revenues Under Collaborative Agreements — Revenues under collaborative agreements increased by $311,000 for the year ended December 31, 2006 from $0 for the year ended December 31, 2005. Revenues under collaborative agreements primarily consist of the amortization of the upfront fee from Roche and reimbursements for research and development services from Baxter.

Cost of Sales — Cost of sales were $437,000 for the year ended December 31, 2006 compared to $52,000 for the year ended December 31, 2005, an increase of $385,000, or 740%. This increase was due to the increase in product sales for Cumulase and the API for Hylenex.

Research and Development — Research and development expenses were $9.2 million for the year ended December 31, 2006 compared to $10.2 million for the year ended December 31, 2005. Our research and development expenses consisted primarily of costs associated with the development and manufacturing of our product candidates, compensation and other expenses for research and development personnel, supplies and materials, costs for consultants and related contract research, facility costs, amortization and depreciation. Research and development expenses decreased by $1.0 million, primarily due to decreased contract manufacturing, analytical, and stability costs related to the development and production of our rHuPH20 enzyme of $1.5 million and decreased contract research studies of $1.6 million, primarily due to a Chemophase toxicology study of $1.0 million performed in 2005, and decreased consulting fees of $200,000, partially offset by higher clinical trial costs of $1.0 million, increased compensation costs of $650,000 and share-based compensation costs of $425,000.

Selling, General and Administrative — SG&A expenses were $6.9 million for the year ended December 31, 2006 compared to $3.4 million for the year ended December 31, 2005. SG&A expenses increased by $3.5 million primarily related to increased compensation costs of $558,000, share-based compensation expenses of $850,000, increased recruiting costs of $251,000, increased professional fees of $900,000 mainly associated with increased legal services related to collaborative agreements and increased audit and consulting fees related to internal controls documentation and testing under the Sarbanes-Oxley Act of 2002. In addition, marketing costs increased $800,000 due primarily to our share of Hylenex pre-launch marketing expenses.

Share-Based Compensation — Through 2005, we accounted for our stock plans using the intrinsic value method and recorded no stock based compensation for options granted to employees. Effective at the beginning of 2006, we adopted Statement of Financial Accounting Standards No. 123(R) ("SFAS 123R"), *"Share-Based Payment,"* and elected to adopt the modified prospective application method. SFAS 123R requires us to use a fair-valued based method to account for share-based compensation. Accordingly, share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over the employees' requisite service period. Total compensation cost for our share-based payments for the year ended December 31, 2006 was $1.3 million. SG&A expense and research and development expense for the year ended December 31, 2006 included share-based compensation of $850,000 and $425,000, respectively. As of December 31, 2006, $2.2 million of total unrecognized compensation costs related to nonvested awards is expected to be recognized over a weighted average period of 1.9 years.

Interest Income — Interest income was $831,000 for the year ended December 31, 2006 compared to $286,000 for the year ended December 31, 2005. The increase in interest income was due to higher interest income as a result of maintaining higher average cash balances during 2006.

Net Loss — Net loss for the year ended December 31, 2006 was $14.8 million, or $0.24 per common share, compared to $13.3 million, or $0.26 per common share for the year ended December 31, 2005. The increase in net loss was due to an increase in operating expenses.

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash and cash equivalents. As of December 31, 2007, cash and cash equivalents were $97.7 million versus $44.2 million as of December 31, 2006, an increase of $53.5 million. This increase resulted primarily from the net proceeds from the sale of common stock to New River Management V, LP ("New River") for approximately $32.1 million in the second quarter of 2007, approximately $20.0 million in net proceeds from the sale of common stock to an affiliate of Baxter in February 2007, and $21.0 million of initial upfront payments from Baxter during 2007 of which $20.3 million was recorded as deferred revenue as of December 31, 2007, offset by our net cash used in operations and for the purchase of property and equipment for the year ended December 31, 2007. A member of our Board of Directors, Randal J. Kirk, is an affiliate of New River. Additionally, we received cash of approximately $4.0 million related to the exercise of stock options and warrants during the year ended December 31, 2007.

Operating Activities

Net cash used by operations was $148,000 during the year ended December 31, 2007 compared to $7.1 million of cash provided by operations during the year ended December 31, 2006. This change was primarily due to the $9.1 million increase in the total net loss for the year ended December 31, 2007 as compared to 2006.

Net cash provided by operations was $7.1 million during the year ended December 31, 2006 compared to $13.0 million of cash used in operations during the year ended December 31, 2005. This change was due to the $20.0 million initial up front payment received from Roche in 2006 of which $19.9 million was recorded as deferred revenue as of December 31, 2006.

Investing Activities

Net cash used in investing activities was $2.4 million during the year ended December 31, 2007 compared to $365,000 during the year ended December 31, 2006. This was due to the increased purchase of property and equipment during 2007.

Net cash used in investing activities was $365,000 during the year ended December 31, 2006 compared to $351,000 during the year ended December 31, 2005. This was due to the increased purchase of property and equipment during 2006.

Financing Activities

Net cash provided by financing activities was $56.0 million during the year ended December 31, 2007 versus $18.3 million during the year ended December 31, 2006. In the second quarter of 2007, we sold 3.5 million shares of our common stock to New River for an aggregate price of approximately $32.1 million. In February 2007, an affiliate of Baxter purchased approximately 2.1 million shares of our common stock for an aggregate price of approximately $20 million. Additionally, we received approximately $4.0 million and $7.3 million in net proceeds from warrant and stock option exercises during the years ended December 31, 2007 and 2006, respectively.

Net cash provided by financing activities was $18.3 million during the year ended December 31, 2006 versus $16.5 million during the year ended December 31, 2005. In December 2006, we sold common stock for approximately $11.0 million, net of issuance costs. Additionally, we received approximately $7.3 million in net proceeds from warrant and stock option exercises during the year ended December 31, 2006.

We expect our cash requirements to increase significantly as we continue to increase our research and development for, seek regulatory approvals of, and develop and manufacture our current product candidates. As we expand our research and development efforts and pursue additional product opportunities, we anticipate significant cash requirements for hiring of personnel, capital expenditures and investment in additional internal systems and infrastructure. The amount and timing of cash requirements will depend on the research, development, manufacture, regulatory and market acceptance of our product candidates, if any, and the resources we devote to researching, developing, manufacturing, commercializing and supporting our product candidates.

We believe that our current cash and cash equivalents will be sufficient to fund our operations for at least the next twelve months. Currently, we anticipate 2008 cash expenses of approximately $40 million to $50 million, depending on the progress of various pre-clinical and clinical programs and the timing of our manufacturing scale up. Until we can generate significant cash from our operations, we expect to continue to fund our operations with existing cash resources that were primarily generated from the proceeds of the Roche and Baxter collaborations and the sale of our common stock to New River. We may finance future cash needs through the sale of other equity securities, the exercise of our callable warrants, strategic collaboration agreements, debt financing, or any combination of the foregoing.

In June 2005, we filed a shelf registration statement on Form S-3 (Registration No. 333-125731) which initially allowed us, from time to time, to offer and sell up to $50 million of equity or debt securities. We have previously sold common stock under this registration statement for an aggregate of approximately $17.5 million, so we currently have the ability to issue debt and equity securities for an aggregate of $32.5 million. We cannot be certain that our existing cash and cash equivalents will be adequate for our anticipated needs or that additional financing will be available when needed or that, if available, financing will be obtained on terms favorable to us or our stockholders. Having insufficient funds may require us to delay, scale back or eliminate some or all of our research and development programs or delay the launch of our product candidates. If we raise additional funds by issuing equity securities, substantial dilution to existing stockholders could result. If we raise additional funds by incurring debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to operate our business.

Off-Balance Sheet Arrangements — As of December 31, 2007, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we did not engage in trading activities involving non-

exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

Contractual Obligations — As of December 31, 2007, future minimum payments due under our contractual obligations are as follows:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Operating leases	$ 7,488,000	$ 943,000	$3,086,000	$3,392,000	$ 67,000
License payments	2,565,000	305,000	610,000	610,000	1,040,000
Purchase obligations(1)	6,644,000	6,644,000	—	—	—
Total	$16,697,000	$7,892,000	$3,696,000	$4,002,000	$1,107,000

(1) Purchase obligations include outstanding purchase orders for outsourced research and development services for our various pre-clinical and clinical programs, for the manufacturing of our products for clinical and commercial use, and other recurring purchases and services made in the normal course of business.

As of December 31, 2007, we had no long-term debt or capital lease obligations.

Our future capital uses and requirements depend on numerous forward-looking factors. These factors may include, but are not limited to, the following:

- the rate of progress and cost of research and development activities;
- the number and scope of our research activities;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- our ability to establish and maintain product discovery and development collaborations;
- the effect of competing technological and market developments;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish; and
- the extent to which we acquire or in-license new products, technologies or businesses.

Recent Accounting Pronouncements

See Note 2, “Summary of Significant Accounting Policies — Recent Accounting Pronouncements,” in the Notes to Consolidated Financial Statements for a discussion of recent accounting pronouncements and their effect, if any, on the Company.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because the majority of our investments are in short-term marketable securities. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. Some of the securities that we invest in may be subject to market risk. This means that a change in prevailing interest rates may cause the value of the investment to fluctuate. For example, if we purchase a security that was issued with a fixed interest rate and the prevailing interest rate later rises, the value of our investment will probably decline. To minimize this risk, we intend to continue to maintain our portfolio of cash equivalents and short-term investments in a variety of securities including commercial paper, money market funds and government and non-government debt securities. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. As of December 31, 2007, we did not have any holdings of derivative financial or commodity instruments, or any foreign currency denominated transactions, and all of our cash and cash equivalents were in money market mutual funds and other highly liquid investments.

Item 8. ***Financial Statements and Supplementary Data***

Our financial statements are annexed to this report beginning on page F-1.

Item 9. ***Changes In and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

Changes in Internal Control Over Financial Reporting

There have been no significant changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment, management concluded that, as of December 31, 2007, our internal control over financial reporting is effective based on those criteria.

The independent registered public accounting firm that audited the consolidated financial statements that are included in this Annual Report on Form 10-K has issued an audit report on the effectiveness of our internal control over financial reporting as of December 31, 2007. The report appears below.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Halozyme Therapeutics, Inc.

We have audited Halozyme Therapeutics, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Halozyme Therapeutics, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Halozyme Therapeutics, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Halozyme Therapeutics, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the two years in the period ended December 31, 2007 and our report dated March 12, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Diego, California
March 12, 2008

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this item regarding directors is incorporated by reference to our Definitive Proxy Statement (the "Proxy Statement") to be filed with the Securities and Exchange Commission in connection with our 2008 Annual Meeting of Stockholders under the heading "Election of Directors." The information required by this item regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated by reference to the information under the caption "Compliance with Section 16(a) of the Exchange Act" to be contained in the Proxy Statement. The information required by this item regarding our code of ethics is incorporated by reference to the information under the caption "Code of Conduct and Ethics" to be contained in our Proxy Statement. The information required by this item regarding our audit committee is incorporated by reference to the information under the caption "Board Meetings and Committees — Audit Committee" to be contained in our Proxy Statement.

Executive Officers

Jonathan E. Lim, M.D. (36), President, Chief Executive Officer and Director. Dr. Lim joined Halozyme in 2003. From 2001 to 2003, Dr. Lim was a management consultant at McKinsey & Company, where he specialized in the health care industry, serving a wide range of start-ups to Fortune 500 companies in the biopharmaceutical, medical products, and payor/provider segments. From 1999 to 2001, Dr. Lim was a recipient of a National Institutes of Health Postdoctoral Fellowship, during which time he conducted clinical outcomes research at Harvard Medical School. He has published articles in peer-reviewed medical journals such as the Annals of Surgery and the Journal of Refractive Surgery. Dr. Lim's prior experience also includes two years of clinical training in general surgery at the New York Hospital-Cornell Medical Center and Memorial Sloan-Kettering Cancer Center; Founder and President of a health care technology start-up; Founding Editor-in-Chief of the McGill Journal of Medicine; and basic science and clinical research at the Salk Institute for Biological Studies and Massachusetts Eye and Ear Infirmary. Dr. Lim is currently a California — licensed physician and volunteer surgeon in his spare time. He was a member of the strategic planning committee of the American Medical Association from 2002 to 2005. Dr. Lim earned his BS, with honors, and MS degrees in molecular biology from Stanford University, his MD degree from McGill University, and his MPH degree in health care management from Harvard University.

Gregory I. Frost, Ph.D. (36), Vice President & Chief Scientific Officer and Director. Dr. Frost co-founded Halozyme in 1999 and has spent more than twelve years researching the hyaluronidase family of enzymes. From 1998 to 1999, he was a Senior Research Scientist at the Sidney Kimmel Cancer Center (SKCC), where he focused much of his work developing the hyaluronidase technology. Prior to SKCC, his research in the Department of Pathology at the University of California, San Francisco, led directly to the purification, cloning, and characterization of the human hyaluronidase gene family, and the discovery of several metabolic disorders. He has authored multiple scientific peer-reviewed and invited articles in the Hyaluronidase field and is an inventor on several key patents. Dr. Frost's prior experience includes serving as a scientific consultant to a number of biopharmaceutical companies, including Q-Med (SE), Biophausia AB (SE), and Active Biotech (SE). Dr. Frost is registered to practice before the US Patent Trademark Office, and earned his BA 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, where he was an ARCS-Scholar.

David A. Ramsay, MBA (43), Vice President & Chief Financial Officer. Mr. Ramsay joined Halozyme in 2003 and has over 20 years of corporate financial experience spanning several industries. From 2000 to 2003, he was Vice President, Chief Financial Officer of Lathian Systems, a provider of technology-based sales solutions for the life sciences industry. Prior to Lathian, Mr. Ramsay was the Vice President, Treasurer of ICN Pharmaceuticals, now called Valeant Pharmaceuticals International, a multinational, specialty pharmaceutical company. Mr. Ramsay joined ICN in 1998 from ARCO, where he spent four years in various financial roles, most recently serving as

Manager of Financial Planning & Analysis for the company's 1,700-station West Coast Retail Marketing Network. Prior to ARCO, he served as Vice President, Controller for Security Pacific Asian Bank, a subsidiary of Security Pacific Corporation. He began his career as an Auditor at Deloitte & Touche, where he obtained his CPA license. Mr. Ramsay served on the Board of Directors for Axxora Life Sciences, Inc., a privately held, worldwide research reagent company which was recently sold to Enzo Biochem (NYSE:ENZ) of New York. He was also Chairman of the Audit Committee of Axxora. Mr. Ramsay graduated from the University of California, Berkeley, with a BS degree in Business Administration and earned his MBA degree with a dual major in Finance and Strategic Management from The Wharton School at the University of Pennsylvania.

Richard C. Yocum, M.D. (52), Vice President of Clinical Development and Medical Affairs. Dr. Yocum joined Halozyme in 2005 and has over 23 years of professional experience in clinical drug development, project team management, clinical research trial design and implementation, and the practice of general internal medicine. His experience spans all phases of clinical development, including IND submissions; Phase I, II, III, and IV trials; multinational clinical trials; NDA, NDS and MAA preparation and submissions, including proven successes with multiple NDA and MAA approvals and new product launches; FDA advisory panel meetings and CHMP Oral Hearing; and lifecycle management. Dr. Yocum's broad-based training and experience in internal medicine has enabled him to successfully lead drug development efforts in multiple therapeutic areas, including oncology, dermatology, cardiovascular, immunology, endocrinology, and gastroenterology. Prior to Halozyme, from May 2002 to March 2005, Dr. Yocum was Vice President of Clinical Development and Medical Affairs at Chugai Pharma USA, LLC (CPUSA), a member of the Chugai-Roche group. From 1995 to 2002, Dr. Yocum was responsible for the clinical development of several retinoid-based drugs for the treatment of various cancers and benign dermatological diseases at Ligand Pharmaceuticals, where he was involved in the approval of seven new drug registration dossiers, and served most recently as Executive Medical Director of Clinical Development. From 1993 to 1995, Dr. Yocum was employed in the Clinical Research department at Gensia. Dr. Yocum is board-certified in general internal medicine, and maintained a clinical practice for nine years before transitioning to the pharmaceutical industry. He received his AB in Chemistry from Dartmouth College, his M.D. from Johns Hopkins University, and completed his medical residency at the University of California, San Diego.

Don A. Kennard (61), Vice President of Regulatory Affairs & Quality Assurance. Mr. Kennard joined Halozyme in 2004 and brings to Halozyme nearly 30 years of professional senior management experience in the fields of regulatory affairs (RA), clinical programs, and quality assurance (QA). He has worked directly with the U.S. Food and Drug Administration (FDA), as well as regulatory authorities of various foreign ministries of health, to secure registration, authorize commercialization, and successfully implement quality programs, for a broad range and extensive number of product approvals across pharmaceuticals, biologics, medical devices, and diagnostics. Prior to Halozyme, Mr. Kennard was Vice President of Worldwide RA/QA at Quidel, Inc., a manufacturer of diagnostic products, where he led the RA/QA and Clinical functions, while also establishing a Quality System CE marking program that enabled Quidel to expand and sustain sales in the European Union. From 1991 to 2001, he was Vice President of RA/QA/R&D for Nobel Biocare, Inc. and Steri-Oss (acquired by Nobel Biocare), where he directed all regulatory affairs, quality assurance, clinical trials, and R&D activities. From 1981 to 1991, Mr. Kennard was Director of RA/QA at Allergan, Inc., where he directed regulatory affairs, quality assurance and quality control in the development and manufacture of prescription and OTC ophthalmic and dermatological drugs, injectable drugs, biotechnology products, and ophthalmic products. Prior to Allergan, he was Director of Quality Control at B. Braun. Mr. Kennard holds a BS degree in Microbiology.

Robert L. Little (58), Vice President & Chief Commercial Officer. Mr. Little joined Halozyme in 2006 and brings to Halozyme over 30 years of general management, commercial operations, and finance experience in the pharmaceutical industry. From 2003 to 2006, Mr. Little was Senior Vice President of Commercial Operations at Neurocrine Biosciences, where he was responsible for building and managing the Company's sales and marketing functions. During his tenure, Mr. Little put in place a fully integrated commercial organization, including a marketing team, a 200 person CNS sales force, and full logistical and infrastructure support, in order to initially co-detail Zoloft with Pfizer, and to later launch Indiplon. From 1985 to 2003, Mr. Little was at Pharmacia, Inc. where his most recent position was Group Vice President, Diversified Products. His responsibilities included managing Pharmacia's Diversified Products business, as well as forming a new global business unit merging pricing, reimbursement, and health outcomes groups to focus on current industry issues, pricing, and drug values. From

1999 to 2001, Mr. Little was Group Vice President, Specialty Products and worldwide head of a $2.5 billion, global specialty products business (Ophthalmology, Endocrinology, Neurology, and others). Mr. Little previously held a number of positions within Pharmacia, including President and Managing Director of Pharmacia in Milan, Italy, President of Pharmacia & UpJohn in Canada, and President of Pharmacia, Inc. in Canada. Prior to joining Pharmacia, he held positions at Adria Laboratories and Miles Laboratories/Bayer A.G. in the U.K., Italy, and the United States. Mr. Little earned his degree in economics and finance from the West London Business School, Ealing Technical College.

William J. Fallon (51), Vice President, Manufacturing & Operations. Mr. Fallon joined Halozyme in 2006. He was previously President and Chief Executive Officer and a member of the board of directors of Cytovance Biologics, a contract manufacturing organization that provides manufacturing and development services to the biotechnology industry. At Cytovance, Mr. Fallon oversaw the design, construction, and validation of a state-of-the-art, greenfield cGMP manufacturing facility. From 2001 to 2003, he was Vice President of Technical Operations at Genzyme Corporation, having held the same position at Novazyme Pharmaceuticals, Inc. prior to its $138 million acquisition by Genzyme in 2001. He joined Novazyme and Genzyme from Transkaryotic Therapies, where he was Vice President of Manufacturing from 1998 to 2001. From 1993 through 1998, he was employed in several management positions for the Ares-Serono Group, culminating in the position of Vice President, US Manufacturing Operations. In this role, he served as general manager, overseeing the production and distribution of all of Serono's approved biotechnology products. From 1990 to 1992, he was Director of Manufacturing for Centocor, Inc. His prior experience also includes various management and operational roles at Invitron Corporation and Travenol-Genentech Diagnostics. Mr. Fallon earned a B.S. degree in Marine Science and a B.A. degree in Biology from Long Island University and an M.S. degree in Biology from Northeastern University.

Matthew R. Hooper (50), Vice President & General Counsel. Mr. Hooper joined Halozyme in 2007 and brings to Halozyme nearly 25 years of legal experience. Most recently, he was Assistant General Counsel at Johnson & Johnson (J&J), where he served in a dual role as member of J&J's Law Department, and Vice President of Law for Scios, Inc., a wholly-owned J&J subsidiary focused on cardiovascular therapeutics, from 2005 to 2006. He also assumed responsibility for commercial legal affairs for Nitinol Devices & Components (J&J subsidiary specializing in cardiovascular medical device components). From 2003 to 2005, Mr. Hooper served as Senior Counsel at J&J, where he handled all commercial legal affairs related to Scios' integration into J&J following completion of the $2.5 billion merger in April 2003. From 2001 to 2003, he served as Vice President, General Counsel of Scios, where he oversaw all legal aspects of the Company's operations. Mr. Hooper joined Scios in 2000 as Senior Patent Counsel, with responsibility for all intellectual property matters for the Company. From 1999 to 2000, Mr. Hooper was senior counsel in the litigation group of Jones Day Reavis and Pogue in Chicago. From 1994 to 1999, he held the position of Patent Counsel at Abbott Laboratories in its patent and trademark department, where he was responsible for U.S. and foreign patent preparation and prosecution, litigation support, legal opinions and contract preparation supporting Abbott's diagnostics businesses. In this role, he also delivered comprehensive analysis and legal opinions on competitor patent portfolios to evaluate business risk and guide Abbott's product and business development strategies. Before joining Abbott, Mr. Hooper served as a patent attorney at Amoco Corporation from 1985 to 1994, and was an associate attorney in private practice in Chicago from 1982 to 1985. He received his JD degree from Northwestern University Law School and his BS degree in Chemistry from LaSalle University.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference to the information under the caption "Executive Compensation" contained in the Proxy Statement.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item is incorporated by reference to the information under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" contained in the Proxy Statement.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is incorporated by reference to the information under the caption "Certain Relationships and Related Transactions, and Director Independence" contained in the Proxy Statement.

Item 14. ***Principal Accounting Fees and Services***

The information required by this item is incorporated by reference to the information under the caption "Principal Accounting Fees and Services" contained in the Proxy Statement.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

The following documents are filed as part of this Annual Report:

(a) *Financial Statements and Schedules:*

(b) *Exhibits:*

2.1	Agreement and Plan of Merger, dated November 14, 2007, by and between the Registrant and the Registrant's predecessor Nevada corporation(1)
3.1	Amended and Restated Certificate of Incorporation, as filed with the Delaware Secretary of State on October 7, 2007(2)
3.2	Certificate of Designation, Preferences and Rights of the terms of the Series A Preferred Stock(1)
3.3	Bylaws(2)
4.1	Amended Rights Agreement between Corporate Stock Transfer, as rights agent, and Registrant, dated November 12, 2007
10.1	License Agreement between University of Connecticut and Registrant, dated November 15, 2002(3)
10.2*	Agreement for Services between Avid Bioservices, Inc. and Registrant, dated November 19, 2003(3)
10.3*	Distribution Agreement between MidAtlantic Diagnostics, Inc. and Registrant, dated January 30, 2004(3)
10.4*	Distribution Agreement between MediCult AS and Registrant, dated February 9, 2004(3)
10.5	2004 Stock Plan and Form of Option Agreement thereunder(4)
10.6	Form of Indemnity Agreement for Directors and Executive Officers(22)
10.7*	Exclusive Distribution Agreement between Baxter Healthcare and Registrant, dated August 13, 2004(5)
10.8	Form of Callable Stock Purchase Warrant(4)
10.9	Form of Common Stock Purchase Warrant(6)
10.10	DeliaTroph Pharmaceuticals, Inc. 2001 Amended and Restated Stock Plan and form of Stock Option Agreements for options assumed thereunder(7)
10.11	Nonstatutory Stock Option Agreement With Andrew Kim(7)
10.12*	Commercial Supply Agreement with Avid Bioservices, Inc. and Registrant, dated February 16, 2005(8)
10.13*	Development and Supply Agreement with Baxter Healthcare Corporation and Registrant, dated March 24, 2005(9)
10.14*	First Amendment to the Exclusive Distribution Agreement between Baxter Healthcare Corporation and Registrant, dated March 24, 2005(9)
10.15	Halozyme Therapeutics, Inc. 2005 Outside Directors' Stock Plan(10)
10.16*	Second Amendment to the Exclusive Distribution Agreement between Baxter Healthcare Corporation and Registrant, dated December 8, 2005(11)
10.17	First Amendment to the License Agreement between University of Connecticut and Registrant, dated January 9, 2006(12)
10.18	Halozyme Therapeutics, Inc. 2006 Stock Plan(14)

10.19	Form of Stock Option Agreement (2005 Outside Directors' Stock Plan)(15)
10.20	Form of Restricted Stock Agreement (2005 Outside Directors' Stock Plan)(15)
10.21	Form of Stock Option Agreement (2006 Stock Plan)(15)
10.22	Form of Restricted Stock Agreement (2006 Stock Plan)(15)
10.23*	License and Collaboration Agreement between F. Hoffmann-La Roche Ltd, Hoffmann-La Roche Inc. and Registrant dated December 5, 2006(16)
10.24	Stock Purchase Agreement between Roche Finance Ltd and Registrant, dated December 5, 2006(16)
10.25*	First Amendment to the Commercial Supply Agreement between Avid Bioservices, Inc. and Registrant, dated December 15, 2006(17)
10.26*	Amended and Restated Exclusive Distribution Agreement between Baxter Healthcare Corporation, Baxter Healthcare S.A. and Registrant, dated February 14, 2007(18)
10.27*	Amended and Restated Development and Supply Agreement between Baxter Healthcare Corporation, Baxter Healthcare S.A. and Registrant, dated February 14, 2007(18)
10.28*	License and Collaboration Agreement between Baxter Healthcare Corporation, Baxter Healthcare S.A. and Registrant, dated February 14, 2007(18)
10.29	Stock Purchase Agreement between Baxter International, Inc. and Registrant, dated February 14, 2007 (18)
10.30	Stock Purchase Agreement between New River Management V, LP and Registrant, dated April 23, 2007 (19)
10.31	Sublease Agreement (11404 Sorrento Valley Road), effective as of July 2, 2007(20)
10.32	Sublease Agreement (11388 Sorrento Valley Road), effective as of July 2, 2007(20)
10.33	Standard Industrial Net Lease (11388 Sorrento Valley Road), effective as of July 26, 2007(20)
10.34*	Enhanze Technology License and Collaboration Agreement, by Baxter Healthcare Corporation, Baxter Healthcare S.A. and Registrant, dated September 7, 2007(21)
21.1	Subsidiaries of Registrant(13)
23.1	Consent of Independent Registered Public Accounting Firm — Ernst & Young LLP
23.2	Consent of Independent Registered Public Accounting Firm — Cacciamatta Accountancy Corporation
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed November 20, 2007.

(2) Incorporated by reference to the Registrant's definitive proxy statement filed with the SEC on Form DEF14A on October 11, 2007.

(3) Incorporated by reference to the Registrant's Registration Statement on Form SB-2 filed with the Commission on April 23, 2004.

(4) Incorporated by reference to the Registrant's amendment number two to the Registration Statement on Form SB-2 filed with the Commission on July 23, 2004.

(5) Incorporated by reference to the Registrant's Quarterly Report on Form 10-QSB, filed November 12, 2004.

(6) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed October 15, 2004.

(7) Incorporated by reference to the Registrant's Registration Statement on Form S-8 filed with the Commission on October 26, 2004.

(8) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed February 22, 2005.

(9) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed March 30, 2005.

(10) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed July 6, 2005.

(11) Incorporated by reference to the Registrant's Annual Report on Form 10-KSB, filed March 24, 2006.

(12) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed January 12, 2006.
(13) Incorporated by reference to the Registrant's Annual Report on Form 10-KSB/A, filed March 29, 2005.
(14) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed March 24, 2006.
(15) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, filed August 8, 2006.
(16) Incorporated by reference to the Registrant's Current Report on Form 8-K/A, filed December 15, 2006.
(17) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed December 21, 2006.
(18) Incorporated by reference to the Registrants' Current Report on Form 8-K/A, filed February 20, 2007.
(19) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed April 24, 2007.
(20) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed July 31, 2007.
(21) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed September 12, 2007.
(22) Incorporated by reference to the Registrants' Current Report on Form 8-K, filed December 20, 2007.

* Confidential treatment has been requested for certain portions of this exhibit. These portions have been omitted from this agreement and have been filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned in the City of San Diego, on March 13, 2008.

Halozyme Therapeutics, Inc.,
a Delaware corporation

By: /s/ Jonathan E. Lim
Jonathan E. Lim, M.D.
President and Chief Executive Officer

Date: March 13, 2008

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Jonathan E. Lim and David A. Ramsay, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to this Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his substitute or substituted, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Annual Report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jonathan E. Lim, M.D. Jonathan E. Lim, M.D.	President and Chief Executive Officer (Principal Executive Officer), Director	March 13, 2008
/s/ David A. Ramsay David A. Ramsay	Secretary and Chief Financial Officer (Principal Financial and Accounting Officer)	March 13, 2008
/s/ Gregory I. Frost, Ph.D. Gregory I. Frost, Ph.D.	Vice President and Chief Scientific Officer, Director	March 13, 2008
/s/ Kenneth J. Kelley Kenneth J. Kelley	Chairman of the Board of Directors	March 13, 2008
/s/ Robert L. Engler, M.D. Robert L. Engler, M.D.	Director	March 13, 2008
/s/ Kathryn E. Falberg Kathryn E. Falberg	Director	March 13, 2008
/s/ Randal J. Kirk Randal J. Kirk	Director	March 13, 2008

Signature	Title	Date
/s/ Connie Matsui Connie Matsui	Director	March 13, 2008
/s/ John S. Patton, Ph.D. John S. Patton, Ph.D.	Director	March 13, 2008
/s/ Steven T. Thornton Steven T. Thornton	Director	March 13, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Halozyme Therapeutics, Inc.

We have audited the accompanying consolidated balance sheets of Halozyme Therapeutics, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the two years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Halozyme Therapeutics, Inc. at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2006 the Company changed its method of accounting for share-based payments in accordance with Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment."

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Halozyme Therapeutics, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Diego, California
March 12, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Halozyme Therapeutics, Inc.

We have audited the accompanying consolidated balance sheet of Halozyme Therapeutics, Inc. and subsidiary (the "Company") as of December 31, 2005, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two year period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005, and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ Cacciamatta Accountancy Corporation

Irvine, California
March 12, 2006

HALOZYME THERAPEUTICS, INC.

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
Cash and cash equivalents	$ 97,679,085	$ 44,189,403
Accounts receivable	779,825	363,565
Inventory	703,468	442,492
Prepaid expenses and other assets	2,014,680	598,090
Total current assets	101,177,058	45,593,550
Property and equipment, net	2,283,316	497,770
Total Assets	$103,460,374	$ 46,091,320
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 3,055,637	$ 2,017,395
Accrued expenses	2,502,259	1,011,153
Deferred revenue	3,306,225	1,221,992
Total current liabilities	8,864,121	4,250,540
Deferred revenue, net of current portion	35,963,266	18,759,545
Deferred rent, net of current portion	865,063	—
Commitments and contingencies (note 9)		
Stockholders' equity:		
Preferred stock — $0.001 par value; 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock — $0.001 par value; 150,000,000 shares authorized; 77,903,944 and 68,736,993 shares issued and outstanding as of December 31, 2007 and 2006, respectively	77,904	68,737
Additional paid-in capital	122,685,443	64,111,738
Accumulated deficit	(64,995,423)	(41,099,240)
Total stockholders' equity	57,767,924	23,081,235
Total Liabilities and Stockholders' Equity	$103,460,374	$ 46,091,320

See accompanying notes to consolidated financial statements.

HALOZYME THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	2007	2006	2005
REVENUES:			
Product sales	$ 639,590	$ 670,625	$ 127,209
Revenue under collaborative agreements	3,159,931	311,121	—
Total revenues	3,799,521	981,746	127,209
OPERATING EXPENSES:			
Cost of sales	240,429	436,990	51,968
Research and development	20,554,105	9,214,759	10,220,079
Selling, general and administrative	11,155,194	6,912,853	3,416,579
Total operating expenses	31,949,728	16,564,602	13,688,626
OPERATING LOSS	(28,150,207)	(15,582,856)	(13,561,417)
Interest income	4,254,024	830,870	286,044
NET LOSS	$(23,896,183)	$(14,751,986)	$(13,275,373)
Basic and diluted net loss per share	$ (0.32)	$ (0.24)	$ (0.26)
Shares used in computing basic and diluted net loss per share	74,317,930	62,610,265	50,317,021

See accompanying notes to consolidated financial statements.

HALOZYME THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	2007	2006	2005
OPERATING ACTIVITIES:			
Net loss	$(23,896,183)	$(14,751,986)	$(13,275,373)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Share-based compensation	2,580,204	1,274,567	—
Depreciation and amortization	576,491	243,999	206,348
Loss (gain) on disposal of equipment	3,289	4,278	(1,200)
Issuance of stock options for services	—	9,322	186,402
Changes in operating assets and liabilities:			
Accounts receivable	(416,260)	13,802	(377,367)
Inventory	(260,976)	(163,534)	(227,136)
Prepaid expenses and other assets	(1,416,590)	(257,602)	(231,857)
Accounts payable and accrued expenses	2,529,348	979,318	469,816
Deferred rent	865,063	—	—
Deferred revenue	19,287,954	19,727,399	254,138
Net cash (used in) provided by operating activities	(147,660)	7,079,563	(12,996,229)
INVESTING ACTIVITIES:			
Purchases of property and equipment	(2,365,326)	(364,799)	(350,891)
Net cash used in investing activities	(2,365,326)	(364,799)	(350,891)
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net	51,989,488	11,043,862	16,020,809
Proceeds from exercise of stock options, net	1,707,337	156,114	218,422
Proceeds from exercise of warrants, net	2,305,843	7,142,469	232,369
Net cash provided by financing activities	56,002,668	18,342,445	16,471,600
NET INCREASE IN CASH AND CASH EQUIVALENTS	53,489,682	25,057,209	3,124,480
CASH AND CASH EQUIVALENTS at beginning of year	44,189,403	19,132,194	16,007,714
CASH AND CASH EQUIVALENTS at end of year	$ 97,679,085	$ 44,189,403	$ 19,132,194

See accompanying notes to consolidated financial statements.

HALOZYME THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
BALANCE AT DECEMBER 31, 2004	49,202,083	$49,202	$ 27,846,937	$(13,071,881)	$ 14,824,258
Issuance of common stock pursuant to exercise of stock options	620,146	620	217,802	—	218,422
Issuance of common stock pursuant to exercise of warrants, net	424,768	425	231,944	—	232,369
Issuance of stock options to consultants for services	—	—	186,402	—	186,402
Issuance of common stock for cash, net	10,000,000	10,000	16,010,809	—	16,020,809
Net loss	—	—	—	(13,275,373)	(13,275,373)
BALANCE AT DECEMBER 31, 2005	60,246,997	60,247	44,493,894	(26,347,254)	18,206,887
Share-based compensation expense	—	—	1,274,567	—	1,274,567
Issuance of restricted stock awards	90,000	90	(90)	—	—
Issuance of common stock pursuant to exercise of warrants, net	4,818,846	4,819	7,137,650	—	7,142,469
Issuance of common stock pursuant to exercise of stock options	196,150	196	155,918	—	156,114
Issuance of stock options to consultants for services	—	—	9,322	—	9,322
Issuance of common stock for cash, net	3,385,000	3,385	11,040,477	—	11,043,862
Net loss	—	—	—	(14,751,986)	(14,751,986)
BALANCE AT DECEMBER 31, 2006	68,736,993	68,737	64,111,738	(41,099,240)	23,081,235
Share-based compensation expense	—	—	2,580,204	—	2,580,204
Issuance of restricted stock awards	105,000	105	(105)	—	—
Issuance of common stock pursuant to exercise of warrants, net	1,783,852	1,784	2,304,059	—	2,305,843
Issuance of common stock pursuant to exercise of stock options	1,707,705	1,708	1,705,629	—	1,707,337
Issuance of common stock for cash, net	5,570,394	5,570	51,983,918	—	51,989,488
Net loss	—	—	—	(23,896,183)	(23,896,183)
BALANCE AT DECEMBER 31, 2007	77,903,944	$77,904	$122,685,443	$(64,995,423)	$ 57,767,924

See accompanying notes to consolidated financial statements.

Halozyme Therapeutics, Inc.

Notes to Consolidated Financial Statements

1. Organization and Business

Halozyme Therapeutics, Inc. ("Halozyme" or the "Company") is a biopharmaceutical company developing and commercializing products targeting the extracellular matrix for the drug delivery, oncology and dermatology markets.

The Company's operations to date have been limited to organizing and staffing the Company, acquiring, developing and securing its technology and undertaking product development for its existing products and a limited number of product candidates. The Company has two products: Cumulase ®, a product used for in vitro fertilization, and Hylenex, a product used as an adjuvant to increase the absorption and dispersion of other injected drugs and fluids. The Company has only limited revenues from the sales of these products.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Halozyme Therapeutics, Inc. and its wholly owned subsidiary, Halozyme, Inc. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the Company's consolidated financial statements and accompanying notes. On an ongoing basis, the Company evaluates its estimates and judgments, which are based on historical and anticipated results and trends and on various other assumptions that management believes to be reasonable under the circumstances. By their nature, estimates are subject to an inherent degree of uncertainty and, as such, actual results may differ from management's estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less from the original purchase date.

Concentrations

Financial instruments that potentially subject us to a significant concentration of credit risk consist of cash and cash equivalents and accounts receivable. Halozyme maintains its cash balances with one major commercial bank. Deposits held with the bank exceed the amount of insurance provided on such deposits.

The Company sells its products to established distributors in the pharmaceutical industry. Credit is extended based on an evaluation of the customer's financial condition. Approximately 91% and 95% of the accounts receivable balance as of December 31, 2007 and 2006, respectively, represents amounts due from two customers. Management evaluates the collectibility of the accounts receivable based on a variety of factors including the length of time the receivables are past due, the financial health of the customer and historical experience. Based upon the review of these factors, the Company did not record an allowance for doubtful accounts at December 31, 2007 and 2006. For the years ended December 31, 2007, 2006 and 2005, 36%, 55% and 0% of total revenues were from Baxter Healthcare Corporation ("Baxter") and 50%, 10% and 0% were from F. Hoffmann-La Roche Ltd ("LTD") and Hoffmann-La Roche Inc. ("INC") (LTD and INC, collectively, "Roche"), respectively.

The Company relies on a single third-party manufacturer for the supply of the active pharmaceutical ingredient in each of its current products. Payments due to this supplier represent 20% and 16% of the accounts payable balance at December 31, 2007 and 2006, respectively.

Halozyme Therapeutics, Inc.

Notes to Consolidated Financial Statements — (Continued)

Accounts Receivable

Accounts receivable is recorded at the invoiced amount and is non-interest bearing. Accounts receivable is recorded net of an allowance for doubtful accounts. Currently, the allowance for doubtful accounts is zero as the collectibility of accounts receivable is reasonably assured. The Company is obligated to accept returns for product that does not meet product specifications. Historically, the Company has not had any product returns; therefore, no allowance for product returns has been established.

Inventory

Inventory is stated at lower of cost or market. Cost, which includes amounts related to materials and costs incurred by the Company's contract manufacturer, is determined on a first-in, first-out basis. Inventories are reviewed periodically for slow-moving or obsolete status. Management evaluates the carrying value of inventories on a regular basis, taking into account such factors as historical and anticipated future sales compared to quantities on hand, the price it expects to obtain for products in their respective markets compared with historical cost and the remaining shelf life of goods on hand.

Property and Equipment

Property and equipment are recorded at cost. Equipment and furniture are depreciated using the straight-line method over their estimated useful lives of three years and leasehold improvements are amortized using the straight-line method over the estimated useful life of the asset or the lease term, whichever is shorter.

Impairment of Long-Lived Assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* . In accordance with SFAS No. 144, long-lived assets are reviewed for events of changes in circumstances, which indicate that their carrying value may not be recoverable. At December 31, 2007, there has been no impairment of the value of such assets.

Fair Value of Financial Instruments

Financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, are carried at cost, which management believes approximates fair value because of the short-term maturity of these instruments.

Revenue Recognition

The Company generates revenues from product sales and collaborative agreements. Payments received under collaborative agreements may include nonrefundable fees at the inception of the agreements, milestone payments for specific achievements designated in the collaborative agreements, reimbursements of research and development services and/or royalties on sales of products resulting from collaborative arrangements.

The Company recognizes revenues in accordance with SEC Staff Accounting Bulletin No. 104, *Revenue Recognition,* and Emerging Issues Task Force ("EITF") Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* . The Company recognizes revenue when all of the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the seller's price to the buyer is fixed and determinable; and (4) collectibility is reasonably assured.

Product Sales — Revenues from the sale of Cumulase are recognized when the transfer of ownership occurs which is upon shipment to the distributors. The Company is obligated to accept returns for product that does not

meet product specifications. Historically, the Company has not had any product returns; therefore, no allowance for product returns has been established.

In accordance with the Amended and Restated Development and Supply Agreement (the "Development and Supply Agreement") with Baxter, the Company supplies Baxter with the active pharmaceutical ingredient ("API") for Hylenex at its fully burdened cost plus a margin. Baxter fills and finishes Hylenex and holds it for subsequent distribution, at which time the Company ensures it meets product specifications and releases it as available for sale. Because of the Company's continued involvement in the development and production process of Hylenex, the earnings process is not considered to be complete. Accordingly, the Company defers the revenue and related product costs on the API for Hylenex until the product is filled, finished, packaged and released. Baxter may only return the API for Hylenex to the Company if it does not conform to the specified criteria set forth in the Development and Supply Agreement or upon termination of such agreement. The Company has historically demonstrated that the API shipped to Baxter has consistently met the specified criteria. Therefore, no allowance for product returns has been established. In addition, the Company receives product-based payments upon the sale of Hylenex by Baxter, in accordance with the terms of the agreement with Baxter. Product sales revenues are recognized as the Company earns such revenues based on Baxter's shipments of Hylenex to its distributors when such amounts can be reasonably estimated. In February 2007, Baxter prepaid $1.0 million of such product-based payments which was deferred and is being recognized as earned. In January 2008, Baxter prepaid another $3.5 million of such product-based payments and is obligated to prepay $5.5 million of additional product-based payments on or prior to January 1, 2009.

Collaborative Agreements — The Company analyzes each element of its collaborative agreements to determine the appropriate revenue recognition. The Company recognizes revenue on nonrefundable upfront payments in which it has an ongoing involvement or performance obligation over the period of significant involvement under the related agreements. The Company recognizes milestone payments upon the achievement of specified milestones if (1) the milestone is substantive in nature, and the achievement of the milestone was not reasonably assured at the inception of the agreement, (2) the fees are nonrefundable and (3) our performance obligations after the milestone achievement will continue to be funded by our collaborator at a level comparable to the level before the milestone achievement. Any milestone payments received prior to satisfying these revenue recognition criteria are recorded as deferred revenue. Reimbursements of research and development services are recognized as revenue during the period in which the services are performed. Royalties to be received based on sales of licensed products by the Company's collaborators incorporating the Company's products are recognized as earned.

Cost of Sales

Cost of sales consists primarily of raw materials, third-party manufacturing costs, fill and finish costs, freight associated with the sales of Cumulase, and the API for Hylenex.

Research and Development Expenses

Research and development expenses consist primarily of costs associated with the development and manufacturing of the Company's product candidates, compensation and other expenses for research and development personnel, supplies and materials, costs for consultants and related contract research, clinical trials, facility costs, and depreciation. The Company charges all research and development expenses to operations as they are incurred, in accordance with SFAS No. 2, *Accounting for Research and Development Costs* . The Company's research and development activities are primarily focused on the development of its Chemophase and Enhanze ™ Technology product candidates, both of which are based on the Company's proprietary recombinant human PH20 enzyme ("rHuPH20").

Clinical Trial and Contract Research Expenses

The Company's expenses related to clinical trials are based on estimates of the services received and efforts expended pursuant to contracts with multiple research institutions, clinical research organizations, and other vendors that conduct and manage clinical trials on its behalf.

Share-Based Compensation

On January 1, 2006, the Company adopted the provisions of revised SFAS No. 123 ("SFAS 123R"), *Share-Based Payment*, including the provisions of Staff Accounting Bulletin No. 107 ("SAB 107"), using the modified prospective transition method to account for its employee share-based awards. Under SFAS 123R, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. Halozyme has no awards with market or performance conditions. The valuation provisions of SFAS 123R apply to new awards and to awards that are outstanding at the effective date and subsequently modified or cancelled. Estimated compensation expense for awards outstanding at the effective date will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes under SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). The Company's consolidated financial statements as of and for the year ended December 31, 2006 reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, the consolidated financial statements for prior periods were not restated to reflect, and do not include, the impact of SFAS 123R.

On November 10, 2005, the FASB issued FASB Staff Position No. FAS 123(R)-3, *Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards* ("FAS 123R-3"). Management elected to adopt the alternative transition method provided in FAS 123R-3. The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool ("APIC pool") related to the tax effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R.

Share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Share-based compensation expense recognized in the Company's consolidated statements of operations for the years ended December 31, 2007 and 2006 included compensation expense for share-based payment awards granted prior to, but not yet vested as of, December 31, 2005 based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS 123 and share-based payment awards granted subsequent to December 31, 2005 based on the grant date fair value estimated in accordance with SFAS 123R. Share awards are amortized under the straight-line method. As share-based compensation expense recognized in the consolidated statement of operations for the years ended December 31, 2007 and 2006 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Pre-vesting forfeitures were estimated to be approximately 10% for employees in the years ended December 31, 2007 and 2006 based on the Company's historical experience and those of its peer group. In the pro forma information required under SFAS 123 for the year ended December 31, 2005, the Company accounted for forfeitures as they occurred.

Halozyme Therapeutics, Inc.

Notes to Consolidated Financial Statements — (Continued)

Total share-based compensation expense related to share-based awards, recognized under SFAS 123R, for the years ended December 31, 2007 and 2006 was comprised of the following:

	Years Ended December 31,	
	2007	2006
Research and development	$ 662,690	$ 424,305
Selling, general and administrative	1,917,514	850,262
Share-based compensation expense before taxes	2,580,204	1,274,567
Related income tax benefits	—	—
Share-based compensation expense	$2,580,204	$1,274,567
Net share-based compensation expense per basic and diluted share	$ 0.03	$ 0.02
Share-based compensation expense from:		
Stock options	$1,857,249	$1,136,530
Restricted stock awards	722,955	138,037
Total	$2,580,204	$1,274,567

Prior to January 1, 2006, the Company accounted for share-based awards to employees using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* , and related interpretations and provided the required pro forma disclosures of SFAS 123. Under the intrinsic value method, no share-based compensation expense had been recognized in the consolidated statement of operations for share-based awards to employees, because the exercise price of the stock options granted to employees equaled the fair market value of the underlying stock at the date of grant.

The following table summarizes the pro forma effect on the Company's net loss and per share data as if it had applied the fair value recognition provisions of SFAS 123 in determining share-based compensation for the year ended December 31, 2005:

	2005
Net loss, as reported	$(13,275,373)
Add: Share-based employee compensation expense	—
Deduct: Total share-based employee compensation expense determined under fair value based method for all awards	(1,224,943)
Pro forma net loss	$(14,500,316)
Net loss per share, basic and diluted, as reported	$ (0.26)
Pro forma net loss per share, basic and diluted	$ (0.29)

The Company accounts for stock options granted to non-employees in accordance with Emerging Issues Task Force Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services* , ("EITF 96-18"). Under EITF 96-18, the Company determines the fair value of the stock options granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Income Taxes

Income taxes are recorded in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires the recognition of deferred tax assets and liabilities to reflect the future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. Measurement of the deferred items is

based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of the Company's assets and liabilities result in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such assets. The Company records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized. Management has considered future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance. In the event the Company were to determine that it would be able to realize the deferred tax assets in the future in excess of their net recorded amounts, an adjustment to the deferred tax assets would increase the income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of the net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies) accounted for in accordance with SFAS No. 109. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 had no impact on the Company's consolidated financial position or results of operations. At the date of adoption and at December 31, 2007, the Company's unrecognized income tax benefits and uncertain tax provisions were not material.

Net Loss Per Share

In accordance with SFAS No. 128, *Earnings Per Share* , and SEC Staff Accounting Bulletin ("SAB") No. 98, basic net loss per common share is computed by dividing net loss for the period by the weighted average number of common shares outstanding during the period. Under SFAS No. 128, diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and common equivalent shares, such as stock options and warrants, outstanding during the period. Such common equivalent shares have not been included in the computation of net loss per share as their effect would have been anti-dilutive.

	Years Ended December 31,		
	2007	2006	2005
Numerator — Net loss	$(23,896,183)	$(14,751,986)	$(13,275,373)
Denominator — Weighted average shares outstanding	74,317,930	62,610,265	50,317,021
Net loss per share	$ (0.32)	$ (0.24)	$ (0.26)
Incremental common shares (not included because of their anti-dilutive nature)			
Stock options and awards	7,914,979	8,727,322	8,535,751
Stock warrants	4,859,030	6,714,403	11,561,578
Potential common equivalents	12,774,009	15,441,725	20,097,329

Comprehensive Income

Comprehensive income (loss) is defined as all changes in a company's net assets, except changes resulting from transactions with shareholders. At December 31, 2007, 2006, and 2005, the Company had no reportable differences between net loss and comprehensive loss.

Halozyme Therapeutics, Inc.

Notes to Consolidated Financial Statements — (Continued)

Segment Information

The Company operates in one segment, which is the research, development and commercialization of products based on the extracellular matrix for the drug delivery, oncology and dermatology markets. The chief operating decision-makers review the operating results on an aggregate basis and manage the operations as a single operating segment.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure about fair value measurements. The Company will be required to adopt SFAS 157 in the first quarter of 2008. The Company does not expect the adoption of SFAS 157 to significantly affect its consolidated financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"), which allows certain financial assets and liabilities to be recognized, at the Company's election, at fair value. The provisions of SFAS 159 will be effective for the Company beginning January 1, 2008. The Company is in the process of determining the effect, if any, the adoption of SFAS 159 will have on its consolidated financial position or results of operations.

In June 2007, the FASB ratified EITF Issue No. 07-03, *Accounting for Non-Refundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities* , which requires that non-refundable advance payments for goods or services that will be used or performed in future research and development activities pursuant to executory contractual arrangements be deferred and recognized as an expense in the period that the related goods are delivered or services are performed. The Company will adopt EITF Issue No. 07-03 in the first quarter of 2008, and it is not expected to have a material impact on its consolidated financial position or results of operations.

In December 2007, the FASB ratified EITF Issue No. 07-01, *Accounting for Collaboration Arrangements Related to the Development and Commercialization of Intellectual Property* , which is focused on how the parties to a collaborative agreement should account for costs incurred and revenue generated on sales to third parties, how sharing payments pursuant to a collaboration agreement should be presented in the statement of operations and certain related disclosure questions. The Company will be required to adopt EITF Issue No. 07-01 in the first quarter of 2009 and it is not expected to have a material impact on its consolidated financial position or results of operations.

3. Inventory

Inventory consists of the following as of December 31, 2007 and 2006:

	2007	2006
Raw materials	$578,397	$337,344
Work in process	46,394	76,257
Finished goods	78,677	28,891
	$703,468	$442,492

Inventory is used in the manufacture of the Company's Cumulase and Hylenex products and is stated at the lower of cost or market.

Halozyme Therapeutics, Inc.

Notes to Consolidated Financial Statements — (Continued)

4. Property and Equipment

Property and equipment consists of the following as of December 31, 2007 and 2006:

	2007	2006
Research equipment	$ 1,892,658	$ 805,077
Computer and office equipment	789,851	217,418
Leasehold improvements	633,996	179,822
	3,316,505	1,202,317
Less accumulated depreciation	(1,033,189)	(704,547)
	$ 2,283,316	$ 497,770

Depreciation and amortization expense totaled $576,491, $243,999 and $206,348, for the years ended December 31, 2007, 2006 and 2005, respectively.

5. Accrued Expenses

Accrued expenses consist of the following as of December 31, 2007 and 2006:

	2007	2006
Accrued expenses	$1,083,946	$ 602,140
Accrued compensation and payroll taxes	1,418,313	409,013
	$2,502,259	$1,011,153

6. Deferred Revenue

Deferred revenue consists of the following as of December 31, 2007 and 2006:

	2007	2006
Collaborative agreements	$ 39,079,524	$ 19,918,965
Product sales	189,967	62,572
	$ 39,269,491	$ 19,981,537
Current portion	$ 3,306,225	$ 1,221,992
Long-term portion	35,963,266	18,759,545
Total Deferred Revenue	$ 39,269,491	$ 19,981,537

Roche Agreement — In December 2006, the Company entered into a license and collaborative agreement with Roche. Under the terms of the Roche Agreement, Roche will obtain a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20, the Company's proprietary recombinant human hyaluronidase, and up to thirteen Roche target compounds resulting from the collaboration. Roche paid $20 million to Halozyme in December 2006 as an initial upfront payment for the application of rHuPH20 to three pre-defined Roche biologic targets.

Due to Halozyme's continuing involvement obligations, revenue from the $20 million upfront payment was deferred and is being recognized over the term of the agreement. The Company recognized $1.2 million and $81,000 in revenue from the Roche upfront payment in the years ended December 31, 2007 and 2006, respectively.

Baxter Agreements — In September 2007, the Company and Baxter entered into an Enhanze Technology License and Collaboration Agreement (the "Gammagard License"). Under the terms of the Gammagard License,

Baxter paid the Company a nonrefundable upfront payment of $10 million. Due to the Company's continuing involvement obligations, the $10 million upfront payment was deferred and is being recognized over the term of the Gammagard License. The Company recognized revenues of $192,000 under the Gammagard License for the year ended December 31, 2007.

In February 2007, the Company amended certain agreements with Baxter for Hylenex and entered into a new agreement for kits and co-formulations with rHuPH20 (the "Baxter Agreements"). Under the terms of the Baxter Agreements, Baxter paid the Company a nonrefundable upfront payment of $10 million. Due to the Company's continuing involvement obligations, the $10 million upfront payment was deferred and is being recognized over the term of the agreements. The Company recognized $516,000 in revenues under the Baxter Agreements for the year ended December 31, 2007.

In addition, Baxter will make payments to the Company based on sales of the products covered under the Baxter Agreements. Baxter prepaid $1.0 million of such product-based payments in connection with the execution of the Baxter Agreements. In January 2008, Baxter prepaid another $3.5 million of such product-based payments and is obligated to prepay $5.5 million of additional product-based payments on or prior to January 1, 2009. The prepaid product-based payments are deferred and are being recognized as product sales revenues as the Company earns such revenues from the sales of Hylenex by Baxter.

7. Stockholders' Equity

Issuance of Common Stock — In April 2007, the Company entered into a definitive stock purchase agreement (the "Purchase Agreement") with New River Management V, LP ("New River"). Under the terms of the Purchase Agreement, New River purchased 3,500,000 newly-issued shares of the Company's common stock for an aggregate price of approximately $32.1 million. The sale of the shares was completed in May 2007. The Company has agreed to file a registration statement upon demand with the SEC covering the resale of these shares.

In February 2007, an affiliate of Baxter purchased 2,070,394 shares of the Company's common stock for an aggregate price of approximately $20.0 million.

In December 2006, the Company issued and sold to an accredited investor, an affiliate of Roche (the "Purchaser"), 3,385,000 shares (the "Shares") of the Company's common stock at a price of $3.27 per share, for gross proceeds of approximately $11.1 million. The Shares were sold pursuant to exemptions from registration under Regulation D of the Securities Act. In December 2006, the Company also entered into a registration rights agreement (the "Rights Agreement") with the Purchaser, under which the Company may be required to register the Shares upon the occurrence of certain events set forth in the Rights Agreement. Such triggering events include, but are not limited to, the registration of shares pursuant to a registration statement not currently in effect. The Rights Agreement will terminate at such time as the Purchaser may sell the Shares in any three month period pursuant to the provisions of Rule 144 under the Securities Act of 1933, as amended. As of December 31, 2007, the Company had not filed a registration statement with the SEC covering the resale of the Shares.

During 2007, the Company issued an aggregate of 3,596,557 shares of common stock in connection with the exercises of stock purchase warrants (1,783,852 shares at a weighted average price of $1.29 per share), stock options (1,707,705 shares at a weighted average price of $1.00 per share) and restricted stock awards (105,000 shares at a price of $0) for cash in the aggregate amount of approximately $4.0 million.

During 2006, the Company issued an aggregate of 5,104,996 shares of common stock in connection with the exercises of stock purchase warrants (4,818,846 shares at a weighted average price of $1.48 per share), stock options (196,150 shares at a weighted average price of $0.80 per share) and restricted stock awards (90,000 shares at a price of $0) for cash in the aggregate amount of approximately $7.3 million.

In December 2005, the Company issued 10,000,000 shares of common stock in a registered direct offering at a price per share of $1.75, generating approximately $16.0 million in net proceeds.

During 2005, the Company issued an aggregate of 1,044,914 shares of common stock in connection with the exercises of stock purchase warrants (424,768 shares at a weighted average price of $0.55 per share) and stock options (620,146 shares at a weighted average price of $0.35 per share) for cash in the aggregate amount of approximately $451,000.

Issuance of Common Stock Options for Services — In 2006, an option to purchase 13,332 shares of the Company's common stock was issued to a consultant for services received and the stock option was valued at $9,322. In 2005, options to purchase 50,000 shares of the Company's common stock were issued to members of our Scientific Advisory Board for services valued at $77,000 and options to purchase 74,000 shares of the Company's common stock were issued to consultants for services valued at $109,000. These options were fully exercisable and fully vested on the date of grant and shall expire in ten years based on the terms of the options. The fair value of these options was recorded as a noncash stock expense.

Warrants — In connection with the October 2004 private placement, the Company issued warrants to purchase 2,709,542 shares of common stock at an exercise price of $2.25 per share. These warrants are exercisable until October 12, 2009. As of December 31, 2007 and 2006, 2,030,572 and 2,623,828, respectively, of these warrants were outstanding.

In connection with the January 2004 private placement, the Company issued warrants (the "Callable Warrants") to purchase 8,094,829 shares of common stock at an exercise price of $1.75 per share, as amended. These warrants are exercisable until January 28, 2009 and are callable by the Company under certain conditions. In December 2004, the Company called the first tranche of the Callable Warrants and holders of the Callable Warrants exercised warrants to purchase 1,571,682 shares of common stock at $1.75 per share, or approximately $2.7 million in net proceeds. In August 2006, the Company called the second tranche of the Callable Warrants and holders of the Callable Warrants exercised warrants to purchase 2,204,188 shares of common stock at $1.75 per share, or approximately $3.9 million in net proceeds. As of December 31, 2007 and 2006, 1,634,143 and 2,340,412, respectively, of the Callable Warrants were outstanding.

In October 2003, in conjunction with the issuance of the Company's Series C Convertible Preferred Stock (the "Series C"), the Company granted warrants to purchase 2,367,114 shares of common stock to purchasers of the Series C at an exercise price of $0.7667 per share. These warrants are exercisable until October 15, 2008. As of December 31, 2007 and 2006, 1,194,315 and 1,398,749, respectively, of these warrants were outstanding.

In connection with the promissory notes issued in 2003 and 2002, the Company granted warrants to purchase 867,419 shares of common stock at an exercise price of $0.4496 per share. These warrants expired in October 2007. As of December 31, 2007 and 2006, zero and 351,414, respectively, of these warrants were outstanding.

8. Equity Incentive Plans

The Company currently has four equity incentive plans (the "Plans"): the 2001 Stock Plan, the 2004 Stock Plan, the 2005 Outside Directors' Stock Plan, and the 2006 Stock Plan. All of the Plans were approved by the stockholders. Options are subject to terms and conditions established by the Compensation Committee of the Company's Board of Directors. Options have a term of ten years and generally vest at the rate of 25% one year from the grant date and monthly thereafter until the options are fully vested over four years. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the Plans). At the present time, management intends to issue new common shares upon the exercise of stock options.

During the year ended December 31, 2007, the Company granted share-based awards under the 2006 Stock Plan and the 2005 Outside Directors' Stock Plan. The Company had an aggregate of 12,625,000 shares of common stock reserved for issuance as of December 31, 2007. Of those shares, 7,809,979 shares were subject to outstanding options and 1,308,338 shares were available for future grants of share-based awards.

Halozyme Therapeutics, Inc.

Notes to Consolidated Financial Statements — (Continued)

A summary of the Company's stock option award activity as of and for the years ended December 31, 2007 and 2006 is as follows:

	Shares Underlying Stock Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value
Outstanding at January 1, 2006	8,535,751	$ 1.01		
Granted	577,682	$ 2.64		
Exercised	(196,150)	$ 0.80		
Cancelled/forfeited	(279,961)	$ 1.20		
Outstanding at December 31, 2006	8,637,322	$ 1.12		
Granted	1,029,881	$ 8.08		
Exercised	(1,732,567)	$ 1.11		
Cancelled/forfeited	(124,657)	$ 1.81		
Outstanding at December 31, 2007	7,809,979	$ 2.03	6.5	$40.7 million
Vested and expected to vest in the future at December 31, 2007	7,590,826	$ 1.91	6.4	$40.4 million
Exercisable at December 31, 2007	5,867,469	$ 0.95	5.8	$36.2 million

The weighted average grant-date fair values of options granted during the years ended December 31, 2007, 2006 and 2005 were $4.94 per share, $1.57 per share and $1.16 per share, respectively. As of December 31, 2007, $4.6 million of total unrecognized compensation costs related to non-vested stock option awards is expected to be recognized over a weighted average period of 2.3 years. The intrinsic value of options exercised during the years ended December 31, 2007, 2006 and 2005 was $13.5 million, $342,355 and $935,188, respectively. No tax benefit was realized for the tax deductions from option exercise of the share-based payment arrangements in the year ended December 31, 2007.

The fair value of each option award is estimated on the date of grant using a Black-Scholes-Merton option pricing model ("Black-Scholes model") that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company's common stock and its peer group. The expected term of options granted is based on analyses of historical employee termination rates and option exercises. The risk-free interest rate is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. The dividend yield assumption is based on the expectation of no future dividend payments by the Company. Assumptions used in the Black-Scholes model were as follows:

	Years Ended December 31,		
	2007	2006	2005
Expected volatility	70.0%	75.0%	76.0%
Average expected term (in years)	5.0	4.0	4.0
Risk-free interest rate	3.5-4.7%	4.6-5.1%	3.9%
Expected dividend yield	0%	0%	0%

The following table summarizes information for outstanding and exercisable options as of December 31, 2007:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Vested and Exercisable	Weighted Average Exercise Price
$0.06 - $ 0.43	4,192,932	5.4	$ 0.40	4,182,635	$ 0.40
$0.44 - $ 2.05	1,772,754	6.9	$ 1.95	1,192,202	$ 1.92
$2.06 - $ 4.10	827,546	7.8	$ 3.02	492,445	$ 3.29
$4.11 - $10.37	1,016,747	9.5	$ 8.09	187	$ 6.78
	7,809,979	6.5	$ 2.03	5,867,469	$ 0.95

Restricted stock awards. Restricted stock awards are grants that entitle the holder to acquire shares of restricted common stock at a fixed price, which is typically nominal. The shares of restricted stock cannot be sold, pledged, or otherwise disposed of until the award vests and any unvested shares may be reacquired by the Company for the original purchase price following the awardee's termination of service. Annual grants of restricted stock under the Outside Directors' Stock Plan typically vest in full the first day the awardee may trade the Company's stock in compliance with the Company's insider trading policy following the date immediately preceding the first annual meeting of stockholders following the grant date.

During the year ended December 31, 2007, the Company issued 105,000 restricted stock awards under the 2005 Outside Directors' Stock Plan. As of December 31, 2007, these 105,000 outstanding restricted stock awards were nonvested. The grant-date fair value of restricted stock awards granted during the year ended December 31, 2007 was $1.1 million, or $10.37 per share.

During the year ended December 31, 2006, the Company issued 90,000 restricted stock awards under the 2005 Outside Directors' Stock Plan. As of December 31, 2007, these 90,000 restricted stock awards were fully vested. The grant-date fair value of restricted stock awards granted during the year ended December 31, 2006 was $244,950, or $2.72 per share. No restricted stock awards were granted in the year ended December 31, 2005. As of December 31, 2007, total unrecognized compensation cost related to unvested shares was $364,140, which is expected to be recognized over a weighted-average period of 4.5 months.

9. Commitments and Contingencies

Operating Leases — The Company's administrative offices and research facilities are located in San Diego, California. The Company leases an aggregate of approximately 48,800 square feet of office and research space.

In July 2007, the Company entered into two sublease agreements with Avanir Pharmaceuticals, Inc. ("Avanir") for Avanir's excess leased facilities in San Diego, California (the "Subleases"). The Company subleases approximately 48,800 square feet of office and research space for an initial monthly rent expense of approximately $108,000, net of costs and property taxes associated with the operation and maintenance of the subleased facilities. The annual base rent is subject to approximately 4% annual increases each year throughout the terms of the subleases. In addition, the Company received free rent totaling approximately $1.0 million, of which $674,000 was included in deferred rent as of December 31, 2007. The difference between the actual amount paid and the amount recorded as rent expense in each fiscal year has been recorded as an adjustment to deferred rent. The Company will pay a pro rata share of operating costs, insurance costs, costs of utilities and real property taxes incurred by Avanir for the subleased facilities.

One of the Subleases runs through August 2008. As a result, in July 2007, the Company entered into a lease agreement (the "Lease") with BC Sorrento, LLC ("BC Sorrento") for these facilities through January 2013. Payment obligations under the Lease will not commence until September 2008 after the obligations in the short-term Sublease have concluded. The annual base rent is subject to approximately 4% annual increases each year

throughout the term of the Lease. Under the Lease, the Company received an allowance for the cost of tenant improvements totaling $276,000 and will receive free rent totaling approximately $219,000 beginning in September 2008. The difference between the actual amount paid and the amount recorded as rent expense in each fiscal year has been recorded as an adjustment to deferred rent.

Additionally, the Company leases certain office equipment under operating leases. Total rent expense was approximately $1,050,000, $297,000 and $238,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

Approximate annual future minimum operating lease payments as of December 31, 2007 are as follows:

Year	Operating Leases
2008	$ 943,000
2009	1,480,000
2010	1,606,000
2011	1,663,000
2012	1,729,000
Thereafter	67,000
Total minimum lease payments	$7,488,000

Material Agreements — In September 2007, Halozyme entered into the Gammagard License with Baxter. Under the terms of the Gammagard License, Baxter obtained a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20, with a current Baxter product, Gammagard Liquid ™. Under the terms of the Gammagard License, Baxter paid the Company a nonrefundable upfront payment of $10 million. Due to the Company's continuing involvement obligations, the $10 million upfront payment was deferred and is being recognized over the term of the Gammagard License.

Pending successful completion of a series of regulatory and sales milestones, Baxter may make further milestone payments totaling $37 million to us. In addition, Baxter will pay royalties on the sales, if any, of the products that result from the collaboration. The Gammagard License is applicable to both kit and co-formulation combinations. Baxter will assume all development, manufacturing, clinical, regulatory, sales and marketing costs under the Gammagard License, while Halozyme will be responsible for the supply of the rHuPH20 enzyme. In addition, Baxter has certain product development and commercialization obligations in major markets identified in the Gammagard License.

In February 2007, the Company amended certain agreements with Baxter for Hylenex and entered into a new agreement, collectively the Baxter Agreements, for kits and co-formulations with rHuPH20. Under the terms of the Baxter Agreements, Baxter paid a nonrefundable upfront payment of $10 million and, pending the successful completion of a series of regulatory and sales events, Baxter will make milestone payments to us which could potentially reach a value of up to $25 million. In addition, Baxter will make payments to Halozyme based on the sales of products covered under the Baxter Agreements. In February 2007, Baxter prepaid $1.0 million of such product-based payments in connection with the execution of the Baxter Agreements. In January 2008, Baxter prepaid another $3.5 million of such product-based payments and is obligated to prepay $5.5 million of additional product-based payments on or prior to January 1, 2009. Baxter will also now assume all development, manufacturing, clinical, regulatory, sales and marketing costs of the products covered by the Baxter Agreements. The Company will continue to supply Baxter with the API for Hylenex, and Baxter will fill and finish Hylenex and hold it for subsequent distribution. In addition, Baxter will obtain a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20 with Baxter hydration fluids and generic small molecule drugs, with the exception of combinations with (i) bisphosphonates, (ii) cytostatic and (iii) cytotoxic chemotherapeutic agents, the rights to which have been retained by us. Additionally, Baxter will make product-based payments on the

sales, if any, of the products that result from the collaboration. Due to the Company's continuing involvement obligations, the $10 million upfront payment was deferred and is being recognized over the term of the agreements.

In December 2006, Halozyme entered into the Roche Agreement with Roche for Enhanze Technology. Under the terms of the Roche Agreement, Roche obtained a worldwide, exclusive license to develop and commercialize product combinations of rHuPH20 and up to thirteen Roche target compounds resulting from the collaboration. Roche paid $20 million as an initial upfront license fee for the application of rHuPH20 to three pre-defined Roche biologic targets. Pending the successful completion of a series of clinical, regulatory, and sales events, Roche will pay the Company further milestones which could potentially reach a value of up to $111 million. In addition, Roche will pay the Company royalties on product sales for these first three targets. Over the next ten years, Roche will also have the option to exclusively develop and commercialize rHuPH20 with an additional ten targets to be identified by Roche, provided that Roche will be obligated to pay continuing exclusivity maintenance fees to Halozyme in order to maintain its exclusive development rights for these targets. For each of the additional ten targets, Roche may pay Halozyme further upfront and milestone payments of up to $47 million per target, as well as royalties on product sales for each of these additional ten targets. Additionally, Roche will obtain access to the Company's expertise in developing and applying rHuPH20 to Roche targets.

In December 2006, the Company amended its Commercial Supply Agreement (the "Amendment") with Avid Bioservices, Inc. ("Avid") which was originally entered into in February 2005. Under the terms of the Amendment, the Company is committed to certain minimum annual purchases of API equal to two quarters of forecasted supply. In addition, Avid has the right to manufacture and supply a certain percentage of the API that will be used in the Company's Cumulase and Hylenex products.

Legal Contingencies — From time to time the Company is involved in legal actions arising in the normal course of its business. The Company is not presently subject to any material litigation nor, to management's knowledge, is any litigation threatened against the Company that collectively is expected to have a material adverse effect on the Company's cash flows, financial condition or results of operations.

10. Income Taxes

Significant components of the Company's net deferred tax assets at December 31, 2007 and 2006 are shown below. A valuation allowance of $28.6 million and $17.8 million has been established to offset the net deferred tax assets as of December 31, 2007 and 2006, respectively, as realization of such assets is uncertain.

	2007	2006
Deferred tax assets:		
Net operating loss carryforwards	$ 15,303,000	$ 15,134,000
Deferred revenue	7,639,000	—
Research and development credits	4,321,000	2,081,000
Share-based compensation	696,000	386,000
Depreciation	95,000	92,000
Other, net	505,000	71,000
Total deferred tax assets	28,559,000	17,764,000
Valuation allowance for deferred tax assets	(28,559,000)	(17,764,000)
Net deferred tax assets	$ —	$ —

The provision for income taxes on earnings subject to income taxes differs from the statutory federal income tax rate at December 31, 2007, 2006 and 2005, due to the following:

	2007	2006	2005
Federal income tax rate of 34%	$ (8,125,000)	$(5,016,000)	$(4,514,000)
State income tax, net of federal benefit	(1,394,000)	(861,000)	(775,000)
Research and development credits	(2,133,000)	(615,000)	(573,000)
Tax effect on non-deductible expenses and other	857,000	286,000	(196,000)
Increase in valuation allowance	10,795,000	6,206,000	6,058,000
	$ —	$ —	$ —

At December 31, 2007, the Company had federal and California tax net operating loss carryforwards of approximately $47.7 million and $48.8 million, which will begin to expire in 2018 and 2010, respectively, unless previously utilized. At December 31, 2007, the Company also had federal and California research and development tax credit carryforwards of approximately $3.0 million and $1.9 million, respectively, which will begin to expire in 2024 unless previously utilized. The tax benefit of approximately $9.5 million of net operating losses, attributable to stock option deductions, will be credited to equity if realized.

Pursuant to Internal Revenue Code Section 382, the annual use of the net operating loss carryforwards and research and development tax credits could be limited by any greater than 50% ownership change during any three-year testing period. As a result of any such ownership change, portions of the Company's net operating loss carryforwards and research and development tax credits are subject to annual limitations. The Company recently completed a Section 382 analysis regarding the limitation of the net operating losses and research and development credits. Based upon the analysis, the Company determined that ownership changes occurred in prior years. However, the annual limitations on net operating loss and research and development tax credit carryforwards will not have a material impact on the future utilization of such carryforwards.

The Company adopted the provisions of FIN 48 on January 1, 2007. The adoption of FIN 48 did not impact the Company's consolidated financial position or results of operations. At the date of adoption and at December 31, 2007, the Company's unrecognized income tax benefits and uncertain tax provisions were not material and would not, if recognized, affect the effective tax rate. The Company does not anticipate that there will be a significant change in the unrecognized tax benefits within the next 12 months.

Interest and/or penalties related to uncertain income tax positions are recognized by the Company as a component of income tax expense. For the year ended December 31, 2007, the Company did not recognize any interest or penalties.

The Company is subject to taxation in the U.S. and in various state jurisdictions. The Company's tax years for 1998 and forward are subject to examination by the U.S. and California tax authorities due to the carryforward of unutilized net operating losses and research and development credits.

11. Related Party Transactions

In July 2007, the Company entered into two sublease agreements with Avanir for Avanir's excess leased facilities in San Diego, California (the "Subleases"). One of the Subleases runs through August 2008. As a result, in July 2007, the Company entered into a lease agreement (the "Lease") with BC Sorrento for these facilities through January 2013. Connie Matsui, a director of the Company, and her husband have a controlling ownership interest in an entity that holds a minority ownership position in BC Sorrento. In addition, this entity currently serves as the managing member of BC Sorrento. The transaction with BC Sorrento was reviewed and approved by the Company's Board of Directors in accordance with the Company's related party transaction policy.

Halozyme Therapeutics, Inc.

Notes to Consolidated Financial Statements — (Continued)

In December 2006, Halozyme entered into a license agreement with a related party, Nektar Therapeutics AL, Corporation ("Nektar") under which the Company obtained a license to certain intellectual property rights and proprietary technology of Nektar. Nektar's co-founder, Chief Scientific Officer and Director, Dr. John Patton, is currently a member of the Company's Board of Directors. Dr. Patton recused himself from the segments of the various Board of Directors meetings at which this transaction was discussed, evaluated or approved. The Company paid Nektar $75,000 in January 2007 under the terms of this agreement and is obligated to make certain payments in the future upon achieving certain specified milestones and royalties on product sales.

12. Summary of Unaudited Quarterly Financial Information

The following is a summary of the Company's unaudited quarterly statement of operations data derived from unaudited consolidated financial statements included in the Quarterly Reports on Form 10-Q:

	Quarters Ended			
2007 (Unaudited):	**March 31,**	**June 30,**	**September 30,**	**December 31,**
Total revenues	$ 810,215	$ 708,516	$ 942,881	$ 1,337,909
Total operating expenses	$ 4,890,626	$ 6,542,830	$ 9,252,533	$ 11,263,739
Net loss	$ (3,357,304)	$ (4,801,707)	$ (7,028,781)	$ (8,708,391)
Net loss per share, basic and diluted	$ (0.05)	$ (0.07)	$ (0.09)	$ (0.11)
Shares used in computing net loss per share, basic and diluted	69,984,931	73,217,967	76,502,867	77,459,803

	Quarters Ended			
2006 (Unaudited):	**March 31,**	**June 30,**	**September 30,**	**December 31,**
Total revenues	$ 73,281	$ 119,662	$ 362,476	$ 426,327
Total operating expenses	$ 3,746,321	$ 3,534,635	$ 4,188,514	$ 5,095,132
Net loss	$ (3,490,194)	$ (3,232,791)	$ (3,651,038)	$ (4,377,963)
Net loss per share, basic and diluted	$ (0.06)	$ (0.05)	$ (0.06)	$ (0.07)
Shares used in computing net loss per share, basic and diluted	60,456,462	61,841,867	62,731,254	65,402,770

Exhibit 4.1

HALOZYME THERAPEUTICS, INC.

AND

CORPORATE STOCK TRANSFER

as Rights Agent

RIGHTS AGREEMENT

Dated as of May 4, 2006, as amended

TABLE OF CONTENTS

RIGHTS AGREEMENT

This Rights Agreement ("Rights Agreement"), dated as of May 4, 2006, as amended on November 12, 2007, between Halozyme Therapeutics, Inc., a Nevada corporation (the "Company"), and Corporate Stock Transfer (the "Rights Agent").

WITNESSETH :

WHEREAS, the Board of Directors of the Company on May 4, 2006 (i) authorized the issuance and declared a dividend of one right ("Right") for each share of the common stock, par value $0.001 per share, of the Company outstanding as of the Close of Business (as such term is hereinafter defined) on May 29, 2006 (the "Record Date"), each Right representing the right to purchase one one-thousandth of a share of Series A Preferred Stock of the Company having the rights, powers and preferences set forth in the form of Certificate of Designation attached hereto as Exhibit A upon the terms and subject to the conditions hereinafter set forth, and (ii) further authorized the issuance of one Right with respect to each share of Common Stock of the Company that shall become outstanding between the Record Date and the Distribution Date (as such term is hereinafter defined);

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties agree as follows:

1. Certain Definitions . For purposes of this Rights Agreement the following terms shall have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates (as such term is hereinafter defined) and Associates (as such term is hereinafter defined) of such Person shall be the Beneficial Owner (as such term is hereinafter defined) of twenty percent (20%) or more of the outstanding Common Stock of the Company, without the prior approval of the Board of Directors; provided , however , that in no event shall a Person who or which, together with all Affiliates and Associates of such Person, is the Beneficial Owner of less than 20% of the Company's outstanding Common Stock, become an Acquiring Person solely as a result of a reduction of the number of shares of outstanding Common Stock, including repurchases of outstanding shares of Common Stock by the Company, which reduction increases the percentage of outstanding shares of Common Stock beneficially owned by such Person; provided , further , that if a Person shall become the Beneficial Owner of 20% or more of the Company's outstanding Common Stock then outstanding solely by reason of a reduction of the number of shares of outstanding Common Stock, and shall thereafter become the Beneficial Owner of any additional shares of Common Stock of the Company, then such Person shall be deemed to be an Acquiring Person unless upon the consummation of the acquisition of such additional shares of Common Stock such person does not own 20% or more of the shares of Common Stock then outstanding. An Acquiring Person shall not include an Exempt Person (as such term is hereinafter defined). Notwithstanding the foregoing, if (i) either (x) the Board of Directors determines in good faith that a Person who would otherwise be an Acquiring Person, as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently (including, without limitation,

because (A) such Person was unaware that it beneficially owned a percentage of Common Stock that would otherwise cause such Person to be an Acquiring Person or (B) such Person was aware of the extent of its Beneficial Ownership but had no actual knowledge of the consequences of such Beneficial Ownership under this Rights Agreement) and without any intention of changing or influencing control of the Company, or (y) within two Business Days of being requested by the Company to advise the Company regarding same, such Person certifies in writing that such Person acquired Beneficial Ownership of 20% or more of the Company's outstanding Common Stock inadvertently or without knowledge of the terms of the Rights, and (ii) such Person divests as promptly as practicable a sufficient number of shares of Common Stock so that such Person would no longer be an Acquiring Person, as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be or to have become an Acquiring Person for any purposes of this Rights Agreement.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act as in effect on the date of this Rights Agreement.

(c) A Person shall be deemed the "Beneficial Owner" of any securities

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), whether or not in writing, or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise; provided , however , that a Person shall not be deemed the Beneficial Owner of, or to "beneficially own," securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act, or any comparable or successor rule), including pursuant to any agreement, arrangement or understanding (whether or not in writing); provided, however, that a Person shall not be deemed the Beneficial Owner of, or to "beneficially own", any securities if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations of the Exchange Act and (2) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except as described in the proviso to clause (B) of subparagraph (ii) of this Section 1(c)) or disposing of any securities of the Company; provided , however , that no

Person who is an officer, director or employee of an Exempt Person shall be deemed, solely by reason of such Person's status or authority as such, to be the Beneficial Owner of, to have "beneficial ownership" of or to "beneficially own" any securities that are "beneficially owned" (as defined in this Section 1(c)), including, without limitation, in a fiduciary capacity, by an Exempt Person or by any other such officer, director or employee of an Exempt Person.

For all purposes of this Rights Agreement, any calculation of the number of shares of Common Stock outstanding at any particular time, including any calculation for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act as in effect on the date hereof.

(d) "Board of Directors" shall mean the Company's Board of Directors.

(e) "Business Day" shall mean any day other than a Saturday, Sunday, or a day on which NASDAQ or banking institutions in the State of New York or the State of California are authorized or obligated by law or executive order to close.

(f) "Close of Business" on any given date shall mean 5:00 P.M., Pacific time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., Pacific time, on the next succeeding Business Day.

(g) "Common Stock" when used with reference to the Company shall mean the common stock, par value $0.001 per share, of the Company. "Common Stock" when used with reference to any Person other than the Company which shall be organized in corporate form shall mean the capital stock or other equity security with the greatest per share voting power of such Person or, if such Person is a Subsidiary of or is controlled by another Person, the Person which ultimately controls such first-mentioned Person. "Common Stock" when used with reference to any Person other than the Company which shall not be organized in corporate form shall mean units of beneficial interest which shall represent the right to participate in profits, losses, deductions and credits of such Person and which shall be entitled to exercise the greatest voting power per unit of such Person.

(h) "Common Stock Equivalents" shall have the meaning set forth in Section 11(a)(iii) hereof.

(i) "Company" shall have the meaning set forth in the preamble hereto.

(j) "Current Market Price" shall have the meaning set forth in Section 11(d) hereof.

(k) "Current Value" shall have the meaning set forth in Section 11(a)(iii) hereof.

(l) "Distribution Date" shall have the meaning set forth in Section 3(a) hereof.

(m) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(n) “Exempt Person” shall mean the Company or any Subsidiary of the Company, including, without limitation, in its fiduciary capacity, any employee benefit plan or employee or director stock plan of the Company or of any Subsidiary of the Company, or any Person, organized, appointed, established or holding Common Stock for or pursuant to the terms of any such plan or any Person funding other employee benefits for employees of the Company or any Subsidiary of the Company.

(o) “Expiration Date” shall have the meaning set forth in Section 7(a) hereof.

(p) “Final Expiration Date” shall have the meaning set forth in Section 7(a) hereof.

(q) “Flip-In Event” shall mean any event described in Section 11(a)(ii)(A), 11(a)(ii)(B) or 11(a)(ii)(C) hereof.

(r) “Flip-In Trigger Date” shall have the meaning set forth in Section 11(a)(iii) hereof.

(s) “Flip-Over Event” shall mean any event described in clause (x), (y) or (z) of Section 13(a) hereof.

(t) “NASDAQ” shall have the meaning set forth in Section 9(b) hereof.

(u) “Person” shall mean any individual, firm, corporation, partnership, trust, limited liability company or other entity, and shall include any successor (by merger or otherwise) thereof or thereto.

(v) “Preferred Stock” shall mean the Series A Preferred Stock, $0.001 par value of the Company having the rights, powers and preferences set forth in Exhibit A hereto, and, to the extent that there is not a sufficient number of shares of Series A Preferred Stock authorized to permit the full exercise of the Rights, any other series of Preferred Stock, $0.001 par value, of the Company designated for such purpose containing terms substantially similar to the terms of the Series A Preferred Stock.

(w) “Preferred Stock Equivalent” shall have the meaning set forth in Section 11(b) hereof.

(x) “Principal Party” shall have the meaning set forth in Section 13(b) hereof.

(y) “Purchase Price” shall have the meaning set forth in Section 4(a) hereof.

(z) “Record Date” shall have the meaning set forth in the Recitals within this Rights Agreement.

(aa) “Redemption Date” shall have the meaning set forth in Section 7(a) hereof.

(bb) “Redemption Price” shall have the meaning set forth in Section 23(a) hereof.

(cc) “Right Certificate” shall have the meaning set forth in Section 3(a) hereof.

(dd) “Securities Act” shall mean the Securities Act of 1933, as amended.

(ee) “Spread” shall have the meaning set forth in Section 11(a)(iii) hereof.

(ff) “Stock Acquisition Date” shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such or such earlier date as a majority of the directors shall become aware of the existence of an Acquiring Person.

(gg) “Substitution Period” shall have the meaning set forth in Section 11(a)(iii) hereof.

(hh) “Subsidiary” of a Person shall mean any corporation or other entity of which securities or other ownership interests having ordinary voting power sufficient to elect a majority of the board of directors or other persons performing similar functions are beneficially owned, directly or indirectly, by such Person and any corporation or other entity that is otherwise controlled by such Person.

(ii) “Summary of Rights” shall have the meaning set forth in Section 3(b) hereof.

(jj) “Trading Day” shall mean a day on which the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading is open for the transaction of business or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, a Business Day.

(kk) “Triggering Event” shall mean any event described in Section 11(a)(ii)(A), 11(a)(ii)(B) or 11(a)(ii)(C) or Section 13 hereof.

(ll) “Voting Power” shall mean the voting power of all securities of the Company then outstanding and generally entitled to vote for the election of directors of the Company.

Any determination required by the definitions contained in this Section 1 shall be made by the Board of Directors in its good faith judgment, which determination shall be binding on the Rights Agent and the holders of the Rights.

2. Appointment of Rights Agent . The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint a

co-Rights Agent as it may deem necessary or desirable. In the event the Company appoints one or more co-Rights Agents, the respective duties of the Rights Agents and any Co-Rights Agents shall be as the Company shall determine.

3. Issuance of Right Certificates .

(a) Until the earlier of (i) the Stock Acquisition Date (or, if the Stock Acquisition Date occurs before the Record Date, the Close of Business on the Record Date) or (ii) the tenth Business Day (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than an Exempt Person) of, or of the first public announcement of the intent of any Person (other than an Exempt Person) to commence (which intention to commence remains in effect for five business days after such announcement), a tender or exchange offer upon the successful consummation of which such Person, together with its Affiliates and Associates, would be the Beneficial Owner of 20% or more of the outstanding Common Stock (irrespective of whether any shares are actually purchased pursuant to any such offer) (including any such date which is after the date of this Rights Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(c) hereof) by the certificates for the Common Stock registered in the names of the holders of the Common Stock and not by separate Right Certificates, and (y) each Right will be transferable only in connection with the transfer of a share (subject to adjustment as hereinafter provided) of Common Stock. As soon as practicable after the Distribution Date, the Rights Agent will mail, by first-class, postage prepaid mail, to each record holder of the Common Stock as of the Close of Business on the Distribution Date, as shown by the records of the Company, to the address of such holder shown on such records, a Right certificate in substantially the form of Exhibit B hereto (a "Right Certificate") evidencing one Right for each share of Common Stock so held. As of and after the Distribution Date the Rights will be evidenced solely by such Right Certificates.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Preferred Stock, substantially in the form attached hereto as Exhibit C (a "Summary of Rights"), by first-class, postage prepaid mail, to each record holder of Common Stock as of the Close of Business on the Record Date, at the address of such holder shown on the records of the Company.

(c) Rights shall be issued in respect of all shares of Common Stock that are issued (either as an original issuance or from the Company's treasury) after the Record Date prior to the earlier of the Distribution Date or the Expiration Date. With respect to certificates representing such shares of Common Stock, the Rights will be evidenced by such certificates for Common Stock registered in the names of the holders thereof together with the Summary of Rights. Until the Distribution Date (or, if earlier, the Expiration Date), the surrender for transfer of any certificate for Common Stock outstanding on the Record Date (with or without a copy of the Summary of Rights attached thereto), shall also constitute the surrender for transfer of the Rights associated with the Common Stock represented thereby.

(d) Certificates issued for Common Stock (including, without limitation, certificates issued upon transfer or exchange of Common Stock) after the Record Date but prior

to the earlier of the Distribution Date or the Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

> This certificate also evidences and entitles the holder hereof to certain Rights as set forth in the Rights Agreement between Halozyme Therapeutics, Inc. and Corporate Stock Transfer, as Rights Agent, dated as of May 4, 2006, as the same may be amended from time to time (the "Rights Agreement"), the terms of which are incorporated herein by reference and a copy of which is on file at the principal executive office of Halozyme Therapeutics, Inc.. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Halozyme Therapeutics, Inc. will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt by it of a written request therefor. ***Under certain circumstances as provided in the Rights Agreement, Rights issued to, beneficially owned by or transferred to any Person who is or becomes an Acquiring Person (as such terms are defined in the Rights Agreement) or an Associate or Affiliate (as such terms are defined in the Rights Agreement) thereof and certain transferees thereof will be null and void and will no longer be transferable .***

With respect to such certificates containing the foregoing legend, the Rights associated with the Common Stock represented by such certificates shall, until the Distribution Date, be evidenced by such certificates alone, and registered holders of Common Stock shall also be the registered holders of the associated Rights, and the surrender for transfer of any such certificate shall also constitute the surrender for transfer of the Rights associated with the Common Stock represented thereby. In the event that the Company purchases or acquires any shares of Common Stock after the Record Date but prior to the earlier of the Distribution Date, the Redemption Date or the Expiration Date, any Rights associated with such shares of Common Stock shall be deemed canceled and retired so that the Company shall not be entitled to exercise any Rights associated with the shares of Common Stock no longer outstanding.

Notwithstanding this subsection (d), the omission of a legend shall not affect the enforceability of any part of this Rights Agreement or the rights of any holder of the Rights.

4. Form of Right Certificates .

(a) The Right Certificates (and the forms of election to purchase shares and of assignment to be printed on the reverse thereof), when, as and if issued, shall be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Rights Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Sections 11, 13 and 22 hereof, the Right Certificates evidencing the Rights issued on the Record Date, whenever such certificates are issued, shall be dated as of the Record Date and the Right Certificates evidencing Rights to holders of record of Common Stock issued after the Record Date shall be dated as of the Record Date but shall also be dated to reflect the date of issuance of such Right Certificate. On their face, Right Certificates shall entitle the holders thereof to purchase, for each Right, one one-

thousandth of a share of Preferred Stock, or other securities or property as provided herein, as the same may from time to time be adjusted as provided herein, at the price per one one-thousandth of a share of Preferred Stock of $25.00, as the same may from time to time be adjusted as provided herein (the "Purchase Price").

(b) Notwithstanding any other provision of this Rights Agreement, any Right Certificate that represents Rights that are or were at any time on or after the earlier of the Stock Acquisition Date or the Distribution Date beneficially owned by an Acquiring Person or any Affiliate or Associate thereof (or any transferee of such Rights) shall have impressed on, printed on, written on or otherwise affixed to it (if the Company or the Rights Agent has knowledge that such Person is an Acquiring Person or an Associate or Affiliate thereof or transferee of such Persons or a nominee of any of the foregoing) the following legend:

> The beneficial owner of the Rights represented by this Right Certificate is an Acquiring Person or an Affiliate or Associate (as such terms are defined in the Rights Agreement) of an Acquiring Person or a subsequent holder of such Right Certificates beneficially owned by such Persons. Accordingly, this Right Certificate and the Rights represented hereby are null and void and will no longer be transferable as provided in the Rights Agreement.

The provisions of Section 11(a)(ii) and Section 24 of this Rights Agreement shall be operative whether or not the foregoing legend is contained on any such Right Certificates.

5. Countersignature and Registration .

(a) The Right Certificates shall be executed on behalf of the Company by its Chief Executive Officer, its President or any Vice President, either manually or by facsimile signature, and have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be countersigned, either manually or by facsimile, by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent, issued and delivered with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at one of its offices designated for such purposes, records for registration and transfer of the Right Certificates issued hereunder. Such records shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates, the date of each of the Right Certificates and the certificate numbers for each of the Right Certificates.

6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates .

(a) Subject to the provisions of Sections 7(e), 11(a)(ii) and 14 hereof, at any time after the Close of Business on the Distribution Date and at or prior to the Close of Business on the Expiration Date, any Right Certificate or Certificates (other than Right Certificates representing Rights that have become null and void pursuant to Section 11(a)(ii) hereof or that have been exchanged pursuant to Section 24 hereof) may be (i) transferred or (ii) split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of shares of Preferred Stock or other securities as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer any Right Certificate shall surrender the Right Certificate at the office of the Rights Agent designated for such purposes with the form of assignment on the reverse side thereof duly endorsed (or enclose with such Right Certificate a written instrument of transfer in form satisfactory to the Company and the Rights Agent), duly executed by the registered holder thereof or his attorney duly authorized in writing, and with such signature guaranteed by a member of a securities approved medallion program. Any registered holder desiring to split up, combine or exchange any Right Certificate shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be split up, combined or exchanged at the office of the Rights Agent designated for such purposes. Thereupon the Rights Agent shall, subject to Sections 4(b), 7(e), 11 and 14 hereof, countersign (by manual or facsimile signature) and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

(b) Subject to the provisions of Section 11(a)(ii) hereof, upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, if requested by the Company, reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will execute and deliver a new Right Certificate of like tenor to the Rights Agent for delivery to the registered owner in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

7. Exercise of Rights; Purchase Price; Expiration Date of Rights .

(a) Subject to Section 11(a)(ii) hereof, the Rights shall become exercisable, and may be exercised to purchase Preferred Stock, except as otherwise provided herein, in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed (with such signature duly guaranteed), to the Rights Agent at the office of the Rights Agent designated for that purpose, together with payment of the Purchase Price with respect to each Right exercised, subject to adjustment as hereinafter provided, at or prior to the Close of Business on the earlier of (i) May 4, 2016 (the “Final Expiration Date”), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (such date being herein referred to as the “Redemption Date”) or (iii) the

time at which all such Rights are exchanged as provided in Section 24 hereof (the earliest of (i), (ii) and (iii) being herein referred to as the "Expiration Date").

(b) The Purchase Price and the number of shares of Preferred Stock or other securities or consideration to be acquired upon exercise of a Right shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof. The Purchase Price shall be payable in lawful money of the United States of America, in accordance with Section 7(c) hereof.

(c) Except as provided in Section 11(a)(ii) hereof, upon receipt of a Right Certificate with the form of election to purchase duly executed, accompanied by payment of the Purchase Price (as such amount may be reduced pursuant to Section 11(a)(iii) hereof) or so much thereof as is necessary for the shares to be purchased and an amount equal to any applicable tax or governmental charge, by cash, certified check or official bank check payable to the order of the Company or the Rights Agent, the Rights Agent shall, subject to Section 20(k) hereof, thereupon promptly (i) requisition from any transfer agent of the Preferred Stock (or make available if the Rights Agent is the transfer agent) certificates for the number of shares of Preferred Stock so elected to be purchased and the Company will comply and hereby authorizes and directs such transfer agent to comply with all such requests, (ii) requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14(b) hereof, and (iii) promptly after receipt of such Preferred Stock certificates cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder, and, when appropriate, after receipt of the cash requisitioned from the Company promptly deliver such cash to or upon the order of the registered holder of such Right Certificate. In the event of a purchase of securities, other than Preferred Stock, pursuant to Section 11(a) or Section 13 hereof, the Rights Agent shall promptly take the appropriate actions corresponding to the foregoing clauses (i) through (iii). In the event that the Company is obligated to issue other securities of the Company, pay cash and/or distribute other property pursuant to Section 11 (a) hereof, the Company will make all arrangements necessary so that such other securities, cash and/or other property are available for distribution by the Rights Agent, if and when appropriate.

(d) Except as otherwise provided herein, in case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Sections 6 and 14 hereof.

(e) Notwithstanding anything in this Rights Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

8. Cancellation and Destruction of Right Certificates . All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall be canceled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all canceled Right Certificates to the Company, or shall, at the written request of the Company, destroy such canceled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

9. Reservation and Availability of Shares of Preferred Stock .

(a) The Company covenants and agrees that at all times it will cause to be reserved and kept available, out of and to the extent of its authorized and unissued shares of Preferred Stock not reserved for another purpose (and, following the occurrence of a Triggering Event, other securities) or held in its treasury, the number of shares of Preferred Stock (and, following the occurrence of a Triggering Event, other securities) that, as provided in this Rights Agreement, including Section 11(a)(iii) hereof, will be sufficient to permit the exercise in full of all outstanding Rights; provided , however , that the Company shall be required to reserve and keep available shares of Preferred Stock or other securities sufficient to permit the exercise in full of all outstanding Rights pursuant to the adjustments set forth in Section 11(a)(ii), Section 11 (a)(iii) or Section 13 hereof only if, and to the extent that, the Rights become exercisable pursuant to such adjustments.

(b) The Company shall (i) use its best efforts to cause, from and after such time as the Rights become exercisable, the Rights and all shares of Preferred Stock (and following the occurrence of a Triggering Event, other securities) issued or reserved for issuance upon exercise thereof to be reported by the The NASDAQ Stock Market (“NASDAQ”) or such other system then in use, and if the Preferred Stock shall become listed on any national securities exchange, to cause, from and after such time as the Rights become exercisable, the Rights and all shares of Preferred Stock (and, following the occurrence of a Triggering Event, other securities) issued or reserved for issuance upon exercise thereof to be listed on such exchange upon official notice of issuance upon such exercise and (ii) if then necessary, to permit the offer and issuance of such shares of Preferred Stock (and, following the occurrence of a Triggering Event, other securities), register and qualify such shares of Preferred Stock (and, following the occurrence of a Triggering Event, other securities) under the Securities Act and any applicable state securities or “blue sky” laws (to the extent exemptions therefrom are not available), cause such registration statement and qualifications to become effective as soon as possible after such filing and keep such registration and qualifications effective until the Expiration Date of the Rights. The Company may temporarily suspend, for a period of time not to exceed ninety (90) days, the exercisability of the Rights in order to prepare and file a registration statement under the Securities Act and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision of this Rights Agreement to the contrary, the Rights shall

not be exercisable in any jurisdiction unless the requisite qualification in such jurisdiction shall have been obtained and until a registration statement under the Securities Act (if required) shall have been declared effective.

(c) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all shares of Preferred Stock (and following the occurrence of a Triggering Event, other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price in respect thereof), be duly and validly authorized and issued and fully paid and nonassessable shares in accordance with applicable law.

(d) The Company further covenants and agrees that it will pay when due and payable any and all taxes and governmental charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any shares of Preferred Stock (or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any tax or governmental charge which may be payable in respect of any transfer or delivery of Right Certificates to a Person other than, or the issuance or delivery of certificates for Preferred Stock (or other securities, as the case may be) upon exercise of Rights in a name other than that of, the registered holder of the Right Certificate, and the Company shall not be required to issue or deliver a Right Certificate or certificate for Preferred Stock (or other securities, as the case may be) to a Person other than such registered holder until any such tax and governmental charge shall have been paid (any such tax or governmental charge being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax or governmental charge is due.

10. Preferred Stock Record Date . Each Person in whose name any certificate for shares of Preferred Stock (or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the shares of Preferred Stock (or other securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate, as such, shall not be entitled to any rights of a stockholder of the Company with respect to the shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, if any, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

11. Adjustments to Number and Kind of Shares, Number of Rights or Purchase Price . The number and kind of shares subject to purchase upon the exercise of each Right, the number of Rights outstanding and the Purchase Price are subject to adjustment from time to time as follows:

(a) (i) In the event the Company shall at any time after the date of this Rights Agreement (A) declare or pay any dividend on Preferred Stock payable in shares of Preferred Stock, (B) subdivide or split the outstanding shares of Preferred Stock into a greater number of shares, (C) combine or consolidate the outstanding shares of Preferred Stock into a

smaller number of shares or effect a reverse split of the outstanding shares of Preferred Stock, or (D) issue any shares of its capital stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of Preferred Stock or capital stock, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Purchase Price then in effect, the aggregate number and kind of shares of capital stock or other securities, which, if such Right had been exercised immediately prior to such date, the holder thereof would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii).

(ii) Subject to Section 24, in the event

(A) any Acquiring Person or any Associate or Affiliate of any Acquiring Person, at any time after the date of this Rights Agreement, directly or indirectly, (1) shall consolidate with or merge with and into the Company or any of its Subsidiaries or otherwise combine with the Company or any of its Subsidiaries and the Company or such Subsidiary shall be the continuing or surviving corporation of such consolidation, merger or combination and the Common Stock of the Company shall remain outstanding and no shares thereof shall be changed into or exchanged for stock or other securities of the Company or of any other Person or cash or any other property, or (2) shall, in one or more transactions, other than in connection with the exercise of a Right or Rights and other than in connection with the exercise or conversion of securities exercisable for or convertible into securities of the Company or of any Subsidiary of the Company, transfer any assets or property to the Company or any of its Subsidiaries in exchange (in whole or in part) for any shares of any class of capital stock of the Company or any of its Subsidiaries or any securities exercisable for or convertible into shares of any class of capital stock of the Company or any of its Subsidiaries, or otherwise obtain from the Company or any of its Subsidiaries, with or without consideration, any additional shares of any class of capital stock of the Company or any of its Subsidiaries or any securities exercisable for or convertible into shares of any class of capital stock of the Company or any of its Subsidiaries (other than as part of a pro rata offer or distribution by the Company or such Subsidiary to all holders of such shares), or (3) shall sell, purchase, lease, exchange, mortgage, pledge, transfer or otherwise acquire (other than as a pro rata dividend) or dispose of, to, from or with, as the case may be (in one transaction or a series of transactions), the Company or any of its Subsidiaries, any assets (including securities) on terms and conditions less favorable to the Company or such Subsidiary than the Company or such Subsidiary would be able to obtain in arm's-length negotiation with an unaffiliated third party, or (4) shall receive any compensation from the Company or any of its Subsidiaries for services other than compensation for employment as a regular or part-time employee, or fees for serving as a director, at rates in accordance with the Company's (or its Subsidiary's) past practices, or (5) shall receive the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or tax advantage provided by the Company or any

of its Subsidiaries, or (6) shall engage in any transaction with the Company (or any of its Subsidiaries) involving the sale, license, transfer or grant of any right in, or disclosure of, any patents, copyrights, trade secrets, trademarks, know-how or any other intellectual or industrial property rights recognized under any country's intellectual property laws which the Company (including its Subsidiaries) owns or has the right to use on terms and conditions not approved by the Board of Directors; or

(B) any Person, alone or together with its Affiliates and Associates, shall become an Acquiring Person; or

(C) during such time as there is an Acquiring Person, there shall be any reclassification of securities (including any reverse stock split), or any recapitalization of the Company, or any merger or consolidation of the Company with any of its Subsidiaries or any other transaction or series of transactions involving the Company or any of its Subsidiaries (whether or not with or into or otherwise involving an Acquiring Person or any Affiliate or Associate of such Acquiring Person) which has the effect, directly or indirectly, of increasing by more than 1% the proportionate share of the outstanding shares of any class of equity securities of the Company or any of its Subsidiaries, or securities exercisable for or convertible into equity securities of the Company or any of its Subsidiaries, which is directly or indirectly beneficially owned by any Acquiring Person or any Affiliate or Associate of any Acquiring Person (any of (A), (B) or (C) being referred to herein as a "Flip-In Event");

then upon the first occurrence of such Flip-In Event (i) the Purchase Price shall be adjusted to be the Purchase Price in effect immediately prior to the Flip-In Event multiplied by the number of one one-thousandth of a share of Preferred Stock for which a Right was exercisable immediately prior to such Flip-In Event, whether or not such Right was then exercisable, and (ii) each holder of a Right, except as otherwise provided in this Section 11(a)(ii) and Section 11(a)(iii) hereof, shall thereafter have the right to receive, upon exercise thereof at a price equal to the Purchase Price (as so adjusted), in accordance with the terms of this Rights Agreement and in lieu of shares of Preferred Stock, such number of shares of Common Stock as shall equal the result obtained by dividing the Purchase Price (as so adjusted) by 50% of the Current Market Price per share of the Common Stock (determined pursuant to Section 11(d) hereof) on the date of such Flip-In Event; provided , however , that the Purchase Price (as so adjusted) and the number of shares of Common Stock so receivable upon the exercise of a Right shall, following the Flip-In Event, be subject to further adjustment as appropriate in accordance with Section 11(f) hereof. Notwithstanding anything in this Rights Agreement to the contrary, however, from and after the Flip-In Event, any Rights that are beneficially owned by (x) any Acquiring Person (or any Affiliate or Associate of any Acquiring Person), (y) a transferee of any Acquiring Person (or any such Affiliate or Associate) who becomes a transferee after the Flip-In Event or (z) a transferee of any Acquiring Person (or any such Affiliate or Associate) who became a transferee prior to or concurrently with the Flip-In Event pursuant to either (I) a transfer from the Acquiring Person to holders of its equity securities or to any Person with whom it has any continuing agreement, arrangement or understanding, whether written or otherwise, regarding the transferred Rights or (II) a transfer which the Board of Directors has determined is part of a plan, agreement, arrangement or understanding, whether written or otherwise, which has the purpose or effect of avoiding the provisions of this paragraph, and subsequent transferees of such Persons, shall be null and void without any further action and any holder of such Rights shall thereafter have no

rights whatsoever with respect to such Rights under any provision of this Rights Agreement. The Company shall use all reasonable efforts to ensure that the provisions of this Section 11(a)(ii) are complied with, but shall have no liability to any holder of Right Certificates or other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees hereunder. From and after the Flip-In Event, no Right Certificate shall be issued pursuant to Section 3 or Section 6 hereof that represents Rights that are or have become null and void pursuant to the provisions of this paragraph, and any Right Certificate delivered to the Rights Agent that represents Rights that are or have become null and void pursuant to the provisions of this paragraph shall be canceled.

(iii) The Company may at its option substitute for a share of Common Stock issuable upon the exercise of Rights in accordance with the foregoing subparagraph (ii) such number or fractions of shares of Preferred Stock having an aggregate current market value equal to the Current Market Price of a share of Common Stock. In the event that there shall not be sufficient shares of Common Stock issued but not outstanding or authorized but unissued to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii), the Board of Directors shall, to the extent permitted by applicable law and any material agreements then in effect to which the Company is a party (A) determine the excess (such excess, the "Spread") of (1) the value of the shares of Common Stock issuable upon the exercise of a Right in accordance with the foregoing subparagraph (ii) (the "Current Value") over (2) the Purchase Price (as adjusted in accordance with the foregoing subparagraph (ii)), and (B) with respect to each Right (other than Rights which have become null and void pursuant to the foregoing subparagraph (ii)), make adequate provision to substitute for the shares of Common Stock issuable in accordance with the foregoing paragraph (ii) upon exercise of the Right and payment of the Purchase Price (as adjusted in accordance therewith), (1) cash, (2) a reduction in such Purchase Price, (3) shares of Preferred Stock or other equity securities of the Company, including, without limitation, shares or fractions of shares of preferred stock which, by virtue of having dividend, voting and liquidation rights substantially comparable to those of the shares of Common Stock, are deemed in good faith by the Board of Directors to have substantially the same value as the shares of Common Stock (such shares of Preferred Stock and shares or fractions of shares of preferred stock being hereinafter referred to as "Common Stock Equivalents"), (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing, having a value which, when added to the value of the shares of Common Stock actually issued upon exercise of such Right, shall have an aggregate value equal to the Current Value (less the amount of any reduction in such Purchase Price), where such aggregate value has been determined by the Board of Directors upon the advice of a nationally recognized investment banking firm selected in good faith by the Board of Directors; provided , however , that if the Company shall not make adequate provision to deliver value pursuant to clause (B) above within 30 days following the date of the Flip-In Event (the "Flip-in Trigger Date"), then the Company shall be obligated to deliver, to the extent permitted by applicable law and any material agreements then in effect to which the Company is a party, upon the surrender for exercise of a Right and without requiring payment of such Purchase Price, shares of Common Stock (to the extent available), and then, if necessary, such number or fractions of shares of Preferred Stock (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. If the Board of Directors shall determine in good faith that it is likely that sufficient additional shares of Common Stock and/or Common Stock Equivalents could be authorized for issuance upon exercise in full of the Rights, the 30-day period set forth above may

be extended to the extent necessary, but not more than 90 days after the Flip-In Trigger Date, in order that the Company may seek stockholder approval for the authorization of such additional shares of Common Stock or Common Stock Equivalents (such 30-day period, as it may be extended, being hereinafter referred to as the "Substitution Period"). To the extent that the Company determines that some action need be taken pursuant to the second and/or third sentence of this Section 11(a)(iii), the Company (x) shall provide, subject to the last sentence of Section 11 (a)(ii) hereof, that such action shall apply uniformly to all outstanding Rights, and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to the first sentence of Section 11(a)(iii) and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Stock shall be the Current Market Price per share of the Common Stock on the Flip-In Trigger Date and the per share or per unit value of any Common Stock Equivalent shall be deemed to equal the Current Market Price per share of the Common Stock on such date. The Board of Directors may, but shall not be required to, establish procedures to allocate the right to receive Common Stock upon the exercise of the Rights among holders of Rights pursuant to this Section 11(a)(iii).

(b) In case the Company shall fix a record date for the issuance of rights (other than the Rights), options or warrants to all holders of Preferred Stock entitling them to subscribe for or purchase Preferred Stock (for a period expiring within 45 calendar days after such record date), shares having the same rights, privileges and preferences as the Preferred Stock (a "Preferred Stock Equivalent") or securities convertible into Preferred Stock or Preferred Stock Equivalent at a price per share of Preferred Stock or Preferred Stock Equivalent (or having a conversion price per share, if a security convertible into Preferred Stock or Preferred Stock Equivalent) less than the Current Market Price per share of Preferred Stock on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of shares of Preferred Stock which the aggregate offering price of the total number of shares of Preferred Stock and/or Preferred Stock Equivalent (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such Current Market Price, and the denominator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of additional shares of Preferred Stock and/or Preferred Stock Equivalent to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid by delivery of consideration part or all of which is in a form other than cash, the value of such non-cash consideration shall be as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent. Shares of Preferred Stock owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for a distribution to all holders of Preferred Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation) of evidences of indebtedness, cash, assets (other than a dividend payable in Preferred Stock, but including any dividend payable in stock other than Preferred Stock) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Current Market Price per share of Preferred Stock on such record date, less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the cash, assets or evidences of indebtedness to be distributed or of such subscription rights or warrants applicable to a share of Preferred Stock and the denominator of which shall be such Current Market Price per share of Preferred Stock. Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Purchase Price shall be adjusted to be the Purchase Price which would have been in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii) hereof, the "Current Market Price" per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of the Common Stock for the 30 consecutive Trading Days immediately prior to, but not including, such date, and for purpose of computations made pursuant to Section 11(a)(iii) hereof, the "Current Market Price" per share of the Common Stock on any date shall be deemed to be the average of the daily closing prices per share of the Common Stock for the 10 consecutive Trading Days immediately following, but not including, such date; provided , however, that in the event that the Current Market Price per share of the Common Stock is determined during a period following the announcement by the issuer of the Common Stock of (i) any dividend or distribution on the Common Stock (other than a regular quarterly cash dividend and other than the Rights), (ii) any subdivision, combination or reclassification of the Common Stock, and prior to the expiration of the requisite 30 Trading Day or 10 Trading Day period, as set forth above, after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification occurs, then, and in each such case, the Current Market Price shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, the last quoted sale price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use, or, if on any such date the shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors. If on any such date no market maker is making a market in the Common Stock, the fair value of such

shares on such date as determined in good faith by the Board of Directors shall be used and shall be binding on the Rights Agent. If the Common Stock is not publicly held or not so listed or traded, "Current Market Price" per share shall mean the fair value per share as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For the purpose of any computation hereunder, the "Current Market Price" per share (or one one-thousandth of a share) of Preferred Stock shall be determined in the same manner as set forth above for the Common Stock in clause (i) of this Section 11(d) (other than the last sentence thereof). If the Current Market Price per share (or one one-thousandth of a share) of Preferred Stock cannot be determined in the manner provided above or if the Preferred Stock is not publicly held or listed or traded in a manner described in clause (i) of this Section 11 (d), the "Current Market Price" per share of Preferred Stock shall be conclusively deemed to be an amount equal to 1,000 (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock occurring after the date of this Rights Agreement) multiplied by the Current Market Price per share of the Common Stock and the "Current Market Price" per one one-thousandth of a share of Preferred Stock shall, be equal to the Current Market Price per share of the Common Stock (as appropriately adjusted). If neither the Common Stock nor the Preferred Stock is publicly held or so listed or traded, "Current Market Price" shall mean the fair value per share as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the Purchase Price; provided , however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a share of Common Stock or other share or one-hundred-thousandth of a share of Preferred Stock, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which mandates such adjustment, or (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a)(ii) or Section 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock other than Preferred Stock, thereafter the number of such other shares so receivable upon exercise of any Right and the Purchase Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares of Preferred Stock contained in Sections 11(a), (b), (c), (e), (g), (h), (i), (j), (k) and (m) hereof, and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Stock shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of shares of Preferred Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-thousandth of a share of Preferred Stock (calculated to the nearest one-one-thousandth) obtained by (i) multiplying (x) the number of one one-thousandth of a share of Preferred Stock covered by a Right immediately prior to this adjustment, by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price, and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price or any adjustment to the number of shares of Preferred Stock for which a Right may be exercised made pursuant to Sections 11(a)(i), 11(b) or 11(c), to adjust the number of Rights in lieu of any adjustment in the number of shares of Preferred Stock purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of shares of Preferred Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one hundred-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of shares of Preferred Stock issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price per share and the number of shares which were expressed in the initial Right Certificate issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then par value, if any, of the shares of Common Stock, Preferred Stock

or other capital stock issuable upon exercise of the Rights, the Company shall take any corporate action, including using its best efforts to obtain any required stockholder approvals, which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock, Preferred Stock or other capital stock at such adjusted Purchase Price. If upon any exercise of the Rights, a holder is to receive a combination of Common Stock and Common Stock Equivalents, a portion of the consideration paid upon such exercise, equal to at least the then par value of a share of Common Stock of the Company, shall be allocated as the payment for each share of Common Stock of the Company so received.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the shares of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the shares of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided , however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares of Preferred Stock and other capital stock or securities upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly permitted or required by this Section 11, as and to the extent that in their good faith judgment the Board of Directors shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Stock, (ii) issuance for cash of any shares of Preferred Stock at less than the Current Market Price, (iii) issuance for cash of shares of Preferred Stock or securities which by their terms are convertible into or exchangeable for shares of Preferred Stock, (iv) stock dividends or (v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to holders of its Preferred Stock shall not be taxable to such stockholders.

(n) The Company covenants and agrees that it shall not, at any time after the Distribution Date, (i) consolidate with any other Person, (ii) merge with or into any other Person, or (iii) sell or transfer (or permit any Subsidiary to sell or transfer), in one transaction or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person or Persons, if (x) at the time of or immediately after such consolidation, merger or sale there are any charter or by-law provisions or any rights, warrants or other instruments or securities outstanding or agreements in effect which substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights or (y) prior to, simultaneously with or immediately after such consolidation, merger or sale, the stockholders of the Person who constitutes, or would constitute, the "Principal Party" for purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates. The Company shall not consummate any such consolidation, merger or sale unless prior thereto the Company and such other Person shall have executed and delivered to the Rights Agent a supplemental agreement evidencing compliance with this subsection.

(o) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23, Section 24 or Section 27 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or eliminate the benefits intended to be afforded by the Rights.

(p) Anything in this Rights Agreement to the contrary notwithstanding, in the event that the Company shall at any time after the Record Date and prior to the Distribution Date (i) declare or pay any dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, the number of Rights associated with each share of Common Stock then outstanding, or issued or delivered thereafter, shall be proportionately adjusted so that the number of Rights thereafter associated with each share of Common Stock following any such event equals the result obtained by multiplying the number of Rights associated with each share of Common Stock immediately prior to such event by a fraction, the numerator or which shall be the number of shares of Common Stock outstanding immediately prior to the occurrence of such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately following the occurrence of such event.

12. Certification of Adjustments . Whenever an adjustment is made as provided in Sections 11 and 13 hereof, the Company shall (a) promptly prepare a certificate signed by its Chief Executive Officer, its President or any Vice President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Company setting forth such adjustment and a brief statement of the facts giving rise to such adjustment, (b) promptly file with the Rights Agent and with each transfer agent for the Preferred Stock and the Common Stock a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate (or, if prior to the Distribution Date, to each holder of a certificate representing shares of Common Stock) in accordance with Section 26 hereof. Notwithstanding the foregoing sentence, the failure of the Company to give such notice shall not affect the validity of or the force or effect of or the requirement for such adjustment. The Rights Agent shall be fully protected in relying on any certificate prepared by the Company pursuant to Sections 11 and 13 and on any adjustment therein contained and shall not be deemed to have knowledge of any such adjustment unless and until it shall have received such certificate. Any adjustment to be made pursuant to Sections 11 and 13 of this Rights Agreement shall be effective as of the date of the event giving rise to such adjustment.

13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power .

(a) In the event that following the first occurrence of a Flip-In Event, directly or indirectly, (x) the Company shall consolidate with, or merge with and into, any other Person or Persons and the Company, as the case may be, shall not be the surviving or continuing Person of such consolidation or merger, or (y) any Person or Persons shall consolidate with, or merge with and into, the Company, and the Company shall be the continuing or surviving Person of such consolidation or merger and, in connection with such consolidation or merger, all or part of the outstanding shares of Common Stock shall be changed into or exchanged for stock or other securities of any other Person or of the Company or cash or any other property other than, in the

case of the transactions described in subparagraphs (x) or (y), a merger or consolidation which would result in all of the Voting Power represented by the securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into securities of the surviving entity) all of the Voting Power represented by the securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and the holders of such securities not having changed as a result of such transactions), or (z) the Company or one or more of its Subsidiaries shall sell, mortgage or otherwise transfer to any other Person or any Affiliate or Associate of such Person, in one transaction, or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole), then, on the first occurrence of any such event (a "Flip-Over Event"), proper provision shall be made so that (i) each holder of a Right (other than Rights which have become null and void pursuant to Section 11(a)(ii) hereof) shall thereafter have the right to receive, upon the exercise thereof at the Purchase Price (as theretofore adjusted in accordance with Section 11(a)(ii) hereof), in accordance with the terms of this Rights Agreement and in lieu of shares of Preferred Stock or Common Stock of the Company, such number of validly authorized and issued, fully paid, non-assessable and freely tradeable shares of Common Stock of the Principal Party (as such term is hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall equal the result obtained by dividing the Purchase Price (as theretofore adjusted in accordance with Section 11(a)(ii) hereof) by 50% of the Current Market Price per share of the Common Stock of such Principal Party (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; provided , however , that the Purchase Price (as theretofore adjusted in accordance with Section 11(a)(ii) hereof) and the number of shares of Common Stock of such Principal Party so receivable upon exercise of a Right shall be subject to further adjustment as appropriate in accordance with Section 11(f) hereof to reflect any events occurring in respect of the Common Stock of such Principal Party after the occurrence of such consolidation, merger, sale or transfer; (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Flip-Over Event, all the obligations and duties of the Company pursuant to this Rights Agreement; (iii) the term "Company" for all purposes of this Rights Agreement shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall only apply to such Principal Party following the first occurrence of a Flip-Over Event; and (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of shares of its Common Stock in accordance with Section 9 hereof) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its shares of Common Stock thereafter deliverable upon the exercise of the Rights; provided, however, that, upon the subsequent occurrence of any merger, consolidation, sale of all or substantially all assets, recapitalization, reclassification of shares, reorganization or other extraordinary transaction in respect of such Principal Party, each holder of a Right shall thereupon be entitled to receive, upon exercise of a Right, such cash, shares, rights, warrants and other property which such holder would have been entitled to receive had he, at the time of such transaction, owned the shares of Common Stock of the Principal Party purchasable upon the exercise of a Right, and such Principal Party shall take such steps (including, but not limited to, reservation of shares of stock) as may necessary to permit the subsequent exercise of the Rights in accordance with the terms hereof for such cash, shares, rights, warrants and other property.

(b) “Principal Party” shall mean

(i) in the case of any transaction described in (x) or (y) of the first sentence of Section 13(a) hereof: (A) the Person that is the issuer of the securities into which shares of Common Stock of the Company are converted in such merger or consolidation, or, if there is more than one such issuer, the issuer the Common Stock of which has the greatest aggregate market value or (B) if no securities are so issued, (x) the Person that is the other party to the merger or consolidation and that survives said merger or consolidation, or, if there is more than one such Person, the Person the Common Stock of which has the greatest market value or (y) if the Person that is the other party to the merger or consolidation does not survive the merger or consolidation, the Person that does survive the merger or consolidation (including the Company if it survives); and

(ii) in the case of any transaction described in (z) of the first sentence in Section 13(a) hereof, the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions, or, if each Person that is a party to such transaction or transactions receives the same portion of the assets or earning power so transferred or if the Person receiving the greatest portion of the assets or earning power cannot be determined, whichever of such Persons that is the issuer of Common Stock having the greatest aggregate market value of shares outstanding;

provided, however , that in any such case described in the foregoing paragraphs (b)(i) or (b)(ii), (1) if the Common Stock of such Person is not at such time and has not been continuously over the preceding 12-month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Stock of which is and has been so registered, the term “Principal Party” shall refer to such other Person, or (2) if such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Stock of all of which are and have been so registered, the term “Principal Party” shall refer to whichever of such Persons is the issuer of the Common Stock having the greatest market value of shares outstanding, or (3) if such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly, by the same Person, the rules set forth in clauses (1) and (2) above shall apply to each of the owners having an interest in the joint venture as if the Person owned by the joint venture was a Subsidiary of both or all of such joint venturers, and the Principal Party in each such case shall bear the obligations set forth in this Section 13 in the same ratio as its interest in such Person bears to the total of such interests.

(c) The Company shall not consummate any consolidation, merger, sale or transfer referred to in Section 13(a) unless the Principal Party shall have a sufficient number of authorized shares of its Common Stock that have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and the Principal Party involved therein shall have executed and delivered to the Rights Agent an agreement confirming that the requirements of Sections 13(a) and (b) hereof shall promptly be performed in accordance with their terms and that such consolidation, merger, sale or transfer of assets shall not result in a default by the Principal Party under this Rights Agreement as the same shall have been assumed by the Principal Party pursuant to Sections 13(a) and (b) hereof and further providing that, as soon as practicable after executing such agreement pursuant to this Section 13, the Principal Party at its own expense shall:

(i) prepare and file a registration statement under the Securities Act, if necessary, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, use its best efforts to cause such registration statement to become effective as soon as practicable after such filing and use its best efforts to cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the date of expiration of the Rights, and similarly comply with applicable state securities laws;

(ii) use its best efforts, if the Common Stock of the Principal Party shall become listed on a national securities exchange, to list (or continue the listing of) the Rights and the securities purchasable upon exercise of the Rights on such securities exchange and, if the Common Stock of the Principal Party shall not be listed on a national securities exchange, to cause the Rights and the securities purchased upon exercise of the Rights to be reported by NASDAQ or such other system then in use;

(iii) deliver to holders of the Rights historical financial statements for the Principal Party which comply in all respects with the requirements for registration on Form 10 (or any successor form) under the Exchange Act; and

(iv) obtain waivers of any rights of first refusal or preemptive rights in respect of the shares of Common Stock of the Principal Party subject to purchase upon exercise of outstanding Rights.

In the event that any of the transactions described in Section 13(a) hereof shall occur at any time after the occurrence of a transaction described in Section 11(a)(ii) hereof, the Rights which have not theretofore been exercised shall thereafter be exercisable in the manner described in Section 13(a).

(d) Furthermore, in case the Principal Party which is to be a party to a transaction referred to in this Section 13 has a provision in any of its authorized securities or in its Certificate of Incorporation or Bylaws or other instrument governing its corporate affairs, which provision would have the effect of (i) causing such Principal Party to issue, in connection with, or as a consequence of, the consummation of a transaction referred to in this Section 13, shares of Common Stock of such Principal Party at less than the then Current Market Price per share (determined pursuant to Section 11(d) hereof) or securities exercisable for, or convertible into, Common Stock of such Principal Party at less than such then current market price (other than to holders of Rights pursuant to this Section 13) or (ii) providing for any special payment, tax or similar provisions in connection with the issuance of the Common Stock of such Principal Party pursuant to the provisions of Section 13; then, in such event, the Company hereby agrees with each holder of Rights that it shall not consummate any such transaction unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing that the provision in question of such Principal Party shall have been canceled, waived or amended, or that the authorized securities shall be redeemed, so that the applicable provision will have no effect in connection with, or as a consequence of, the consummation of the proposed transaction.

14. Fractional Rights and Fractional Shares .

(a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the holders of record of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the then current market value of a whole Right. For the purposes of this Section 14(a), the then current market value of a Right shall be determined in the same manner as the Current Market Price of a share of Common Stock shall be determined pursuant to Section 11(d) hereof.

(b) The Company shall not be required to issue fractions of shares of Preferred Stock or Preferred Stock Equivalent (other than fractions which are integral multiples of one one-thousandth of a share of Preferred Stock) upon exercise of the Rights or to distribute certificates which evidence fractional shares of Preferred Stock or Preferred Stock Equivalent (other than fractions which are integral multiples of one one-thousandth of a share of Preferred Stock). Fractions of shares of Preferred Stock in integral multiples of one one-thousandth of a share of Preferred Stock or Preferred Stock Equivalent may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it, provided that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the shares of Preferred Stock or Preferred Stock Equivalent represented by such depositary receipts. In lieu of fractional shares of Preferred Stock or Preferred Stock Equivalent that are not integral multiples of one one-thousandth of a share of Preferred Stock or Preferred Stock Equivalent, the Company may pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one one-thousandth of a share of Preferred Stock or Preferred Stock Equivalent. For purposes of this Section 14(b), the current market value of one one-thousandth of a share of Preferred Stock or Preferred Stock Equivalent shall be the Current Market Price of a share of Common Stock (as determined pursuant to Section 11(d)(ii) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of a Flip-In Event, the Company shall not be required to issue fractions of shares or units of Common Stock or Common Stock Equivalents or other securities upon exercise of the Rights or to distribute certificates which evidence fractional shares of such Common Stock or Common Stock Equivalents or other securities. In lieu of fractional shares or units of such Common Stock or Common Stock Equivalents or other securities, the Company may pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the Current Market Value of a share or unit of such Common Stock or Common Stock Equivalent or other securities. For purposes of this Section 14(c), the Current Market Value shall be determined in the manner set forth in Section 11(d) hereof for the Trading Day immediately prior to the date of such exercise and, if such Common Stock Equivalent is not traded, each such Common Stock Equivalent shall have the value of one one-thousandth of a share of Preferred Stock.

(d) The holder of a Right by the acceptance of a Right expressly waives his right to receive any fractional Right or any fractional shares upon exercise of a Right.

15. Rights of Action . As of the Record Date, all rights of action in respect of this Rights Agreement, other than any rights of action vested in the Rights Agent pursuant to Sections 18 and 20 hereof, are vested in the respective holders of record of the Right Certificates (and, prior to the Distribution Date, the holders of record of the Common Stock); and any holder of record of any Right Certificate (or, prior to the Distribution Date, of the Common Stock), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Stock), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company or any other Person to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Rights Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Rights Agreement and, accordingly, that they will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Rights Agreement. Holders of Rights shall be entitled to recover the reasonable costs and expenses, including attorneys' fees, incurred by them in any action to enforce the provisions of this Rights Agreement.

16. Agreement of Right Holders . Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will not be evidenced by a Right Certificate and will be transferable only in connection with the transfer of Common Stock;

(b) after the Distribution Date, the Right Certificates will be transferable only on the registry books of the Rights Agent if surrendered at the office of the Rights Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer;

(c) the Company and the Rights Agent may deem and treat the Person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificate or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent or the transfer agent of the Common Stock) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary; and

(d) notwithstanding anything in this Rights Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Rights Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided , however, that the Company must use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

17. Right Certificate Holder Not Deemed a Stockholder . No holder of a Right, as such, shall be entitled to vote, receive dividends in respect of or be deemed for any purpose to be the holder of Common Stock or any other securities of the Company which may at any time be issuable upon the exercise of the Rights, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote in the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights in respect of any such stock or securities, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

18. Concerning the Rights Agent .

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Rights Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent for any thing done or omitted to be done by the Rights Agent in connection with the acceptance and administration of this Rights Agreement, including the cost and expenses of defending against any claim of liability in the premises. The indemnity provided herein shall survive the expiration of the Rights and the termination of this Rights Agreement. Notwithstanding anything in this Rights Agreement to the contrary, in no event shall the Rights Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Rights Agent has been advised of the likelihood of such loss damage and regardless of the form of action.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Rights Agreement in reliance upon any Right Certificate, certificate for Common Stock or other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, guaranteed, verified or acknowledged, by the proper Person or Persons.

19. Merger or Consolidation or Changed Name of Rights Agent .

(a) Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any Person succeeding to the corporate trust or stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Rights Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such Person would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall

succeed to the agency created by this Rights Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and, in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Rights Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificate shall have the full force provided in the Right Certificates and in this Rights Agreement.

20. Duties of Rights Agent . The Rights Agent undertakes the duties and obligations imposed by this Rights Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted to be taken by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Rights Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of Current Market Price) be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by certificate signed by the President or any Vice President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Rights Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own gross negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Rights Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Rights Agreement or the execution and delivery hereof (except the due execution

hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Rights Agreement or in any Right Certificate; nor shall it be responsible for any adjustment required under the provisions of Sections 11, 13, 23 or 24 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after receipt of a Certificate furnished pursuant to Section 12 describing any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock to be issued pursuant to this Rights Agreement or any Right Certificate or as to whether any shares of Common Stock will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Rights Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the Chief Executive Officer, the President or any Vice President or the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Rights Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. Subject to Section 20(c) hereof, the Rights Agent shall not be liable for any action taken by, or omission of, the Rights Agent in accordance with a proposal included in any such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not the Rights Agent under this Rights Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any

such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Rights Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise or transfer, the certificate contained in the form of assignment or the form of election to purchase set forth on the reverse thereof, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise of transfer without first consulting with the Company.

21. Change of Rights Agent . The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Rights Agreement upon 30 days' notice in writing, or such earlier period as shall be agreed to in writing, mailed to the Company and to each transfer agent of the Common Stock by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent (with or without cause) upon 30 days' notice in writing, or such earlier period as shall be agreed to in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. Notwithstanding the foregoing provisions of this Section 21, in no event shall the resignation or removal of a Rights Agent be effective until a successor Rights Agent shall have been appointed and have accepted such appointment. If the Company shall fail to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the incumbent Rights Agent or the holder of record of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a Person organized and doing business under the laws of the United States or any State thereof, in good standing, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least $50,000,000 or (b) an Affiliate controlled by a Person described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock, and mail a

notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

22. Issuance of New Right Certificates . Notwithstanding any of the provisions of this Rights Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price per share and the number or kind or class of shares of stock or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Rights Agreement. In addition, in connection with the issuance or sale of shares of Common Stock following the Distribution Date and prior to the redemption or expiration of the Rights, the Company shall, with respect to shares of Common Stock so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities hereinafter issued by the Company, in each case existing prior to the Distribution Date, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided , however , that (i) no such Right Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Right Certificate would be issued, and (ii) no such Right Certificate shall be issued, if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

23. Redemption .

(a) The Board of Directors may, at its option, at any time prior to the earlier of (x) the first occurrence of a Flip-In Event or (y) the Close of Business on the Expiration Date, redeem all but not less than all the then outstanding Rights at a redemption price of $0.001 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the “Redemption Price”).

(b) Immediately upon the action of the Board of Directors ordering the redemption of the Rights (or at such later time as the Board of Directors may establish for the effectiveness of such redemption), and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall promptly give public notice of any such redemption; provided , however , that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within 10 days after such action of the Board of Directors ordering the redemption of the Rights (or such later time as the Board of Directors may establish for the effectiveness of such redemption), the Company shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption shall state the method by which the payment of the Redemption Price will

be made. The failure to give notice required by this Section 23(b) or any defect therein shall not affect the legality or validity of the action taken by the Company.

(c) In the case of a redemption permitted under Section 23(a) hereof, the Company may, at its option, discharge all of its obligations with respect to the Rights by (i) issuing a press release announcing the manner of redemption of the Rights and (ii) mailing payment of the Redemption Price to the registered holders of the Rights at their last addresses as they appear on the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent of the Common Stock, and upon such action, all outstanding Right Certificates shall be null and void without any further action by the Company.

24. Exchange of Rights for Common Stock .

(a) The Board of Directors may, at its option, at any time after the occurrence of a Flip-In Event, exchange all or part of the then outstanding and exercisable Rights (which (i) shall not include Rights that have become null and void pursuant to the provisions of Section 11 (a)(ii) and (ii) shall include, without limitation, any Rights issued after the Distribution Date in accordance with Section 22 hereof) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (the "Exchange Ratio"). Notwithstanding the foregoing the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than an Exempt Person), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of shares of Common Stock aggregating 50% or more of the shares of Common Stock then outstanding. From and after the occurrence of an event specified in Section 13(a) hereof, any Rights that theretofore have not been exchanged pursuant to this Section 24(a) shall thereafter be exercisable only in accordance with Section 13 and may not be exchanged pursuant to this Section 24(a).

(b) Immediately upon the action of the Board of Directors ordering the exchange of any Rights pursuant to subsection (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of shares of Common Stock equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided , however , that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the shares of Common Stock for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become null and void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) In any exchange pursuant to this Section 24, the Company, at its option, may substitute, and, in the event that there shall not be sufficient shares of Common Stock issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated

in accordance with this Section 24, the Company shall substitute to the extent of such insufficiency, for each share of Common Stock that would otherwise be issuable upon exchange of a Right, a number of shares of Preferred Stock or Preferred Stock Equivalent or fractions thereof having an aggregate current per share market price (determined pursuant to Section 11(d) hereof) equal to the current per share market price of one share of Common Stock (determined pursuant to Section 11(d) hereof) as of the date of the Flip-In Event.

(d) In the event that there shall not be sufficient shares of Common Stock issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional shares of Common Stock for issuance upon exchange of the Rights.

(e) The Company shall not be required to issue fractions of shares of Common Stock or to distribute certificates which evidence fractional shares of Common Stock. In lieu of such fractional shares of Common Stock, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional shares of Common Stock would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole share of Common Stock. For the purposes of this paragraph (d), the current market value of a whole share of Common Stock shall be the Current Market Price of a share of Common Stock (as defined in Section 11(d) hereof for the purposes of computations made other than pursuant to Section 11(a)(iii)) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

25. Notice of Proposed Actions .

(a) In case the Company, after the Distribution Date, shall propose (i) to effect any of the transactions referred to in Section 11(a)(i) or to pay any dividend to the holders of record of its Preferred Stock payable in stock of any class or to make any other distribution to the holders of record of its Preferred Stock (other than a regular periodic cash dividend), or (ii) to offer to the holders of record of its Preferred Stock or options, warrants, or other rights to subscribe for or to purchase shares of Preferred Stock (including any security convertible into or exchangeable for Preferred Stock) or shares of stock of any other class or any other securities, options, warrants, convertible or exchangeable securities or other rights, or (iii) to effect any reclassification of its Preferred Stock or any recapitalization or reorganization of the Company, or (iv) to effect any consolidation or merger with or into, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person or Persons, or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of record of a Right Certificate, in accordance with Section 26 hereof, notice of such proposed action, which shall specify the record date for the purposes of such transaction referred to in Section 11(a)(i), or such dividend or distribution, or the date on which such reclassification, recapitalization, reorganization, consolidation, merger, sale or transfer of assets, liquidation, dissolution or winding up is to take place and the record date for determining participation therein by the holders of record of Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least

10 days prior to the record date for determining holders of record of the Preferred Stock for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of record of Preferred Stock, whichever shall be the earlier.

(b) In case any of the transactions referred to in Section 11(a)(ii) or Section 13 of this Rights Agreement are proposed, then, in any such case, the Company shall give to each holder of Rights, in accordance with Section 26 hereof, notice of the proposal of such transaction at least 10 days prior to consummating such transaction, which notice shall specify the proposed event and the consequences of the event to holders of Rights under Section 11(a)(ii) or Section 13 hereof, as the case may be, and, upon consummating such transaction, shall similarly give notice thereof to each holder of Rights.

(c) The failure to give notice required by this Section 25 or any defect therein shall not affect the legality or validity of the action taken by the Company or the vote upon any such action.

26. Notices . Notices or demands authorized by this Rights Agreement to be given or made by the Rights Agent or by the holder of record of any Right Certificate or Right to or on behalf of the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Halozyme Therapeutics, Inc.
11388 Sorrento Valley Road
San Diego, California 92121
Attention: Chief Financial Officer

Subject to the provisions of Section 20 hereof, any notice or demand authorized by this Rights Agreement to be given or made by the Company or by the holder of record of any Right Certificate or Right to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Corporate Stock Transfer
3200 Cherry Creek South Drive, Suite 430
Denver, Colorado 80209
Attention: Shari Humpherys

Notices or demands authorized by this Rights Agreement to be given or made by the Company or the Rights Agent to the holder of record of any Right Certificate or Right shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the Transfer Agent.

27. Supplements and Amendments . Except as provided in the penultimate sentence of this Section 27, for so long as the Rights are then redeemable, the Company may in its sole and absolute discretion, and the Rights Agent shall if the Company so directs, supplement or amend any provision of this Rights Agreement in any respect without the approval of any

holders of the Rights. At any time when the Rights are no longer redeemable, except as provided in the penultimate sentence of this Section 27, the Company may, and the Rights Agent shall, if the Company so directs, supplement or amend this Rights Agreement without the approval of any holders of Right Certificates in order to (i) cure any ambiguity, (ii) correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) shorten or lengthen any time period hereunder, or (iv) change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable; provided that no such supplement or amendment shall adversely affect the interests of the holders of Rights as such (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person), and no such amendment may cause the Rights again to become redeemable or cause the Agreement again to become amendable other than in accordance with this sentence. Notwithstanding anything contained in this Rights Agreement to the contrary, no supplement or amendment shall be made which changes the Redemption Price. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Stock.

28. Successors . All of the covenants and provisions of this Rights Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

29. Benefits of this Rights Agreement . Nothing in this Rights Agreement shall be construed to give to any person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Stock) any legal or equitable right, remedy or claim under this Rights Agreement; this Rights Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the holders of record of the Right Certificates (and, prior to the Distribution Date, the Common Stock).

30. Determinations and Actions by the Board of Directors . The Board of Directors shall have the exclusive power and authority to administer this Rights Agreement and to exercise the rights and powers specifically granted to the Board of Directors or to the Company, or as may be necessary or advisable in the administration of this Rights Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Rights Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Rights Agreement (including, without limitation, a determination to redeem or not redeem the Rights or to amend or not amend this Rights Agreement). All such actions, calculations, interpretations and determinations that are done or made by the Board of Directors in good faith shall be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights, as such, and all other parties.

31. Governing Law . This Rights Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such state applicable to contracts to be made solely by residents of such state and performed entirely within such state.

32. Counterparts . This Rights Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

33. Descriptive Headings . Descriptive headings of the several sections of this Rights Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

34. Severability . If any term, provision, covenant or restriction of this Rights Agreement is held by a court of competent jurisdiction or other authority to be invalid, illegal or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Rights Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

IN WITNESS WHEREOF, the parties hereto have caused this Rights Agreement to be duly executed, and their seals affixed and attested, all as of the date and year first above written.

[SEAL]

ATTEST:

HALOZYME THERAPEUTICS, INC.

By: /s/ David A. Ramsay
Name: David A. Ramsay
Title: CFO

By: /s/ Jonathan E. Lim
Name: Jonathan E. Lim
Title: President & CEO

[SEAL]

ATTEST:

CORPORATE STOCK TRANSFER

By: /s/ Shari Humphreys
Name: Shari Humphreys
Title: Secretary

By: /s/ Carylyn K. Bell
Name: Carylyn K. Bell
Title: President

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-119969) pertaining to the Halozyme Therapeutics, Inc. 2004 Stock Plan, Nonstatutory Stock Option Agreement with Andrew Kim and Assumed Options under Deliatroph Pharmaceuticals, Inc. and the amended and restated 2001 Stock Plan, in the Registration Statement (Form S-8 No. 333-133829) pertaining to the Halozyme Therapeutics, Inc. 2005 Outside Directors' Stock Plan and the Halozyme Therapeutics, Inc. 2006 Stock Plan, in the Registration Statement (Form S-3 No. 333-114776) of Halozyme Therapeutics, Inc. for the registration of its common stock, in the Registration Statement (Form S-3 No. 333-120448) of Halozyme Therapeutics, Inc. for the registration of its common stock, and in the Registration Statement (Form S-3 No. 333-125731) of Halozyme Therapeutics, Inc. for the registration of its common stock, preferred stock, debt securities and warrants and in the related Prospectus of our reports dated March 12, 2008, with respect to the consolidated financial statements of Halozyme Therapeutics, Inc. and the effectiveness of internal control over financial reporting of Halozyme Therapeutics, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2007.

/s/ Ernst & Young LLP

San Diego, California
March 12, 2008

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-119969) pertaining to the Halozyme Therapeutics, Inc. 2004 Stock Plan, Nonstatutory Stock Option Agreement with Andrew Kim and assumed options under Deliatroph Pharmaceuticals, Inc. and the amended and restated 2001 Stock Plan, in the Registration Statement (Form S-8 No. 333-133829) pertaining to the Halozyme Therapeutics, Inc. 2005 Outside Directors' Stock Plan and the Halozyme Therapeutics, Inc. 2006 Stock Plan, in the Registration Statement (Form S-3 No. 333-114776) of Halozyme Therapeutics, Inc. for the registration of its common stock, in the Registration Statement (Form S-3 No. 333-120448) of Halozyme Therapeutics, Inc. for the registration of its common stock, and in the registration Statement (Form S-3 No. 333-125731) of Halozyme Therapeutics, Inc. for the registration of its common stock, preferred stock, debt securities and warrants and in the related Prospectus of our report dated March 12, 2006, with respect to the consolidated financial statements of Halozyme Therapeutics, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2007.

/s/ CACCIAMATTA ACCOUNTANCY CORPORATION

Irvine, California
March 13, 2008

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jonathan E. Lim, Chief Executive Officer of Halozyme Therapeutics, Inc. (the "Registrant"), do hereby certify in accordance with 18 U.S.C 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, that:

1. I have reviewed this Annual Report on Form 10-K of Halozyme Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 13, 2008

/s/ Jonathan E. Lim
Jonathan E. Lim, M.D.
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David A. Ramsay, Chief Financial Officer of Halozyme Therapeutics, Inc. (the "Registrant"), do hereby certify in accordance with 18 U.S.C 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, that:

1. I have reviewed this Annual Report on Form 10-K of Halozyme Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 13, 2008

/s/ David A. Ramsay
David A. Ramsay
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Halozyme Therapeutics, Inc. (the "Registrant") on Form 10-K for the Year ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan E. Lim, MD, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 13, 2008

/s/ Jonathan E. Lim
Jonathan E. Lim, M.D.
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Halozyme Therapeutics, Inc. (the "Registrant") on Form 10-K for the Year ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Ramsay, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: March 13, 2008

/s/ David A. Ramsay
David A. Ramsay
Chief Financial Officer