

HALOZYME THERAPEUTICS INC  
Form DEF 14A  
March 22, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
PROXY STATEMENT PURSUANT TO SECTION 14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
Filed by the Registrant  x  
Filed by a Party other than the Registrant  o

Check the appropriate box:

Preliminary Proxy Statement  
 Confidential, For Use of the Commission Only (as permitted by  
 Rule 14a-6(e)(2))

Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Materials Pursuant to §240.14a-12  
Halozyme Therapeutics, Inc.

(Name of Registrant as Specified in Its Charter)  
(Name of Person(s) Filing Proxy Statement, if Other Than the  
Registrant)

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(3) Filing Party:

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March 22, 2018

Dear Stockholder:

You are cordially invited to attend the 2018 Annual Meeting of Stockholders of Halozyme Therapeutics, Inc., which will be held on May 2, 2018, at 8:00 a.m. local time, at the Halozyme Conference Center, 11404 Sorrento Valley Road, San Diego, California 92121.

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

It is important that you use this opportunity to take part in the affairs of Halozyme Therapeutics, Inc. by voting on the business to come before this meeting. Whether or not you plan to attend the Annual Meeting in person, we hope you vote as soon as possible to assure your representation. You can vote your shares over the Internet, by telephone or by using a traditional proxy card. Instructions on each of these voting methods are outlined in the enclosed proxy statement. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters before our stockholders is important.

A copy of Halozyme's Annual Report on Form 10-K accompanies these proxy materials for your information. At the Annual Meeting, we will review Halozyme's activities over the past year and our plans for the future. The Board of Directors and management look forward to seeing you at the Annual Meeting.

Sincerely yours,

HELEN I. TORLEY, M.B. Ch.B., M.R.C.P.

President and Chief Executive Officer

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HALOZYME THERAPEUTICS, INC.

11388 Sorrento Valley Road

San Diego, California 92121

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 2, 2018

TO THE STOCKHOLDERS OF HALOZYME THERAPEUTICS, INC.:

Notice is hereby given that the Annual Meeting of the Stockholders of Halozyme Therapeutics, Inc., a Delaware corporation, will be held on May 2, 2018, at 8:00 a.m. local time, at the Halozyme Conference Center, 11404 Sorrento Valley Road, San Diego, California 92121, for the following purposes:

1. To elect two Class II directors to hold office for a three-year term and until their respective successors are elected and qualified;
2. To approve, by a non-binding advisory vote, the compensation of our Named Executive Officers;
3. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018;
4. To approve amendments to the Halozyme Therapeutics, Inc. 2011 Stock Plan; and
5. To transact such other business as may properly come before the Annual Meeting.

Only stockholders of record at the close of business on March 8, 2018 are entitled to notice of, and to vote at, this Annual Meeting and any adjournment or postponement thereof. The Board of Directors recommends that you vote FOR each of the proposed nominees to the Board of Directors named in the accompanying Proxy Statement and for the other proposals identified above.

By order of the Board of Directors,

HARRY J. LEONHARDT, ESQ.

Senior Vice President, General Counsel,

Chief Compliance Officer and Corporate Secretary

San Diego, California

March 22, 2018

Important Notice Regarding the Availability of Proxy Materials for

The Stockholder Meeting To Be Held on May 2, 2018

The Proxy Statement and the 2017 Annual Report to Stockholders and the means to vote by Internet are available at [www.proxyvote.com](http://www.proxyvote.com).

**IMPORTANT:**

You are cordially invited to attend the meeting in person.

Whether or not you expect to attend the meeting, please vote as soon as possible by using the Internet or telephone or for those receiving

paper copies of these proxy materials by completing, signing, dating and mailing your proxy card in the accompanying postage-paid envelope. Even if you have voted by proxy, you may still vote in person if you attend the meeting.

Please note, however, that if the record holder of your shares is a broker, bank or other nominee, and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

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## PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

The accompanying proxy is solicited on behalf of the Board of Directors of Halozyme Therapeutics, Inc., a Delaware corporation (“Halozyme” or the “Company”), for use at Halozyme’s Annual Meeting of Stockholders to be held on May 2, 2018 at 8:00 a.m. local time, at the Halozyme Conference Center, 11404 Sorrento Valley Road, San Diego, California 92121, and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and the enclosed proxy are being mailed to stockholders on or about March 22, 2018.

## ANNUAL MEETING AGENDA AND BOARD OF DIRECTOR VOTE RECOMMENDATIONS

Stockholders are being asked to vote on each of the following items at the Annual Meeting:

- The election of two Class II director nominees named in this Proxy Statement to the Board of Directors, each to serve a three-year term and until their respective successors are elected and qualified;
- The approval of a non-binding advisory resolution approving the compensation of our Named Executive Officers;
- The ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and
- The approval of amendments to the Halozyme Therapeutics, Inc. 2011 Stock Plan.

The Board of Directors recommends that you vote FOR the proposed nominees to the Board of Directors named in this Proxy Statement and FOR each of the other proposals described above.

## SOLICITATION AND VOTING

**Voting Securities.** Only stockholders of record as of the close of business on March 8, 2018, the record date for the Annual Meeting, will be entitled to vote at the meeting and any adjournment or postponement thereof. As of that date, we had 143,731,420 shares of common stock outstanding, all of which are entitled to vote with respect to all matters to be acted upon at the Annual Meeting. Each stockholder of record as of that date is entitled to one vote for each share of common stock held by him or her. Our Bylaws provide that a majority of all of the shares of the stock entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting. When a quorum is present at the meeting, the election of directors will be determined by a plurality of the votes cast by the stockholders entitled to vote at the election, and any other matter will be determined by a majority in voting power of the shares present in person or represented by proxy and entitled to vote on the matter. Votes for and against, abstentions and “broker non-votes” will each be counted as present for purposes of determining the presence of a quorum.

As permitted by rules adopted by the Securities and Exchange Commission, we are furnishing our proxy statement, 2017 Annual Report to Stockholders and proxy card over the internet to most of our stockholders. This means that most of our stockholders will initially receive only a notice containing instructions on how to access the proxy materials over the Internet. If you would like to receive a paper copy of the proxy materials, the notice contains instructions on how you can request copies of these documents at no cost to you.

**Voting of Proxies.** All valid proxies received before the meeting will be exercised. All shares represented by a proxy will be voted, and where a proxy specifies a stockholder’s choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If no choice is indicated on the proxy provided by a stockholder of record, the shares will be voted in favor of each proposal.

You may vote in person by attending the Annual Meeting or by using the Internet or telephone or by completing and returning a proxy by mail.

**Voting by Internet.** To vote by Internet, go to [www.proxyvote.com](http://www.proxyvote.com). Internet voting is available 24 hours a day, although your vote by Internet must be received by 11:59 p.m. Eastern Time on May 1, 2018. You will need the control number found either on the Notice of Internet Availability of Proxy Materials or on the proxy card if you are receiving a printed copy of these materials. If you vote by Internet, do not return your proxy card or voting instruction card. If you hold your shares in “street name” as

explained below, please refer to the Notice of Internet Availability of Proxy Materials or voting instruction card provided to you by your broker, bank or other holder of record for Internet voting instructions.

**Voting by Telephone.** To vote by telephone, call 1-800-690-6903 and follow the instructions. Telephone voting is available 24 hours a day, although your vote by telephone must be received by 11:59 p.m. Eastern Time on May 1, 2018. You will need the control number found either on the Notice of Internet Availability of Proxy Materials or on the proxy card if you are receiving a printed copy of these materials. If you vote by telephone, do not return your proxy card or voting instruction card. If you hold your shares in “street name” as explained below, please refer to the Notice of Internet Availability of Proxy Materials or voting instruction card provided to you by your broker, bank or other holder of record for telephone voting instructions.

**Voting by Mail.** By completing, signing and returning the proxy card in the prepaid and addressed envelope enclosed with proxy materials delivered by mail, you are authorizing the individuals named on the proxy card to vote your shares at the Annual Meeting in the manner you indicate. You are encouraged to sign and return the proxy card even if you plan to attend the Annual Meeting so that your shares will be voted if you are unable to attend the Annual Meeting. If you receive more than one proxy card, it is an indication that your shares are held in multiple accounts. Please complete, sign and return all proxy cards to ensure that all your shares are voted. If you return your signed proxy card but do not indicate your voting preferences, the persons named on the proxy card will vote the shares represented by that proxy as recommended by our Board of Directors.

**Voting in Person.** You may also vote in person at the Annual Meeting. A stockholder of record may still attend the meeting and vote in person if he or she has already voted by proxy. To vote in person, you, as a stockholder of record, may attend the Annual Meeting and obtain a ballot upon arrival. If your shares are registered directly in your name with our transfer agent, Corporate Stock Transfer, you are considered the stockholder of record and you have the right to vote in person at the Annual Meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in “street name.” Beneficial owners whose stock is held in the name of a bank, broker or other nominee generally will receive instructions for voting from their banks, brokers or other nominees, rather than directly from us. You can vote your shares held through a bank, broker or other nominee by following the voting instructions sent to you by that institution. As a beneficial owner, if you wish to vote at the Annual Meeting, you will need to bring to the Annual Meeting a legal proxy from your broker or other nominee authorizing you to vote those shares. Whether you are a stockholder of record or a beneficial owner, you must bring valid, government-issued photo identification to gain admission to the Annual Meeting.

**Revocability of Proxies.** A stockholder giving a proxy has the power to revoke it at any time before it is exercised by delivering to the Secretary of Halozyme a written instrument revoking the proxy or a duly executed proxy with a later date, or by attending the meeting and voting in person.

**Broker Non-Votes.** A broker non-vote occurs when a broker submits a proxy card with respect to shares held in street name on behalf of a beneficial owner but is prohibited from voting on a particular matter because the broker has not received voting instructions from the beneficial owner and therefore does not have discretion to vote the beneficial owner’s shares with respect to that matter. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the ratification of our independent registered public accounting firm. Non-routine matters include the election of directors, the advisory vote on executive compensation and the approval of incentive compensation plans (such as the proposed amendments to the Halozyme Therapeutics, Inc. 2011 Stock Plan).

**Solicitation of Proxies.** We will bear the entire cost of soliciting proxies for the upcoming meeting. In addition to soliciting stockholders by mail through our employees, we will request banks, brokers and other custodians, nominees and fiduciaries to solicit customers for whom they hold our stock and will reimburse them for their reasonable, out-of-pocket costs. We may use the services of our officers, directors and others to solicit proxies, personally or by telephone, without additional compensation.



## PROPOSAL NO. 1

## ELECTION OF DIRECTORS

We have a classified Board of Directors that currently consists of two Class I directors, three Class II directors and three Class III directors. Our directors are elected for a term of three years, with one class of directors up for election every year. At the 2018 Annual Meeting of Stockholders, we will be electing two Class II directors, while the Class III directors will be elected at the 2019 Annual Meeting of Stockholders and the Class I directors will be elected at the 2020 Annual Meeting of Stockholders.

The Class II nominees recommended by the Board of Directors for election at the 2018 Annual Meeting are: Jean-Pierre Bizzari, M.D. and James M. Daly. Dr. Bizzari and Mr. Daly are current members of our Board of Directors and, if elected, they will serve as directors until our Annual Meeting in 2021 or until their successors are elected and qualified. If any nominee declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although we know of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as we may designate.

## Voting Standard

In December 2016, the Board of Directors amended the Company's Bylaws to provide that in uncontested elections, a director must tender his or her resignation to the Board of Directors if such director receives more "withhold" votes than votes "for" electing the director. Within 90 days after the date of the certification of the election results, the Nominating and Corporate Governance Committee of the Board of Directors (or other committee that may be designated by the Board of Directors) will make a recommendation to the Board of Directors on whether to accept or reject the resignation, or whether other action should be taken. The Board of Directors will promptly act on such committee's recommendation and publicly disclose within four business days on Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") its decision and the rationale behind such decision.

## Vote Required

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

## Recommendation

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

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

Name	Age	Director Since	Position with the Company
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Class II directors nominated at the 2018 Annual Meeting of Stockholders:

Jean-Pierre Bizzari,63	2015	Director	
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James M. Daly	56	2016	Director
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Class III directors whose terms expire at the 2019 Annual Meeting of Stockholders:

Jeffrey W. Henderson	53	2015	Director
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Connie L. Matsui	64	2006	Chair of the Board of Directors
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Helen I.	55	2014	President, Chief Executive Officer & Director
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Torley,  
M.B.  
Ch.B.,  
M.R.C.P.

Class I directors whose terms expire at the 2020 Annual Meeting of  
Stockholders:

Kenneth

J. 58 2004 Director

Kelley

Matthew

L. 50 2013 Director

Posard

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Directors Nominated for Election at the 2018 Annual Meeting

Jean-Pierre Bizzari, M.D. Dr. Bizzari provides our Board of Directors with over 30 years of clinical oncology and global drug approval strategy expertise. He retired from Celgene Corporation having served as Executive Vice President and Global Head of Oncology from October 2012 to December 2015 and as Senior Vice President for Clinical Development Oncology from 2008 to October 2012, and oversaw the development and approval of a number of leading oncology products including REVLIMID® (lenalidomide), VIDAZA® (azacitidine), ISTODAX® (romidepsin) and ABRAXANE® (nab-paclitaxel). Prior to 2008, Dr. Bizzari served as Vice President, Clinical Oncology Development for Sanofi-Aventis where he oversaw the approval of Eloxatin® (oxaliplatin), Taxotere® (docetaxel) and Elitek® (rasburicase). Dr. Bizzari was also Vice President, Clinical Development Oncology for Rhône-Poulenc Rorer. Dr. Bizzari is a member of the Scientific Advisory Board of France's National Cancer Institute. Dr. Bizzari has also been a member of the international scientific committee of the French National Cancer Research Institute since 2005 and the French National Cancer Institute (INCa) since 2010. Dr. Bizzari also serves on the board of directors of Transgene SA, a biopharmaceutical company, and biotechnology companies iTeos Therapeutics SA, Pieris Pharmaceuticals, Inc. and Nordic Nanovector ASA. Within the past five years he also served on the board of directors of Celator Pharmaceuticals, Inc., a biopharmaceutical company. He also serves as a board observer at Onxeo S.A. Dr. Bizzari is a Doctor of Medicine and a graduate of the Nice Medical School and a specialist in oncology (training in Toronto and Montreal). Dr. Bizzari was also an assistant in the medical oncology department at La Pitié-Salpêtrière hospital in Paris.

The Nominating and Corporate Governance Committee believes that Dr. Bizzari's track record of success in developing strategies that have resulted in global approvals for some of the world's most important cancer drugs provides our Board of Directors with valuable strategic expertise in both oncology drug development and global commercialization, leading the Nominating and Corporate Governance Committee to determine that Dr. Bizzari should serve as one of our directors.

James M. Daly. Mr. Daly is an advisor to a number of biotech companies. Previously, he served as Executive Vice President and Chief Commercial Officer at Incyte Corporation, a biopharmaceutical company, a position he held from October 2012 to June 2015. Prior to joining Incyte, Mr. Daly served in various senior management positions, including Senior Vice President of North America Commercial Operations and Global Marketing/Commercial Development at Amgen, Inc., a global pharmaceutical company where he was employed from January 2002 to December 2011. Prior to his employment with Amgen, Mr. Daly was Senior Vice President and General Manager of the Respiratory/Anti-Infective business unit at GlaxoSmithKline, where he was employed from June 1985 to December 2001. Mr. Daly serves on the board of directors of three biopharmaceutical companies including Acadia Pharmaceuticals Inc., Bellicum Pharmaceuticals, Inc. and Chimerix, Inc. Mr. Daly earned his B.S. in Pharmacy and M.B.A. from the University at Buffalo, The State University of New York.

The Nominating and Corporate Governance Committee believes that Mr. Daly's extensive commercial, business development and leadership experience at biopharmaceutical companies including his involvement in the successful launch of pharmaceutical products, management of large commercial operations and his experience serving on the board of directors at other biopharmaceutical companies provides valuable experience and perspective to our Board of Directors, leading the Nominating and Corporate Governance Committee to determine that Mr. Daly should serve as one of our directors.

Directors Continuing in Office Until the 2019 Annual Meeting

Jeffrey W. Henderson. Mr. Henderson has served as an Advisory Director to Berkshire Partners LLC, a private equity firm, since September 2015. Mr. Henderson provides our Board of Directors with a wealth of corporate leadership experience, particularly in corporate finance, having served as the Chief Financial Officer of Cardinal Health, Inc. from May 2005 to November 2014. As Cardinal Health's Chief Financial Officer, Mr. Henderson led various departments within the company, including finance, information technology and global shared services. He also had operational responsibility for Cardinal's business in Canada and China. From November 2014 to his retirement from Cardinal Health in August 2015, Mr. Henderson served in an executive capacity assisting in the transition of his responsibilities as Chief Financial Officer. Prior to joining Cardinal Health, Mr. Henderson held various senior management positions at Eli Lilly and Company from 1998 to 2005, including President and General Manager, Eli

Lilly Canada, Inc., Vice President and Corporate Controller and Vice President and Corporate Treasurer. From 1988 to 1998, Mr. Henderson held various senior management positions at General Motors Corporation including serving as Chief Financial Officer at IBC Vehicles Limited and as Regional Treasurer at GM's Asia-Pacific Regional Treasury Center. He currently serves on the board of directors of Fibrogen, Inc., a biotechnology company, and as the Non-Executive Chairman of Qualcomm, Inc., a wireless

communications company. He holds a Bachelor of Science degree in electrical engineering from Kettering University and a Master of Business Administration from Harvard Graduate School of Business Administration.

The Nominating and Corporate Governance Committee believes Mr. Henderson's extensive experience serving in executive leadership positions, including as Chief Financial Officer, with large publicly-traded healthcare and pharmaceutical corporations, combined with his business acumen and judgment, including his qualifications as an audit committee financial expert, provide our Board of Directors with valuable financial, strategic and operational expertise and leadership skills, leading the Nominating and Corporate Governance Committee to determine that Mr. Henderson should serve as one of our directors.

Connie L. Matsui. Ms. Matsui brings to our Board over 17 years of general management experience in the biotechnology industry. She retired from Biogen Idec Inc. in January 2009 as the Executive Vice President, Knowledge and Innovation Networks. She served as an Executive Committee member at both Biogen Idec and IDEC Pharmaceuticals, a predecessor of Biogen Idec. Among the major roles she played after joining IDEC Pharmaceuticals in November 1992 were: Senior Vice President, overseeing investor relations, corporate communications, human resources, project management and strategic planning; Collaboration Chair for the late stage development and commercialization of rituximab (tradenames: Rituxan<sup>®</sup> and MabThera<sup>®</sup>) in partnership with Roche and Genentech; and Project Leader for Zevalin<sup>®</sup>, the first radioimmunotherapy approved by the U.S. FDA. Prior to entering the biotechnology industry, Ms. Matsui worked for Wells Fargo Bank in general management, marketing and human resources. Ms. Matsui has been active on a number of not-for-profit boards and served as National President/Board Chair of the Girl Scouts of the USA from 1999 to 2002. Ms. Matsui serves on the board of directors of Artelo Biosciences, Inc., a biopharmaceutical company. Ms. Matsui earned B.A. and M.B.A. degrees from Stanford University.

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

Helen I. Torley, M.B. Ch.B., M.R.C.P. Dr. Torley brings to our company extensive commercial and business experience as well as an extensive knowledge of the biotechnology industry. Dr. Torley joined Halozyme in January 2014 as President and Chief Executive Officer. Throughout her career, Dr. Torley has led several successful product launches, including Kyprolis<sup>®</sup>, Prolia<sup>®</sup>, Sensipar<sup>®</sup>, and Miacalcin<sup>®</sup>. Prior to joining Halozyme, Dr. Torley served as Executive Vice President and Chief Commercial Officer for Onyx Pharmaceuticals from August 2011 to December 2013 overseeing the collaboration with Bayer on Nexavar<sup>®</sup> and Stivarga<sup>®</sup> and the U.S. launch of Kyprolis. She was responsible for the development of Onyx's commercial capabilities in ex-US markets and in particular, in Europe. Prior to Onyx, Dr. Torley spent 10 years in management positions at Amgen Inc., most recently serving as Vice President and General Manager of the US Nephrology Business Unit from 2003 to 2009 and the U.S. Bone Health Business Unit from 2009 to 2011. From 1997 to 2002, she held various senior management positions at Bristol-Myers Squibb, including Regional Vice President of Cardiovascular and Metabolic Sales and Head of Cardiovascular Global Marketing. She began her career at Sandoz/Novartis, where she ultimately served as Vice President of Medical Affairs, developing and conducting post-marketing clinical studies across all therapeutic areas, including oncology. Within the past five years, Dr. Torley served on the board of directors of Relypsa, Inc., a biopharmaceutical company. Before joining the industry, Dr. Torley was in medical practice as a senior registrar in rheumatology at the Royal Infirmary in Glasgow, Scotland. Dr. Torley received her Bachelor of Medicine and Bachelor of Surgery degrees (M.B. Ch.B.) from the University of Glasgow and is a Member of the Royal College of Physicians (M.R.C.P).

The Nominating and Corporate Governance Committee believes that Dr. Torley's extensive commercial and operational experience, including successful launches of products, and her deep knowledge of the biotechnology industry and the competitive environment, and her service as our Chief Executive Officer, combined with her business acumen and judgment, provide our Board of Directors with valuable commercial and operational expertise and leadership skills, leading the Nominating and Corporate Governance Committee to determine that Dr. Torley should serve as one of our directors.



#### Directors Continuing in Office Until the 2020 Annual Meeting

Kenneth J. Kelley. Mr. Kelley brings over 35 years of entrepreneurial, venture capital, operational and technical biotechnology experience to Halozyme. He is currently a Trustee of the Sabin Vaccine Institute and a consultant to several publicly-held biotechnology companies. From 2016 to 2017, Mr. Kelley served as a White House Presidential Executive Fellow and a Senior Advisor to the U.S. National Institutes of Health and the National Institute of Allergy and Infectious Diseases, Vaccine Research Center and to the Assistant Secretary of Preparedness and Response. From 2015 to 2016, Mr. Kelley served as an Advanced Leadership Fellow at Harvard University working on global preparedness for epidemics and pandemics. From 2007 to 2015, Mr. Kelley served as the Chief Executive Officer of privately-held PaxVax, Inc., a company focused on developing innovative vaccines. Previously, Mr. Kelley was a General Partner at Latterell Venture Partners, where he made investments in early stage biotechnology and medical device startups. Mr. Kelley founded IntraBiotics Pharmaceuticals in 1994 and for over eight years served as CEO, Director and Chair of the Board of Directors. Earlier, Mr. Kelley was an Associate at Institutional Venture Partners (IVP), where he participated in the financing of biotech and medical companies. Prior to IVP, he was a consultant for McKinsey & Company and a scientist at Integrated Genetics (acquired by Genzyme). Mr. Kelley earned an M.B.A. from Stanford University and a B.A. in Biochemical Sciences from Harvard University.

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

Matthew L. Posard. Mr. Posard provides our Board of Directors with extensive sales, marketing and general management experience in the life sciences and diagnostics industry. Since February 1, 2017, Mr. Posard has served as President and Chief Commercial Officer of GenePeaks, Inc., a computational genomics company focused on transforming genetic disease risk analysis. From March 2015 to April 2016, Mr. Posard served as Chief Commercial Officer of Trovogene, Inc., a molecular diagnostic biotechnology company where he oversaw sales, marketing, client services and market and business development. Prior to joining Trovogene, Mr. Posard held multiple commercial and general management leadership roles since 2006 on the executive team of Illumina, Inc., a genomics company focusing on DNA sequencing and array based technologies, including Vice President of Marketing and later Vice President of Global Sales where he led Illumina to its first \$1 billion in revenue. Mr. Posard also served as Senior Vice President and General Manager of Illumina's new and emerging market opportunities business as well as the General Manager of its translational and consumer genomics business. Previously, Mr. Posard held commercial leadership roles in sales and marketing at Biosite, Inc., where he was instrumental in the successful introduction of the company's BNP congestive heart failure biomarker and its BNP co-marketing collaboration with Beckman Coulter. Additionally, Mr. Posard held various positions in strategic and product marketing at Gen-Probe, Inc., helping the company attain leading market positions in DNA probe-based infectious disease diagnostics and blood banking. Mr. Posard holds a B.A. degree in Management Science from the University of California, San Diego.

The Nominating and Corporate Governance Committee believes that Mr. Posard's general management, sales and commercial experience including the successful launch of products and management of sales operations provides valuable experience and perspective to our Board of Directors, leading the Nominating and Corporate Governance Committee to determine that Mr. Posard should serve as one of our directors.

## CORPORATE GOVERNANCE

## Director Independence

The Board of Directors (or “Board”) has determined that, other than Dr. Torley, each of the members of the Board of Directors is an independent director within the meaning set forth under applicable rules of the NASDAQ Stock Market. Dr. Torley does not meet the requirements for director independence because she serves as the President and Chief Executive Officer of Halozyme.

## Board Leadership

In 2005, the Board separated the Chief Executive Officer and Board Chair positions to: (i) provide a stronger corporate governance structure; (ii) improve overall Board effectiveness; and (iii) enhance communication between management and the Board. Ms. Matsui began serving as the non-employee Chair of the Board of Directors in February 2016.

## Executive Sessions

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

## Board Meetings and Committees

The Board of Directors held six meetings during the fiscal year ended December 31, 2017. The Board of Directors has three standing committees: (i) Audit Committee; (ii) Compensation Committee; and (iii) Nominating and Corporate Governance Committee. During the last fiscal year, each director attended at least 75% of the total number of meetings of the Board and the committees of the Board on which such director served during that period. Our standing committees are currently comprised of the following directors:

Name	Audit Committee	Compensation Committee	Nominating / Corporate Governance Committee
Jean-Pierre Bizzari, M.D.		X	
James M. Daly			X
Jeffrey W. Henderson	Chair	X	
Kenneth J. Kelley	X		Chair
Randal J. Kirk (1)			X
Connie L. Matsui		Chair	
Matthew L. Posard	X		X
Helen I. Torley, M.B. Ch.B.,			



M.R.C.P.

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(1) Mr Kirk will conclude his service as a director at the Annual Meeting.

Audit Committee

The current members of the Audit Committee are Jeffrey W. Henderson (Chair), Kenneth J. Kelley and Mathew L. Posard. All members of the Audit Committee satisfy the independence requirements set forth under the applicable rules of the NASDAQ Stock Market and Rule 10A-3 of the Exchange Act, and each of them is able to read and fundamentally understand financial statements. Mr. Henderson is an “audit committee financial expert,” as defined in the rules of the Securities and Exchange Commission. The Audit Committee operates under a written charter that is available on our website at: [www.halozyme.com](http://www.halozyme.com). The primary purpose of the Audit Committee is to oversee our accounting and financial reporting processes and the functions of the Audit Committee include retaining our independent registered public accounting firm, reviewing its independence, reviewing and approving the planned scope of its annual audit, reviewing and approving any fee arrangements with our independent registered public accounting firm, overseeing its audit work, reviewing and pre-approving any non-audit services that may be performed by

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the independent registered public accounting firm, reviewing the adequacy of our accounting and financial controls, reviewing our critical accounting policies and reviewing and approving any related party transactions. The Audit Committee held five meetings during the fiscal year ended December 31, 2017.

Additional information regarding the Audit Committee is set forth in the Report of the Audit Committee contained in this Proxy Statement.

#### Compensation Committee

The current members of the Compensation Committee are Connie L. Matsui (Chair), Jean-Pierre Bizzari and Jeffrey W. Henderson. All members of the Compensation Committee satisfy the independence requirements set forth under the applicable rules of the NASDAQ Stock Market and qualify as non-employee directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Compensation Committee operates under a written charter that is available on our website at: [www.halozyme.com](http://www.halozyme.com). The primary purpose of the Compensation Committee is to discharge the Board's responsibilities relating to compensation and benefits of our executive officers. More specifically, the Compensation Committee reviews and approves the salary and bonus earned by the Chief Executive Officer and other executive officers; approves stock option grants to executive officers; approves employment and severance agreements of executive officers; and reviews the compensation of non-employee directors for service on the Board of Directors and its committees. The Compensation Committee held five meetings during the fiscal year ended December 31, 2017.

#### Nominating and Corporate Governance Committee

The current members of the Nominating and Corporate Governance Committee are Kenneth J. Kelley (Chair), James M. Daly, Matthew L. Posard and Randal J. Kirk. All members of the Nominating and Corporate Governance Committee satisfy the independence requirements set forth under the applicable rules of the NASDAQ Stock Market. The Nominating and Corporate Governance Committee operates under a written charter that is available on our website at: [www.halozyme.com](http://www.halozyme.com). The primary responsibilities of the Nominating and Corporate Governance Committee are to (i) identify individuals qualified to become Board members; (ii) select, or recommend to the Board, director nominees for each election of directors; (iii) develop and recommend to the Board criteria for selecting qualified director candidates; (iv) consider committee member qualifications, appointment and removal; (v) recommend applicable corporate governance principles, codes of conduct and compliance mechanisms, and (vi) provide oversight in the evaluation of the Board and each committee. The Nominating and Corporate Governance Committee held four meetings during the fiscal year ended December 31, 2017.

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

While we do not have a formal diversity policy, our Board of Directors believes that our Board should have diversity of knowledge base, professional experience and skills, and takes age, gender and ethnic background into account when considering director nominees. When considering whether to recommend any candidate for inclusion in the Board's slate of recommended director nominees, including candidates recommended by our stockholders, the Nominating and Corporate Governance Committee will review the candidate's integrity, business acumen, age, experience, commitment, diligence, conflicts of interest, existing time commitments and the ability to act in the interests of all stockholders. Once a potential qualified candidate is identified, multiple members of the Nominating and Corporate Governance Committee will interview that candidate. The committee may also ask the candidate to meet with non-committee members of the Board and/or members of management and, if the committee believes a candidate would be a valuable addition to the Board, it will recommend that candidate to the full Board.

Pursuant to the terms of its charter, the Nominating and Corporate Governance Committee will consider qualified director candidates suggested by our stockholders. Stockholders may recommend individuals for the Nominating and

Corporate Governance Committee to consider as potential director candidates by submitting the candidate's name, contact information and biographical information in writing to the "Halozyme Nominating and Corporate Governance Committee" c/o Corporate Secretary, 11388

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Sorrento Valley Road, San Diego, California 92121. The biographical information and background materials of any such candidate will be forwarded to the Nominating and Corporate Governance Committee for its review and consideration. The committee's review process for candidates identified by our stockholders is essentially identical to the review process for candidates identified by the committee. In addition to the process discussed above regarding the consideration of the Nominating and Corporate Governance Committee of candidates suggested by our stockholders, our Bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to our Board at our Annual Meeting of Stockholders.

#### Risk Management

Our Board is responsible for reviewing and assessing business enterprise risk and other major risks facing the Company, and evaluating management's approach to addressing such risks. Periodically, our Board reviews key risks facing the Company, plans for addressing these risks and the Company's risk management practices overall. In connection with these reviews, our Board members rely on information from external sources as well as on their individual experiences identifying and managing business enterprise risk for other entities both within and outside of our industry. In addition, the committees of our Board consider and address risk as they perform their respective committee responsibilities. For example, financial risks are overseen by our Audit Committee and our Compensation Committee periodically reviews the most important enterprise risks to ensure that our compensation programs do not encourage excessive risk-taking. All committees report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise risk.

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

We believe the division of risk management responsibilities described above is an effective approach for identifying and addressing the risks facing our Company, and that the leadership structure of our Board is effective in implementing this approach.

#### Communications with Directors

Stockholders may communicate with any and all directors by transmitting correspondence by mail addressed as follows: "Halozyme Board of Directors" c/o Corporate Secretary, 11388 Sorrento Valley Road, San Diego, California 92121. The Corporate Secretary will transmit as soon as practicable such communications to the identified director addressee(s), unless there are safety or security concerns that mitigate against further transmission of the communication, as determined by the Corporate Secretary.

#### Director Attendance at Annual Meetings

Our Corporate Governance Guidelines state that all directors shall make every effort to attend the Company's Annual Meeting of Stockholders. Seven of our directors attended our Annual Meeting of Stockholders in 2017.

#### Code of Conduct and Ethics and Corporate Governance Guidelines

The Board has adopted a Code of Conduct and Ethics that applies to all of our employees, officers and directors. The Board has also adopted Corporate Governance Guidelines. Copies of these documents are currently available on our website at: [www.halozyme.com](http://www.halozyme.com). Amendments to or waivers of our Code of Conduct and Ethics granted to any of our directors or executive officers will be published promptly within four business days on our web site [www.halozyme.com](http://www.halozyme.com). Please note that the information on our website is not incorporated by reference in this Proxy Statement.

#### Compensation Committee Interlocks and Insider Participation

None of the directors who served on the Compensation Committee during 2017 has ever been an officer or employee of ours or had a relationship in 2017 requiring disclosure under applicable SEC regulations. None of our executive officers currently serves, or served during 2017, on the compensation committee or board of directors of any other entity that has an executive officer serving as a member of our Board of Directors or Compensation Committee.



PROPOSAL NO. 2

ADVISORY (NON-BINDING) VOTE  
ON EXECUTIVE COMPENSATION (SAY-ON-PAY)

Background

The advisory vote on executive compensation is a non-binding vote on the compensation of our Named Executive Officers, as described in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure, set forth in this Proxy Statement. Please read the Compensation Discussion and Analysis section of this Proxy Statement for a detailed discussion about our executive compensation programs, including information about the fiscal year 2017 compensation of our Named Executive Officers.

The advisory vote on executive compensation is not a vote on our general compensation policies, the compensation of our Board of Directors, or our compensation policies as they relate to risk management. The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that we hold the advisory vote on executive compensation at least once every three years. Upon the recommendation of our stockholders at our 2017 Annual Meeting of Stockholders, our Board of Directors determined that we will hold the advisory vote on executive compensation annually until the next required non-binding stockholder advisory vote on the frequency of future stockholder non-binding advisory votes on the compensation of our Named Executive Officers which will occur no later than our 2023 Annual Meeting of Stockholders.

We have many compensation practices that ensure consistent leadership, decision-making and actions without taking inappropriate or unnecessary risks. These compensation practices are discussed in detail in the Compensation Discussion and Analysis section of this Proxy Statement and have the following objectives:

- Properly align the interests of our stockholders with those of our executive leadership team;
- Reward actions and achievements that are consistent with the short- and long-term goals of Halozyme's business strategy; and
- Remain competitive to attract, retain and motivate employees with relevant experience and skills needed to achieve our business goals.

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

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

Stockholders will be asked at the Annual Meeting to approve the following resolution pursuant to this Proposal No. 2: RESOLVED, that the stockholders of Halozyme Therapeutics, Inc. approve, on an advisory basis, the compensation of the Company's Named Executive Officers, disclosed pursuant to Item 402 of Regulation S-K in the Company's Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders.

Vote Required

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

Recommendation

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



## PROPOSAL NO. 3

RATIFICATION OF SELECTION OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors of Halozyme has selected Ernst & Young LLP as the independent registered public accounting firm to audit the consolidated financial statements of Halozyme for the fiscal year ending December 31, 2018. Ernst & Young LLP has acted in such capacity since its appointment on June 28, 2006. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting of Stockholders, with the opportunity to make a statement if the representative desires to do so, and is expected to be available to respond to appropriate questions.

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

## Vote Required

The affirmative vote of a majority in voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018. Abstentions will be treated as votes “against” the proposal. Broker non-votes will have no effect on the outcome of the vote.

## Board of Directors Recommendation

The Board of Directors unanimously recommends a vote “FOR” the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.

## PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees billed to Halozyme for the fiscal years ended December 31, 2017 and 2016 by Ernst & Young LLP:

	Fiscal 2017	Fiscal 2016
Audit Fees(1)	\$987,436	\$668,007
Audit-Related Fees(2)	—	—
Tax Fees(3)	63,470	20,000
All Other Fees(4)	1,995	1,995
Total	\$1,052,901	\$690,002

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

(2) Audit-Related Fees consist of fees billed for professional services rendered for consultations on accounting and disclosure treatment of significant transactions.

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

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



The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval policy. The Chair of the Audit Committee is also authorized, pursuant to delegated authority, to pre-approve additional services on a case-by-case basis, provided that such approvals are communicated to the full Audit Committee at its next meeting.

## REPORT OF THE AUDIT COMMITTEE

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

The Committee is governed by a charter. The Committee held five meetings during fiscal year 2017. The Committee is comprised solely of independent directors as defined by the Nasdaq listing standards and Rule 10A-3 of the Securities Exchange Act of 1934. The meetings of the Committee are designed to facilitate and encourage communication among the Committee, the Company, the Company's internal audit function and the Company's independent registered public accounting firm.

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

The Committee reviewed and discussed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those audited consolidated financial statements and related schedule with U.S. generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed by the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), including PCAOB Auditing Standard No. 16, Communication With Audit Committees, the rules of the Securities and Exchange Commission, and other applicable regulations. In addition, the Committee has received the written disclosures and the letter from the independent registered public accounting firm required by PCAOB Rule 3526, Communication with Audit Committees Concerning Independence, regarding the firm's communications with the Committee concerning the firm's independence and has discussed with the independent registered public accounting firm the firm's independence from Company management and the Company and considered the compatibility of non-audit services with the firm's independence.

The Committee also reviewed and discussed with management and the independent registered public accounting firm the Company's audited consolidated financial statements and related schedule for the year ended December 31, 2017 and the results of management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent registered public accounting firm's audit of internal control over financial reporting. In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements and related schedule and management's assessment of the effectiveness of the Company's internal control over financial reporting be included in the Annual Report on Form 10-K for the year ended December 31, 2017 filed by the Company with the Securities and Exchange Commission.

### AUDIT COMMITTEE

Jeffrey W. Henderson (Chair)

Kenneth J. Kelley

Matthew L. Posard

PROPOSAL NO. 4

APPROVAL OF AMENDMENTS TO  
THE HALOZYME THERAPEUTICS, INC. 2011 STOCK PLAN

At the 2011 Annual Meeting, the Company's stockholders approved our adoption of the Halozyme Therapeutics, Inc. 2011 Stock Plan (the "2011 Plan") which replaced all of the Company's then-existing employee stock plans (the "Prior Plans"). The initial share reserve available for awards under the 2011 Plan consisted of 6,000,000 shares. At the 2013, 2015 and 2016 Annual Meetings, the Company's stockholders approved the addition of 6,500,000 shares, 7,000,000 shares and 6,500,000 shares, respectively, to the 2011 Plan's share reserve in order to refresh our ability to grant future awards under the 2011 Plan. In addition, at the 2016 Annual Meeting, the stockholders also approved a limit in the aggregate number of shares that may be issued from the 2011 Plan pursuant to the settlement of stock awards, restricted stock awards, restricted stock unit awards, and performance awards (collectively "Full Value Awards") of one-third of the number of shares available for grant under the 2011 Plan as of May 5, 2016.

As of December 31, 2017, 6,552,249 shares of the 2011 Plan's share reserve remain available for new grants. Under this proposal we are asking you to approve an amendment to the 2011 Plan to add 8,700,000 shares to its share reserve as part of its amendment and restatement in order to refresh our ability to grant future awards under the 2011 Plan. In addition as described below, we are asking you to approve (i) a limit in the aggregate number of Full Value Awards that may be issued from the 2011 Plan of one-third of the number of shares available for grant under the 2011 Plan as of May 3, 2018 and (ii) an explicit prohibition on paying or accruing dividends and dividend equivalent rights on all unvested stock options and stock appreciation rights and on paying dividends on all other unvested stock awards.

Because we continue to operate in a challenging marketplace in which our success depends to a great extent on our ability to attract and retain employees, directors, and other service providers of the highest caliber, we are asking the stockholders to approve the amendments to the 2011 Plan. One of the tools our Board of Directors regards as essential in addressing these challenges is a competitive equity incentive program. The 2011 Plan is designed to provide a vehicle under which a variety of stock-based and other awards can be granted to service providers (including employees, consultants, and directors) of our Company (and its subsidiaries) which align the interests of award recipients with those of our stockholders, reinforce key goals and objectives that help drive stockholder value, and attract, motivate and retain experienced and highly qualified individuals who will contribute to our success. If the amendment to increase the number of shares in the share reserve is not approved, we will not have sufficient shares available to provide incentive awards at levels we believe would best achieve these goals.

As amended, the 2011 Plan's current Full Value Award limit would be changed such that it would be based on the number of shares available for grant as of May 3, 2018 (as increased pursuant to this proposal).

Key Features Designed to Protect Stockholders' Interests

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

• Independent administrator. The Compensation Committee of the Board of Directors, which is comprised solely of independent directors, administers the 2011 Plan.

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

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

• No recycling of payment shares. The 2011 Plan counts as issued, shares withheld or reacquired by the Company in payment of the exercise price or withholding tax.

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

Per-participant limits on awards. The 2011 Plan limits the size of awards that may be granted during any one year to any one participant intended to qualify as "performance-based compensation" under Section 162(m). In addition, as amended and restated, the 2011 Plan limits the value of awards that may be granted annually to non-employee directors.

Award design flexibility. Different kinds of awards may be granted under the 2011 Plan, giving us the flexibility to design our equity incentives to compliment the other elements of compensation and to support the attainment of our strategic goals. Despite this flexibility, as amended and restated, the 2011 Plan restricts the vesting provisions applicable to stock options such that no options shall vest until one-year from the date of grant.

Performance-based awards. The 2011 Plan permits the grant of performance-based stock awards that are payable only upon the attainment of specified performance goals and, therefore, ensure full deductibility by the Company. The performance criteria specified for these awards give the plan administrator the flexibility to incentivize the achievement of our corporate objectives and financial success.

No payment of dividends or accrual of dividend equivalents on all unvested stock options and stock appreciation rights and no payment of dividends on all other unvested stock awards. The 2011 Plan, as proposed to be amended, contains an explicit prohibition on the payment of cash dividends and accrual of dividend equivalent rights on all unvested stock options and stock appreciation rights. As proposed to be amended, the 2011 Plan also contains an explicit prohibition on the payment of cash dividends on all other unvested stock awards and provides for the settlement of accrued dividend equivalent rights only at the time the original award vests.

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

#### Shares Available Under the Plan and Historical Use of Equity

The 2011 Plan authorizes the Compensation Committee to provide incentive compensation in the form of stock options, stock appreciation awards, restricted stock and stock units, and performance awards. We are asking stockholders to authorize an increase of 8,700,000 shares to the 2011 Plan.

In operating our 2011 Plan, we believe that the Compensation Committee has monitored and managed dilution to reasonable levels. As of December 31, 2017, options were outstanding under the 2011 Plan for a total of 10,653,738 shares of our common stock and a total of 1,915,175 shares remained subject to unvested Full Value Awards under the 2011 Plan. The weighted average exercise price of these outstanding options was \$12.48 per share and these options had a weighted average remaining term of approximately 7.56 years.

Among the factors the Compensation Committee considered in determining the appropriate size of the increase to the share reserve for our 2011 Plan was the Company's prior grant history and its range of potential future uses of equity compensation. This was based in part on forecasts of our anticipated growth rate for the next few years. In addition, the Company took into account guidance issued by a nationally recognized stockholder advisory firm. Based on this analysis, we believe that after taking into account the proposed share increase, the 2011 Plan's share reserve will be sufficient for us to make grants of equity incentive awards under the 2011 Plan through our 2020 Annual Meeting at which time we expect to request stockholder approval of a new plan and/or an increase to the share reserve. Of course, changes in business practices, changes in the number of participants in the 2011 Plan, industry standards, our compensation strategy, or equity market performance could alter this projection. Accordingly, although the requested authorized share reserve is designed to accommodate equity compensation needs under a variety of scenarios for the next few years, under some scenarios the reserve could prove to be insufficient for this period, in which case the stockholders would have the opportunity to either approve or disapprove any addition to the requested share reserve.

The following table sets forth the number of shares for outstanding and authorized awards under the 2011 Plan as of December 31, 2017, and the number of shares we are asking stockholders to authorize for future issuance under the 2011 Plan, along with the the total shares as a percentage of the fully diluted common shares outstanding:

	Total Shares	Total Shares as a Percent of Fully Diluted Common Shares Outstanding(1)
Current shares for outstanding awards and authorized for issuance under the 2011 Plan	19,121,162	11.2%
Additional shares requested for future issuance under the 2011 Plan	8,700,000	5.1%
Total (if approved by stockholders)	27,821,162	16.3%

Fully diluted common shares outstanding comprises current shares for outstanding awards and authorized for (1) issuance under the 2011 Plan and additional shares requested for future issuance under the 2011 Plan, totaling 27,821,162, plus the total common shares outstanding at December 31, 2017 of 142,788,840.

If the proposed share increase to the 2011 Plan is approved, the maximum aggregate number of shares we are requesting our stockholders to authorize under the 2011 Plan would potentially increase the equity dilution by 4.5% and represents approximately 5.4% of the number of shares of our total common stock outstanding on December 31, 2017, determined on a fully diluted basis.

The following table sets forth the number of shares (in thousands) we have granted during our last three fiscal years and our annual and three-year average burn rate (number of shares granted during the year, divided by weighted average common shares outstanding) and net burn rate (number of shares granted during the year net of forfeitures, divided by weighted average common shares outstanding).

	Fiscal 2017	Fiscal 2016	Fiscal 2015	Three-Year Average
Stock Options Granted	2,718	4,466	3,974	3,719
Restricted Stock Granted	1,477	1,765	1,056	1,433
Weighted Average Common Shares Outstanding	136,419	127,964	126,704	130,362
Burn Rate	3.1%	4.9%	4.0%	4.0%
Net Burn Rate	1.8%	3.9%	3.3%	3.0%

The Compensation Committee also determined that the proposed Full Value Award limitation of one-third of the number of shares available for grant as of May 3, 2018 (as increased by this proposal) is consistent with current market trends and the Company's grant practices in terms of the types of awards it is likely to make in the future. Summary of the 2011 Plan

What follows is a summary of the material terms of the 2011 Plan, as proposed to be amended. This summary is qualified in its entirety by the specific language of the proposed amended and restated version of the 2011 Plan, a copy of which is attached to this proxy statement as Appendix A.

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

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

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

**Stock Subject to the 2011 Plan.** Shares issuable under the 2011 Plan consist of authorized but unissued or reacquired shares of common stock of the Company. The maximum number of shares of the Company’s common stock that may be issued under the 2011 Plan, measured from the plan’s inception, if this proposal is approved is 34,700,000 shares. That maximum will be proportionately adjusted, however, in the event of a stock split or similar change in the capitalization of the Company. If an outstanding award granted under the 2011 Plan for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares acquired pursuant to an award granted under the 2011 Plan that are subject to forfeiture or repurchase are forfeited or repurchased by the Company, the shares allocable to the terminated portion of such award or such forfeited or repurchased shares shall restore to the 2011 Plan and be available for issuance under the 2011 Plan. The 2011 Plan counts as issued, shares withheld or reacquired by the Company in payment of the exercise price with respect to stock appreciation rights and options) or withholding tax (all awards). Shares will not be counted as having been issued pursuant to the 2011 Plan with respect to any portion of an award that is settled in cash. In general, currently no more than one-third of the shares remaining available for grant as of May 5, 2016 may be issued under the 2011 Plan pursuant to Full Value Awards. If the amendment to the 2011 Plan is approved, this limit will be equal to one-third of the shares remaining available for grant as of May 3, 2018 (after taking into account the share increase included in this proposal).

**Eligibility.** Awards other than incentive stock options generally may be granted to employees, directors, and consultants of the Company. An incentive stock option can only be granted to a person who, on the effective date of grant, is an employee of the Company, a parent corporation or a subsidiary corporation. As of December 31, 2017, we had approximately 255 employees, including 3 executive officers, and 7 non-employee directors who were eligible to receive grants under the 2011 Plan.

No incentive stock options may be granted under the 2011 Plan to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of the Company, or any of its parent or subsidiary corporations, unless the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and the term of the option does not exceed 5 years from the date of grant.

The aggregate fair market value, determined at the time of grant, of the shares of common stock with respect to which incentive stock options granted under the 2011 Plan are exercisable for the first time by an optionee during any calendar year (under all such plans of the Company and its parent and subsidiary corporations) may not exceed \$100,000. In order to permit awards to qualify as “performance-based compensation” under Section 162(m), no employee may be granted awards under the 2011 Plan in excess of the following in each fiscal year of the Company: Stock options and stock appreciation rights intended to qualify as “performance-based compensation” for purposes of Section 162(m): No more than 1,000,000 shares; provided, however, that such maximum number shall be 2,000,000 shares with respect to any individual during the first fiscal year that the individual is employed with Halozyme.

Restricted stock and restricted stock unit awards having vesting based upon the attainment of performance goals intended to qualify as “performance-based compensation” for purposes of Section 162(m): No more than 500,000 shares; provided, however, that such maximum number shall be 1,000,000 shares with respect to any individual during the first fiscal year that the individual is employed with Halozyme.

Performance share awards intended to qualify as “performance-based compensation” for purposes of Section 162(m): No more than 500,000 shares for each full fiscal year contained in the performance period of the award.



Performance unit awards intended to qualify as “performance-based compensation” for purposes of Section 162(m): No more than 500,000 for each full fiscal year contained in the performance period of the award.

#### Stock Options and Stock Appreciation Rights

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

**Exercise Price; Payment.** The exercise price of incentive stock options under the 2011 Plan may not be less than the fair market value of the common stock subject to the option on the date of the option grant, and in some cases (see “Eligibility” above), may not be less than 110% of such fair market value. The exercise price of nonstatutory stock options and stock appreciation rights may not be less than the fair market value of the stock subject to the award on the date of the grant. On December 31, 2017, the closing price of the Company’s common stock as reported on the Nasdaq Global Market was \$20.26 per share. The exercise price of options granted under the 2011 Plan may be paid: (i) in cash, by check or cash equivalent, (ii) by tender to the Company, or attestation to the ownership of shares of common stock of the Company owned by the optionee having a fair market value not less than the exercise price, (iii) by broker-assisted cashless exercise, (iv) to the extent permitted by the Board, in its sole discretion, by net share settlement (other than for incentive stock options, unless the optionee consents to converting the option to a nonstatutory stock option), (v) in any other form of legal consideration acceptable to the Board, or (vi) any combination of the above.

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

**No Dividends or Dividend Equivalents on Unvested Stock Options or Stock Appreciation Rights.** The 2011 Plan, as proposed to be amended, contains an explicit prohibition on the payment of cash dividends and accrual of dividend equivalent rights on all unvested stock options and stock appreciation rights.

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

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

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

#### Restricted Stock Units

The Board may grant restricted stock units under the 2011 Plan that represent a right to receive shares of our common stock at a future date determined in accordance with the participant’s award agreement. No monetary payment is required for receipt of restricted stock units or the shares issued in settlement of the award, the consideration for which is furnished in the form of the participant’s services to the Company. The Board may grant restricted stock unit awards subject to the attainment of one or more performance goals similar to those described below in connection with performance awards, or may make the awards subject to vesting conditions similar to those applicable to restricted stock awards. Unless otherwise provided by the Board, a participant will forfeit any restricted stock units which have not vested prior to the participant’s termination of service. Participants have no voting rights with respect to restricted stock unit awards until shares of common stock are issued in settlement of such awards. As the 2011 Plan is proposed to be amended, no cash dividends or distributions with respect to shares of Stock subject to restricted





stock units shall be paid to any Participant unless and until the Participant vests in such underlying restricted stock units. However, the Board may grant restricted stock units that entitle their holders to receive dividend equivalents provided that such dividend equivalents do not vest until the underlying restricted stock units vest. Such dividend equivalents, if any, shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time (or as soon thereafter as practicable) as the restricted stock units originally subject to the restricted stock unit award.

#### Stock and Restricted Stock Awards

The Board may grant stock awards, with or without restrictions, under the 2011 Plan either in the form of a stock purchase right, giving a participant an immediate right to purchase common stock, or in the form of a stock bonus, for which the participant furnishes consideration in the form of services to the Company. The Board determines the purchase price payable under stock purchase awards, which may be less than the then current fair market value of our common stock. Restricted stock awards may be subject to vesting conditions based on such service or performance criteria as the Board specifies, including the attainment of one or more performance goals similar to those described below in connection with performance awards. Shares acquired pursuant to a restricted stock award may not be transferred by the participant until vested. Unless otherwise provided by the Board, a participant will forfeit any shares of restricted stock as to which the restrictions have not lapsed prior to the participant's termination of service. Participants holding restricted stock will generally have the right to vote the shares. No cash dividends or distributions with respect to shares of Stock subject to the Restricted Stock Award shall be paid to any Participant unless and until the Participant vests in such underlying Restricted Stock Award. Upon the vesting of a Restricted Stock Award, any cash dividends or distributions declared but not paid during the Restriction Period with respect to such Restricted Stock Award shall be paid to the Participant within thirty (30) days following the vesting date.

#### Performance Awards

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

Prior to the beginning of the applicable performance period or such later date as permitted under Section 162(m), the Board will establish one or more performance goals applicable to the award. Performance goals will be based on the attainment of specified target levels with respect to one or more measures of business or financial performance of the Company and each subsidiary corporation consolidated with the Company for financial reporting purposes, or such division or business unit of the Company as may be selected by the Board. The Board, in its discretion, may base performance goals on one or more measures as set forth in the 2011 Plan, and as approved by the stockholders. As part of its approval of the amended and restated 2011 Plan at the 2016 Annual Meeting, the stockholders re-approved the following performance measures for this purpose:

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

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



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

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

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

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

The target levels with respect to these performance measures may be expressed on an absolute basis or relative to a standard specified by the Board. The Board also retains the ability to adjust the performance measure targets based on extraordinary events as set forth in the 2011 Plan. The degree of attainment of performance measures will be calculated in accordance with generally accepted accounting principles, but prior to the accrual or payment of any performance award for the same performance period, and, according to criteria established by the Board, excluding the effect (whether positive or negative) of changes in accounting standards occurring after the establishment of the performance goals applicable to a performance award.

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

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

#### Effect of Certain Corporate Events

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

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

#### Duration, Amendment and Termination

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

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

#### New Plan Benefits

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

## Stock Options and Awards Granted to Certain Persons

The following table shows as of December 31, 2017 the number of shares subject to awards granted under the 2011 Plan since its inception.

Name and Position	Number of Shares
Helen I. Torley Chief Executive Officer and President	2,332,856
Laurie D. Stelzer Senior Vice President and Chief Financial Officer	568,074
Harry J. Leonhardt Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary	537,248
Mark J. Gergen Former Senior Vice President, Chief Operating Officer	452,383
Athena M. Countouriotis Former Senior Vice President, Chief Medical Officer	683,999
All current executive officers as a group (3 persons)	3,438,178
All current directors who are not executive officers, as a group (7 persons)	435,580
All employees as a group (excluding current executive officers)	20,632,462

## U.S. Federal Income Tax Information

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

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



to the amount of ordinary income recognized by the optionee as a result of the exercise of a nonstatutory stock option or stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code or the regulations thereunder. No tax deduction is available to the Company with respect to the grant of a nonstatutory stock option or stock appreciation right or the sale of the stock acquired pursuant to such grant.

**Restricted Stock.** A participant acquiring restricted stock generally will recognize ordinary income equal to the fair market value of the shares on the “determination date.” The “determination date” is the date on which the participant acquires the shares unless the shares are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date is after the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to have the date of acquisition be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date on which the shares are acquired. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

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

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

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

**Other Tax Consequences.** The foregoing discussion is intended to be a general summary only of the federal income tax aspects of awards granted under the 2011 Plan; tax consequences may vary depending on the particular circumstances at hand. In addition, administrative and judicial interpretations of the application of the federal income



tax laws are subject to change. Furthermore, no information is given with respect to state or local taxes that may be applicable. Participants in the 2011 Plan who

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are residents of or are employed in a country other than the United States may be subject to taxation in accordance with the tax laws of that particular country in addition to or in lieu of United States federal income taxes.

**Vote Required**

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

**Board of Directors Recommendation**

The Board of Directors believes that the amendments to the 2011 Plan are in the best interests of the Company and its stockholders for the reasons stated above. Specifically, these amendments: increase the 2011 Plan’s share reserve by 8,700,000 shares to 34,700,000; limits the number of Full Value Awards that may be granted on or after May 3, 2018 under the 2011 Plan to one-third of the increased 2011 Plan’s share reserve; and prohibits the payment of dividends and issuance of dividend equivalent rights on unvested stock awards issued under the 2011 Plan. Therefore, the Board unanimously recommends a vote “FOR” approval of the amendments to the 2011 Plan.

## EXECUTIVE COMPENSATION AND RELATED INFORMATION COMPENSATION DISCUSSION AND ANALYSIS

### Executive Summary

The Compensation Committee oversees the compensation program for Halozyme's (the "Company") executive officers. In this role, the Compensation Committee reviews and approves annually all compensation decisions relating to our named executive officers.

Halozyme's executive compensation program ties a substantial portion of each executive's overall compensation to the achievement of key strategic, financial and operational goals and aligns the interests of executive officers with stockholders by annually awarding both restricted stock and stock options. Consistent with this approach, the compensation of our named executive officers for 2017 featured:

- cash payouts under our annual cash bonus program ranging from 127 percent and 139 percent of target, reflective of the strong operating performance of Halozyme as well as strong individual performance,
- base salary, target bonus opportunity, and long-term equity-based grant values consistent with executives at similarly situated biopharmaceutical companies,
- a compensation package more heavily weighted toward long-term equity-based incentive compensation than salary and annual cash incentives in order to emphasize the focus on Halozyme's long-term performance,
- stock ownership and stock retention guidelines, encouraging executives to focus on Halozyme's long-term performance and discourage unreasonable risk-taking,
- certain compensation elements subject to recoupment (or "claw back") in the event of an accounting restatement due to material noncompliance with any financial reporting requirements,
- a policy not to include tax gross-ups in compensation arrangements,
- double-trigger provisions in all executive and employee change-in-control agreements and arrangements, and
- no perquisites.

Following the advisory vote on executive compensation at the 2017 Annual Meeting of Stockholders, management, in consultation with the Compensation Committee, solicited feedback on Halozyme's executive compensation program from institutional investors, a practice the Company has had in place since 2015. As a result of this investor outreach, management was able to hold discussions with stockholders representing about 50 percent of the Company's ownership. Specific feedback from investors was discussed with the Compensation Committee at both the August and December 2017 meetings and will be taken into account as future decisions are made. For example, the Compensation Committee took the following actions as a result of feedback from stockholders:

- increased disclosure in this CD&A regarding the annual bonus plan design by including specific metrics for corporate goals and incentive zone ranges with actual performance for the goals related to Company financials,
- modified the peer group used for compensation comparisons to include companies that are similar to Halozyme with respect to business model, and
- continued discussions around future long-term incentive (LTI) plan design.

### 2017 Business Highlights

Halozyme continued to make significant progress in delivering on its two-pillar strategy during 2017, positioning the Company for continued success and growth in the future. The Company continues to operate efficiently and effectively with a focused and cohesive executive team. Specifically, during 2017 Halozyme accomplished:

Clinical Success: Achieved several important clinical milestones related to Halozyme's investigational new drug, PEGPH20 (pegvorhialuronidase alfa):

Reported statistically significant data from our Phase 2b HALO-202 study in metastatic pancreas cancer patients and supportive data in our target population, patients with high levels of hyaluronan in their tumors. The data supports potential benefit in a similar patient population to those currently enrolling in our Phase 3 HALO-301 study. The data was presented at major cancer forums in the U.S. and Europe during the year and published in the Journal of Clinical Oncology in December 2017;

Achieved more than 200 clinical sites screening patients in our ongoing HALO-301 study. We announced in November that based on our progress enrolling patients in 2017, we project that we will achieve the target number of progression-free survival events late in Q4 2018 to trigger the analysis for the study's interim read, which will determine the efficacy of the first primary endpoint;

Progressed in our Phase 1b/2 study in combination with Merck's KEYTRUDA® (pembrolizumab) to test for early signs of efficacy in up to 50 gastric and lung cancer patients; and

Initiated two Phase 1b/2 studies under a broad clinical collaboration with Roche to investigate PEGPH20 in combination with the Roche immuno-oncology drug TECENTRIQ® (atezolizumab). Roche is operating and funding larger studies within their Morpheus platform in pancreas and gastric cancer patients, with the potential to add up to four more tumor types. Halozyme is operating and funding a study of the combination in cholangiocarcinoma and gall bladder cancer patients.

In addition to these PEGPH20 milestones, we made significant progress with our ENHANZE® drug delivery technology, including:

Signed two substantial global collaboration and licensing agreements and expanded one existing agreement with industry leaders generating upfront payments of \$175 million, potential milestones of \$160 million for each of up to 16 targets and royalties on the sale of commercialized products. The agreements with Bristol-Myers Squibb, Roche and Alexion have established the ENHANZE technology as an industry standard to reduce treatment burden;

Supported our partner, Roche, in their positive Oncology Drug Advisory Committee meeting with the Food and Drug Administration, leading to approval and subsequent launch of RITUXAN HYCELA™ (rituximab hyaluronidase human) in the U.S. Halozyme will earn royalties on sales of the product; and

Supported our partners, Janssen and Eli Lilly, as they initiated clinical study of therapies in combination with the ENHANZE technology, generating milestone payments of \$15 million. Janssen has advanced development of Darzalex® (daratumumab) with ENHANZE in four Phase 3 clinical studies. An approval and successful launch represents an important potential source of future royalties for Halozyme.

Financial Results: We finished the year with the highest revenue and revenue growth in Company history. Total revenue increased 116% from 2016 to \$316.6 million with an increase in royalty revenue from our strategic partnerships which grew 25% to \$63.5 million. We also ended 2017 well financed from growth in revenue and an equity raise that generated \$134.9 million in net proceeds, exiting the year with \$469.2 million in cash and marketable securities compared to \$205.0 million at the end of 2016.

#### 2017 CEO Compensation

In 2017, the annualized total target cash compensation for our Chief Executive Officer ("CEO"), Dr. Helen I. Torley, was \$1,174,250 (\$671,000 in base salary plus \$503,250 in target bonus opportunity). Dr. Torley's base salary was increased for 2017 by 4.0% as a result of the Compensation Committee's assessment of her contribution toward Halozyme's performance during 2016 and its review of base salary paid to other peer group CEOs (based on proxy data compiled from Equilar's executive compensation benchmarking platform) relative to our stated pay philosophy. Dr. Torley's target bonus opportunity for 2017 (assuming achievement of the corporate goals at 100%) was 75% of her base salary, which has not changed since she started with the Company in 2014. The Committee believes this bonus target is appropriate based on her level of experience and the Committee's review of bonus targets for other peer group CEOs (also based on proxy data available through Equilar). The bonus she received for 2017 was \$699,115 which represents 100% of the funded amount (103.3%) under the Company's Executive Incentive Plan ("EIP") plus an additional \$179,258 awarded outside the EIP by the Compensation Committee ("Supplemental Amount"). The Supplemental Amount includes an additional 17.5% overall funding based on the Committee's assessment of the Company's strong performance



during 2017 as well as an above target individual payout for Dr. Torley, both discussed in more detail below, based on the Committee's assessment of her significant contributions during the year. Specifically, Dr. Torley led the company to a strong financial position through record revenue growth, a successful follow-on equity issuance, and disciplined expense controls. These factors resulted in Halozyme exiting 2017 in its strongest cash position in company history with approximately \$470 million in cash. She also delivered value-creating results for both pillars of our strategy, driving a broad expansion of the ENHANZE technology franchise and making strong progress in execution of the PEGPH20 clinical program. Specifics include:

- Signed two new ENHANZE agreements and expanded one existing ENHANZE agreement, resulting in upfront revenues of \$175 million and significant expansion of the utility and revenue potential of the technology;
- Supported Roche in their positive Oncology Drug Advisory Committee meeting with the Food and Drug Administration which led to approval and subsequent U.S. launch of RITUXAN HYCELA™ (rituximab hyaluronidase human), the subcutaneous version of Rituxan IV, which has estimated annual revenues of \$3 billion in the U.S. in the approved indications. Halozyme will earn royalties on sales of RITUXAN HYCELA;
- Supported Janssen in the advancement and broadening of its clinical study of Darzalex® (daratumumab) in combination with our ENHANZE technology. Darzalex is estimated by analysts to have peak annual sales potential of \$7 billion. Upon approval and launch, Halozyme will earn royalties on sales of the subcutaneous formulation using the ENHANZE technology;

- Strengthened investor and investigator conviction for PEGPH20 in metastatic pancreas cancer through effective reporting of the HALO-202 study results and publication of data in the Journal of Clinical Oncology;

- Initiated actions to achieve strong progress in HALO-301 study enrollment; and

- Advanced study of PEGPH20's pan-tumor potential with a Phase 1b/2 clinical trial in combination with Merck's KEYTRUDA® (pembrolizumab); and three Phase 1b clinical trials under a broad collaboration with Roche.

In addition, Dr. Torley continued to build organizational capabilities that position the Company for future growth and success. During the year, investors recognized Company progress as market value more than doubled from \$1.2 billion as of December 31, 2016, to nearly \$3 billion as of December 31, 2017.

Dr. Torley also received a Long-Term Incentive ("LTI") award during 2017 that had a grant date fair value of \$3,800,014 that was delivered 50% in stock options and 50% in time-vesting restricted stock units. This award was granted as a result of the Compensation Committee's assessment of her contribution toward Halozyme's performance during 2016 and its review of LTI compensation paid to other peer group CEOs (based on proxy data available through Equilar). The Committee utilized this mix to incent the achievement of long-term goals designed to drive shareholder value creation, while replicating a stockholder's ownership position at any point in time. Stock option grants vest 25% on the one-year anniversary of the date of grant and the remaining options vest monthly over the following three years, while restricted stock unit grants vest annually over a four-year period beginning one year following the grant date. The Committee believes this vesting schedule aligns with practices of other biopharmaceutical companies while providing a reasonable level of retention incentive.

During 2017, Dr. Torley was scheduled to vest in the third and final tranche of the performance-vesting restricted stock unit (PSU) award granted to her in 2014. The vesting of the final 90,000 units underlying the award was to be based on Halozyme achieving a particular goal related to producing specific PEGPH20 data that supports pan-tumor application before the end of the performance period (April 30, 2017). Since this specific data was not produced during the performance period, the PSUs were forfeited. There are no remaining tranches to vest under the 2014 PSU award.

#### Halozyme's Executive Compensation Program

The principal elements of our executive compensation program are: base salary, an annual cash incentive and an annual LTI award opportunity (consisting of stock options and restricted stock units).

What We Do

- ü Cap the annual bonus plan payout
- ü Prohibit executive officer hedging and pledging of Company stock
- ü Maintain an executive officer recoupment (“claw back”) policy
- ü Monitor robust stock ownership guidelines for all officers
- ü Conduct an annual comprehensive compensation program risk assessment
- ü Pay annual bonus based on the achievement of Company goals, individual performance, and contribution in achieving those goals

What We Do Not Do

- × No guaranteed annual bonus payouts
- × No buyback or repricing of stock options
- × No executive single-trigger change in control benefits
- × No executive perquisites
- × No supplemental executive benefits
- × No non-change in control executive severance agreements
- × No excise tax gross-ups

Detailed Discussion and Analysis

This Compensation Discussion and Analysis (“CD&A”) describes the material elements of compensation paid to the Named Executive Officers (the “NEOs”) during 2017. Following this discussion is a series of tables containing specific data about the compensation earned by or granted to the following NEOs in 2017:

Name	Principal Position
Helen I. Torley	President and Chief Executive Officer
Laurie D. Stelzer	Senior Vice President, Chief Financial Officer (“CFO”)
Mark J. Gergen (1)	Former Senior Vice President, Chief Operating Officer (“COO”)
Harry J. Leonhardt	Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary
Athena M. Countouriotis (2)	Former Senior Vice President, Chief Medical Officer (“CMO”)

(1) Mr. Gergen’s employment with Halozyme terminated effective September 29, 2017.

(2) Dr. Countouriotis’s employment with Halozyme terminated effective May 8, 2017.

As a result of Dr. Countouriotis’s and Mr. Gergen’s departures from the organization, each of their duties and responsibilities were distributed to existing members of senior management. The leadership team currently in place is highly qualified to continue the momentum of advancing the Company’s two-pillar strategy.

The Compensation Committee makes all decisions relative to the total direct compensation (base salary, annual cash incentive, and LTI awards) of all executive officers (including the CEO). Additional details regarding the role and responsibilities of the Compensation Committee are provided below.

Elements of Executive Compensation for 2017

The material elements of 2017 compensation for our NEOs consisted of:

- base salary;
- annual cash incentive; and
- LTI compensation.

We also provide our NEOs with the same package of employee benefits that are provided to all full-time employees, including Company matching contributions to a 401(k) plan, health insurance, group term life insurance, and disability income insurance. No other perquisites or supplemental executive benefits are provided to our NEOs.

As shown in the illustration below, a significant portion of our NEO's "target" total direct compensation is variable and based on Halozyme's stock price performance.

Base Salary

The Compensation Committee determines base salaries for NEOs each year based upon the following factors (with no specific weight applied to each factor):

- The scope and complexity of the NEO's responsibilities;

- A review of external market practices and survey results (a more detailed description of the methodology used to assess external market practices is provided below);

- The NEO's experience prior to joining Halozyme; and

The CEO's evaluation of the NEO's performance and contribution to the success of Halozyme (in the case of the CEO, the evaluation is done in executive session by the Compensation Committee in collaboration with the full Board of Directors).

Base salary levels are reviewed annually. For 2017, base salary was increased by 4.0% for the CEO and 4.1% on average for the other NEOs. These adjustments reflect a merit increase consistent with both market practices and recognition of the contributions made during 2016.

Executive Officer	2016 Base Salary	2017 Base Salary	% Increase
Helen I. Torley	\$645,000	\$671,000	4.0%
Laurie D. Stelzer	\$435,000	\$452,000	3.9%
Mark J. Gergen	\$435,000	\$452,000	3.9%
Harry J. Leonhardt	\$405,000	\$425,000	4.9%
Athena M. Countouriotis	\$443,000	\$460,000	3.8%



#### Annual Cash Incentive

NEOs participate each year in the EIP. The actual cash incentive paid to each NEO with respect to 2017 was determined by the performance of Halozyme as measured by the level of achievement of six metrics in three overarching categories (“Corporate Performance”). Actual payouts can be decreased but not increased under the EIP. Additionally, the Committee may add a supplemental funding amount and then modify final payouts based on individual performance during the year relative to the level of achievement of personal goals (“Individual Performance Factor”) - both of which are outside the EIP. If the Compensation Committee decides to provide a supplemental cash award, the total payout when combined with the EIP, cannot exceed two times the target cash incentive opportunity for the NEO. Additionally, NEOs must achieve at least 60% of his/her Individual Performance objectives in order to be eligible for a cash incentive payment. Cash incentive payments are prorated for new hires based on the number of days employed at Halozyme in 2017.

Corporate Performance. Corporate goals were established by the Compensation Committee as a way to track and measure the achievement of key objectives during the year. The three overarching categories and weighting by which Corporate Performance was determined (and the EIP was funded) are summarized in the diagram below:

Within each of the categories, the Compensation Committee approved specific goals for Halozyme to achieve. As described further below, these corporate goals, when taken together, are intended to measure the Company’s progress toward annual operating objectives and long-term drivers of sustainable value creation. The incentive zone ranges between 50% and 200% for each of the six metrics. The Board of Directors approved the threshold (50%), target (100%), and maximum (200%) funding goals/level of performance for each metric at the beginning of the year.

The Compensation Committee is responsible for certifying actual performance relative to these goals following completion of the fiscal year. As a result, the Compensation Committee determined 2017 EIP funding was achieved at 103.3% of the target bonus opportunity for the NEOs (see table below). In addition, the Committee added supplemental funding of 17.5% due to the strong overall performance of the Company during 2017.

Corporate Goal	Threshold (50%)	Target (100%)	Maximum (200%)	Actual Performance
• Total revenue resulting from Hylenex sales and existing ENHANZE partner milestones and royalties	\$113M	\$128M	\$140M	\$146.2M
• Incremental ENHANZE revenue through new deals and new targets	\$15M	\$20M	\$35M	\$172M
• Total enrollment for HALO-301 Study as of December 31, 2017 (1)				
• Support U.S. approval of Rituxumab SC (1)				
• Enroll first patient in Matrix Study (1)				

• Total patients enrolled in KEYTRUDA Study for dose expansion (1)

We consider these goals and actual performance relative to the goals as proprietary and confidential to Halozyme. (1) Targets for these goals were set at challenging levels such that attainment of the targets was not assured at the time they were set and achievement would require a high level of execution on the part of executive management. Individual Performance. The Compensation Committee believes the actual payout to each NEO should reflect the executive's:

• Performance relative to individual goals and objectives established for the year;

• Contribution toward achieving the Corporate Performance results; and

• Demonstration of living Halozyme's Leadership Attributes and Corporate Values during the year.

Ms. Seltzer received 115% Individual Performance Factor for successfully leading multiple value creating activities. Specifically, she drove a refinancing project in early 2017 that provided important cash funding for Halozyme, led multiple key information technology and finance-related initiatives to enhance our operational capabilities, and assumed responsibility for business development activities.

Mr. Leonhardt received 105% Individual Performance Factor for successfully leading several projects that drove value creation and created operating efficiency for Halozyme. Specifically, he played a key role in the signing of three new ENHANZE agreements, was responsible for making sustainable enhancements to Halozyme's compliance infrastructure and culture, and continued to strengthen Halozyme's intellectual property and portfolio.

The table below illustrates the 2017 cash incentive calculation for each NEO based on the following formula (also reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table).

Named Executive Officer	Base Salary (\$)	Annualized		Total Corporate Performance	Individual Performance Factor	Final Payout (\$)
		Target %	Target Amount (\$)			
Helen I. Torley	671,000	75%	503,250	120.8%	115%	699,115
Laurie D. Stelzer	452,000	45%	203,400	120.8%	115%	282,563
Mark J. Gergen (1)	452,000	45%	203,400	—	—	—
Harry J. Leonhardt	425,000	45%	191,250	120.8%	105%	242,582
Athena M. Countouriotis (1)	460,000	45%	207,000	—	—	—

(1) Did not receive a payout under the EIP as a result of conclusion of service with the Company prior to the end of 2017.

#### LTI Compensation

All grants of LTI compensation are made under the stockholder-approved Halozyme Therapeutics, Inc. 2011 Stock Plan. The Compensation Committee utilized two LTI delivery vehicles to grant awards to NEOs during 2017: Stock Options are strongly aligned with stockholder interests because they deliver financial value to the NEO only if the value of our stock at the time of exercise exceeds the stock price on the day of grant. As a result, the Compensation Committee believes stock options encourage executives to focus on the decisions and behaviors required to support long-term sustainable increases in our stock price.

Time-vesting Restricted Stock Units (“RSUs”) replicate a stockholder’s ownership position at any point in time. Restricted stock also provides a counterbalance to the more uncertain value associated with stock options. As a result, the Compensation Committee believes restricted stock encourages executives to make decisions consistent with the long-term interests of our stockholders.

#### 2017 Annual LTI Awards

For 2017, the Compensation Committee awarded annual LTI compensation for the NEOs based on the fair value they determined appropriate considering factors (with no specific weight applied to each factor) such as the competitive market, the executive’s experience, the executive’s expected contribution to the long-term success of the Company, and the executive’s skill-set relative to industry peers at biopharmaceutical companies. After considering these factors, the Compensation Committee awarded the following LTI compensation fair values to NEOs in 2017:

Named Executive Officer	Option Awards	RSUs	Total
	(\$)	(\$)	(\$)
Helen I. Torley	1,900,003	1,900,011	3,800,014
Laurie D. Stelzer	550,000	550,006	1,100,006
Mark J. Gergen (1)	550,000	550,006	1,100,006
Harry J. Leonhardt	550,000	550,006	1,100,006
Athena M. Countouriotis (2)	550,000	550,006	1,100,006

(1) Mr. Gergen’s employment with Halozyme concluded effective September 29, 2017, so he did not vest in any of this LTI award.

(2) Dr. Countouriotis’s employment with Halozyme concluded effective May 8, 2017, so she did not vest in any of this LTI award.

### Executive Total Rewards Philosophy

The Compensation Committee periodically reviews its total rewards philosophy for executive officers to confirm it continues to meet the objectives of:

Supporting the short- and long-term business strategy;

- Anchoring to market-based principles and tailored to Halozyme's culture; and

Aligning the interests of the executive officers with the interests of Halozyme stockholders.

Each of the three primary compensation elements has a specific purpose and competitive positioning within the peer group as described below:

Compensation Element	Purpose	Target Market Positioning
Base Salary	<ul style="list-style-type: none"> <li>• Provides a fixed amount of cash compensation based on individual performance, job scope, experience and competitive market for talent</li> </ul>	<ul style="list-style-type: none"> <li>• 50<sup>th</sup> percentile with adjustments depending upon experience, responsibilities and expected contribution</li> </ul>
Executive Incentive Plan (EIP)	<ul style="list-style-type: none"> <li>• Motivates and rewards fiscal year contribution to company performance against goals and objectives</li> </ul>	<ul style="list-style-type: none"> <li>• 50<sup>th</sup> percentile target bonus opportunity</li> </ul>
Long-term Incentives (LTI)	<ul style="list-style-type: none"> <li>• Aligns compensation with the creation of sustainable stockholder value</li> <li>• Increases executive stock ownership</li> <li>• Serves as a key retention device</li> </ul>	<ul style="list-style-type: none"> <li>• 50<sup>th</sup> to 75<sup>th</sup> percentile target LTI opportunity (depending on overall Corporate and individual performance)</li> </ul>

### Competitive Peer Group

The Compensation Committee annually selects a group of peer companies for competitive analysis of executive compensation. The peer group companies are identified based upon similarity with Halozyme with respect to science/business model, revenue, market capitalization, and employee headcount. The peer group is reviewed annually and adjusted as needed to ensure that the peer companies continue to share similarities with Halozyme. For 2017 compensation decisions, the Compensation Committee utilized proxy peer group data from the following companies:

#### 2017 Peer Group

AMAG Pharmaceuticals	Ironwood Pharmaceuticals
Anacor Pharmaceuticals	Merrimack Pharmaceuticals
ARIAD Pharmaceuticals Inc.	MiMedx Group
DepoMed	Momenta Pharmaceuticals
Eagle Pharmaceuticals	Nektar Therapeutics
FibroGen Inc.	OPKO Health
Five Prime Therapeutics	Pacira Pharmaceuticals
Genomic Health	Seattle Genetics
Innoviva	Spectrum Pharmaceuticals
Insys Therapeutics	

Changes to the peer group were made (versus 2016) that (i) eliminated recently acquired companies and companies not considered comparable to Halozyme's business, and (ii) added companies suggested by stockholders and that were more closely aligned with Halozyme's business.

#### Other Compensation Matters

##### Stock Ownership Guidelines

During 2016, the Board of Directors and the Compensation Committee adopted increased stock ownership guidelines for executive officers which stipulate that the CEO is expected to own shares of Halozyme common stock with value equal to no less than four times the CEO's current base salary and that all other executive officers are expected to own shares of Halozyme common stock with value equal to no less than two times the officer's current base salary. In addition to increasing the stock ownership guidelines for executive officers, in 2016 the Board of Directors also adopted stock ownership guidelines for certain other officers designated by the Compensation Committee which stipulate that they are expected to own shares of Halozyme common stock with value no less than one times the officer's current base salary. Each executive officer is expected to comply with the guidelines within five years of appointment as an executive officer. Each executive officer is required to: (i) hold at least 50% of all net shares of restricted stock that vests; and (ii) hold at least 50% of the underlying gain in shares of the Company's common stock as a result of stock option exercises, until the executive officer comes into compliance with the stock ownership guidelines. The Compensation Committee annually reviews progress executive officers are making toward achieving compliance with these guidelines and has determined all executive officer have achieved their specific ownership levels.

##### Tax Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended ("Section 162(m)") generally provides that publicly held companies may not deduct compensation paid to certain of their top executive officers to the extent that such compensation exceeds \$1.0 million per officer in a calendar year. Compensation that is "performance-based compensation" within the meaning of the Section 162(m) definition does not count toward the \$1.0 million limit. Halozyme currently pays alternative minimum tax. Any tax benefit associated with executive compensation reduce the alternative minimum tax and effectively increase the Company's net operating loss carry forwards.

The Compensation Committee develops the executive compensation program considering the potential tax benefit to Halozyme, but also recognizes that the best interests of stockholders may be better served by providing compensation arrangements that do not provide the Company with full tax benefits. For 2017, only the CEO exceeded the \$1.0 million non-performance based limit by about \$1.1 million, primarily as a result of time-based vesting of restricted stock.

##### Change in Control Agreements

We have entered into Change-in-Control Agreements with our executive officers. The Change-in-Control Agreements provide for cash payments, continued healthcare coverage and accelerated vesting of equity awards for any such executive officer who is terminated for a reason other than cause within 12 months following a change-in-control transaction. The cash payments, to be made in a lump sum payment, will equal: (i) a multiple of the executive officer's then-current base salary (twice the base salary of the Company's CEO and one-and-a-half times the base salary of the other executive officers); and (ii) the amount of target annual bonus opportunity (based on the target percentage of annual base salary) in respect of the year the termination of employment occurs. The Company will also make a cash lump sum payment intended to provide the executive officer sufficient amounts to pay expected healthcare premiums under the Company's group health plans for 18 months post termination of employment (24 months in the case of the CEO). The Change-in-Control Agreements also provide that the amount of severance benefits could potentially be subject to reduction to the extent that the total payments (as defined in the Change-in-Control Agreements) constitute an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended ("Code"), or become subject to the excise tax imposed under Section 4999 of the Code.

##### Employment Agreements

The Company does not have written employment agreements with executive officers.



#### Non-Change in Control Severance Policy

In 2008, our Board of Directors approved the adoption of a companywide severance policy that is also applicable to executive officers in the following respects: (i) the cash severance for the CEO will be equal to the CEO's then-current annual base salary; and (ii) the cash severance for executive officers will be equal to one-half of the executive officer's then-current annual base salary. Cash payments under the severance policy will normally be made in a lump sum payment, subject to standard taxes and withholdings, and will be conditioned upon the receipt of a release of claims from the executive officer. In addition to cash severance payments, the Company will also pay certain health coverage costs during the term of the applicable severance period. Despite the establishment of the severance policy, however, the Board of Directors or Compensation Committee retains the right to amend, alter or terminate the severance policy at any time.

#### Incentive Compensation Recoupment ("Clawback Policy")

The Compensation Committee has approved an incentive compensation recoupment policy which provides for the recovery of compensation received by NEOs in connection with a material restatement in Halozyme's financial statement disclosure. The Board of Directors will seek reimbursement of annual cash incentive compensation and all equity compensation awards where the payout or vesting exceeds the amounts that would have been received had the financial results been properly reported.

#### Hedging and Pledging Restrictions

The Company's Insider Trading Policy prohibits pledging the Company's securities as collateral and entering into transaction to hedge the value of the Company's securities owned by executives subject to the policy.

#### Compensation Committee Report

We, the Compensation Committee of the Board of Directors of Halozyme Therapeutics, Inc., have reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on such review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

#### THE COMPENSATION COMMITTEE

Connie L. Matsui (Chair)

Jeffrey W. Henderson

Jean-Pierre Bizzari, M.D.

## Summary Compensation Table

The following table sets forth information concerning the compensation earned during the fiscal years ended December 31, 2017, 2016 and 2015 by each individual who acted as our principal executive officer, our principal financial officer, and our other most highly compensated executive officers during the fiscal year ended December 31, 2017.

## 2017 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
Helen I. Torley President and Chief Executive Officer	2017	671,000	—	1,900,011	1,900,003	699,115	10,422	5,180,551
	2016	645,000	—	1,799,998	1,800,037	595,448	9,592	4,850,075
	2015	624,000	—	1,733,750	1,633,600	616,356	9,081	4,616,787
Laurie D. Stelzer(5) Senior Vice President and Chief Financial Officer	2017	452,000	—	550,006	550,000	282,563	9,210	1,843,779
	2016	435,000	—	749,997	500,013	207,000	8,643	1,900,653
	2015	229,115	—	561,825	2,727,090	125,000	200,333	(6) 3,843,363
Mark J. Gergen(7) Former Senior Vice President and Chief Operating Officer	2017	365,603	—	550,006	550,000	—	146,951	(12) 1,612,560
	2016	145,000	—	—	2,002,405	75,000	2,529	2,224,934
Harry J. Leonhardt(8) Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary	2017	425,000	—	550,006	550,000	242,582	11,070	1,778,658
	2016	405,000	—	499,998	500,013	204,000	10,762	1,619,773
	2015	262,163	—	429,825	2,070,717	145,000	8,383	2,916,088
Athena M. Countouriotis(9) Former Senior Vice President and Chief Medical Officer	2017	236,493	—	550,006	550,000	—	323,773	(13) 1,660,272
	2016	443,000	—	600,002	600,012	200,000	8,657	1,851,671
	2015	426,967	300,000(10)	299,700	(11) 1,465,325	202,000	7,621	2,701,613

This column represents the grant date fair value of stock awards granted to the NEOs in fiscal years 2017, 2016 and 2015, in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 718. For additional information on the valuation assumptions used by us in calculating these amounts refer to Note 7 of the Notes to Consolidated Financial Statements, filed as part of our Annual Report (1) on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on February 20, 2018. Stock awards granted to executive officers consist of restricted stock units. The amounts shown are the grant date fair value in accordance with the authoritative guidance for stock-based compensation. The weighted average grant date fair value of stock awards granted in 2017, 2016 and 2015 was \$12.07, \$8.11 and \$13.18 per share, respectively, based on the closing prices of Halozyyme common stock on the grant dates.



This column represents the grant date fair value of stock options granted to the NEOs in fiscal years 2017, 2016 and 2015, in accordance with FASB ASC Topic 718. To see the exact share amounts and the value of awards made to the NEOs in fiscal 2017, see the 2017 Grants of Plan-Based Awards table below. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeiture related to service-based vesting conditions. For additional information on the valuation assumptions used by us in calculating these amounts refer to Note 7 of the (2)Notes to Consolidated Financial Statements, filed as part of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on February 20, 2018. The amounts reported in the Summary Compensation Table for these awards may not represent the amounts that the NEOs will actually realize from the awards. Whether, and to what extent, an NEO realizes value will depend on stock price fluctuations and the NEO's continued employment. Additional information on all outstanding awards is reflected in the Outstanding Equity Awards at December 31, 2017 table.

- Performance-based bonuses are generally paid pursuant to our annual incentive plans and reported as Non-Equity
- (3) Incentive Plan Compensation. The performance-based bonuses represent amounts earned during each respective fiscal year, regardless of whether part or all of such amounts were paid in a subsequent fiscal year.
- (4) The amounts set forth in the All Other Compensation column for the NEOs include Company payments for group term life insurance and Company contributions to the Halozyme Therapeutics, Inc. 401(k) Plan.
- (5) Ms. Stelzer joined Halozyme as Senior Vice President and Chief Financial Officer effective June 15, 2015.
- (6) Includes the reimbursement of \$200,000 in relocation expenses.
- (7) Mr. Gergen joined Halozyme as Senior Vice President, Chief Operating Officer, effective September 1, 2016. Mr. Gergen's employment with Halozyme concluded effective September 29, 2017.
- (8) Mr. Leonhardt joined Halozyme as Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary effective April 13, 2015.
- (9) Dr. Countouriotis joined Halozyme as Senior Vice President and Chief Medical Officer effective January 5, 2015. Dr. Countouriotis's employment with Halozyme concluded effective May 8, 2017.
- (10) Represents a one-time sign-on bonus to Dr. Countouriotis in connection with her recruitment as CMO. Consistent with the estimate of aggregate compensation cost recognized in accordance with FASB ASC Topic 718 (reflecting the probable outcome of the performance conditions), this amount does not include 86,000 PSUs
- (11) granted to Dr. Countouriotis on January 5, 2015. Assuming the highest level of performance conditions were achieved, these PSUs had a grant date value of \$859,140. As of December 31, 2017, 21,500 of these PSUs had vested, which had a grant date fair value of \$214,785.
- (12) Includes consulting fees paid to Mr. Gergen as part of a consulting agreement entered into with Halozyme that became effective upon the termination of his employment.
- (13) Includes a one-time \$230,000 severance payment and equity compensation paid to Dr. Countouriotis as a result of a consulting agreement entered into with Halozyme that became effective upon the termination of her employment.

## 2017 Grants of Plan-Based Awards

The following table sets forth certain summary information with respect to plan-based awards granted during the fiscal year ended December 31, 2017 to our NEOs:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares or Units(#)	All Other Option Awards: Number of Securities Underlying Options(#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards(\$)
		Thresh- old (\$)	Maximum (\$)	Thresh- old (#)	Maximum (#)				
Helen I. Torley	n/a	-503,250	1,006,500	—	—	—	—	—	—
	2/22/2017	—	—	—	—	—	251,923	(2)12.07	1,900,003
	2/22/2017	—	—	—	—	157,416	(3)—	—	1,900,011
Laurie D. Stelzer	n/a	-203,400	406,800	—	—	—	—	—	—
	2/22/2017	—	—	—	—	—	72,925	(2)12.07	550,000
	2/22/2017	—	—	—	—	45,568	(3)—	—	550,006
Mark J. Gergen	2/22/2017	—	—	—	—	—	72,925	(2)12.07	550,000
(4)	2/22/2017	—	—	—	—	45,568	(3)—	—	550,006
Harry J. Leonhardt	n/a	-491,250	382,500	—	—	—	—	—	—
	2/22/2017	—	—	—	—	—	72,925	(2)12.07	550,000
	2/22/2017	—	—	—	—	45,568	(3)—	—	550,006
Athena M. Countouriotis	2/22/2017	—	—	—	—	—	72,925	(2)12.07	550,000
(5)	2/22/2017	—	—	—	—	45,568	(3)—	—	550,006

(1) For a description of the elements of the incentive plan applicable to our NEOs, refer to “Compensation Discussion and Analysis - Elements of Executive Compensation for 2017” in this proxy statement. The actual amount of cash paid to each NEO pursuant to the incentive plan established for 2017 is set forth in the Summary Compensation Table under the heading, “Non-Equity Incentive Plan Compensation.”

(2) These option awards were granted in February 2017 based on accomplishment of specified Company and individual performance criteria in fiscal 2016. These option awards vest one-fourth on the first anniversary of the date of grant and then 1/48 of the shares monthly thereafter.

(3) This restricted stock unit award was granted in February 2017 based on accomplishment of specified Company and individual performance criteria in fiscal 2016. This restricted stock unit award has a grant date fair value of \$12.07 per share and vests one-fourth on each anniversary of the date of grant.

(4) Mr. Gergen’s employment with Halozyyme concluded effective September 29, 2017.

(5) Dr. Countouriotis’s employment with Halozyyme concluded effective May 8, 2017.

## Outstanding Equity Awards at December 31, 2017

The following table sets forth certain information with respect to the value of all unexercised options and unvested stock awards previously awarded to our NEOs as of December 31, 2017:

## OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2017

Name	Grant Date	Option Awards		Option Exercise Price (\$)	Option Expiration Date	Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)			Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)
Helen I. Torley	1/6/2014	685,416	14,584	14.66	1/6/2024	30,000	607,800
	2/6/2015	141,666	58,334	13.87	2/6/2025	62,500	1,266,250
	2/3/2016	172,593	203,976	8.11	2/3/2026	166,461	3,372,500
	2/22/2017	—	251,923	12.07	2/22/2027	157,416	3,189,248
Laurie D. Stelzer	6/15/2015	140,625	84,375	20.43	6/15/2025	13,750	278,575
	2/3/2016	47,942	56,661	8.11	2/3/2026	69,358	1,405,193
	2/22/2017	—	72,925	12.07	2/22/2027	45,568	923,208
Mark J. Gergen(4)	9/1/2016	15,340	229,550	9.97	9/1/2026	—	—
	2/22/2017	—	72,925	12.07	2/22/2027	45,568	923,208
Harry J. Leonhardt	4/13/2015	150,000	75,000	15.63	4/12/2025	13,750	278,575
	2/3/2016	47,942	56,661	8.11	2/3/2026	46,239	936,802
	2/22/2017	—	72,925	12.07	2/22/2027	45,568	923,208

(1) Each option vests at the rate of 1/4 of the underlying shares on the first anniversary of the date of grant and 1/48 of the shares each month thereafter.

(2) Computed by multiplying the closing market price of our common stock on December 31, 2017, the last trading date in fiscal year 2017, of \$20.26 by the number of shares or stock units, as appropriate, set forth in this table.

(3) This restricted stock unit award vests one-fourth on each anniversary of the date of grant.

(4) Mr. Gergen's employment with Halozyne concluded effective September 29, 2017, at which point we entered into a consulting agreement which concluded on January 2, 2018. During the term of the consulting agreement, all of Mr. Gergen's outstanding equity awards continued to vest and were exercisable under the terms of the Company's 2011 Stock Plan.

## Option Exercises and Stock Awards Vested

The following table sets forth certain information with respect to the exercise of stock options and vesting of stock awards by our NEOs during the fiscal year ended December 31, 2017:

OPTION EXERCISES AND STOCK  
AWARDS VESTED DURING FISCAL  
YEAR 2017

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized (\$)(1)	Number of Shares Acquired on Vesting (#)(2)	Value Realized (\$)(3)
Helen I. Torley	—	—	116,737	1,465,733
Laurie D. Stelzer	—	—	29,995	373,170
Mark J. Gergen	89,000	765,555	—	—
Harry J. Leonhardt	—	—	22,288	277,032
Athena M. Countouriotis	208,527	901,070	25,996	321,336

(1) The value realized on exercise is based on the difference between the closing sale price of Halozyme common stock on the date of exercise and the exercise price of each option.

(2) The amounts in this column represent the number of stock award shares vested. The actual number of shares issued was the number of shares vested reduced by the number of shares surrendered as payment for withholding taxes.

(3) The value realized on vesting is based on the closing sale price of Halozyme common stock on the vest date.

Potential Payments Upon Termination or Change in Control

Severance Policy

On February 6, 2008, the Board of Directors approved the adoption of a company-wide severance policy applicable to executive officers in the following respects: (i) the cash severance for the CEO will be equal to the CEO's then-current annual base salary; and (ii) the cash severance for executive officers will be equal to one half of the then-current annual base salary for such officers. Cash payments under the severance policy will normally be made in a lump sum payment, subject to standard taxes and withholdings, and will be conditioned upon the receipt of a release of claims from the executive officer. In addition to cash severance payments, the Company will also pay certain health coverage costs during the term of the applicable severance period. Despite the establishment of the severance policy, however, the Board of Directors or Compensation Committee retains the right to amend, alter or terminate the severance policy at any time.

Under the policy, assuming: (i) each of the NEOs was terminated without cause on December 31, 2017; and (ii) each NEO executed a release of claims in a form satisfactory to the Company, the NEOs would have received the following amounts pursuant to the severance policy:

Name	Lump Sum Severance Payment	Post- Termination Healthcare
Helen I. Torley Laurie	\$671,000	\$18,592
D. Stelzer Harry	\$226,000	\$13,269
J. Leonhardt	\$212,500	\$4,261

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## Change in Control

We have entered into Change in Control Agreements with our executive officers. The Change in Control Agreements provide for cash payments, continued healthcare coverage and accelerated vesting of equity awards for any such executive officer who is terminated for a reason other than cause within 12 months following a change in control transaction. The cash payments, to be made in a lump sum payment, will equal: a multiple (two times for the Company's CEO and one-and-a-half times for the other executive officers) of the sum of (i) the then-current base salary; and (ii) the amount of target annual bonus opportunity (based on the target percentage of annual base salary) in respect of the year the termination of employment occurs. The Company will also make a cash lump sum payment intended to provide the executive officer sufficient amounts to pay expected health care premiums under the Company's group health plans for 18 months post termination of employment (24 months in the case of the CEO). The Change in Control Agreements also provide that the amount of severance benefits could potentially be subject to reduction to the extent that the total payments (as defined in the Change in Control Agreements) constitute an "excess parachute payment" under Section 280G of the Internal Revenue Code of 1986, as amended, or the Code or become subject to the excise tax imposed under Section 4999 of the Code.

Assuming a change in control took place on December 31, 2017 and each of the NEOs was terminated without cause immediately following the change in control, the foregoing individuals would have received the following amounts as a result of such terminations:

## 2018 Potential Payments Upon Change in Control

Name	Equity Awards(1)	Lump Sum Cash Severance	Post-Termination Healthcare	Total
Helen I. Torley	\$13,431,759	\$2,348,500	\$51,480	\$15,831,739
Laurie D. Stelzer	\$3,892,640	\$983,100	\$58,540	\$4,934,280
Harry J. Leonhardt	\$3,771,509	\$803,489	\$18,799	\$4,593,797

(1) Amounts shown in this column reflect the value of unvested options and market value of unvested restricted stock units that would have accelerated if the NEO was terminated on December 31, 2017 in connection with a change in control. Values were derived using the closing market price of our common stock on December 31, 2017, the last trading date in fiscal year 2017, of \$20.26. There can be no assurance that the options will ever be exercised (in which case no value will actually be realized by the executive) or that the value on exercise will be equal to the value shown in this column.

## Compensation of Directors

The following table sets forth information concerning the compensation earned during the fiscal year ended December 31, 2017 by each individual who served as a director at any time during the fiscal year:

## 2017 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)(2)	Total (\$)
Jean-Pierre Bizzari	60,000	200,010	260,010
James M. Daly	55,000	200,010	255,010
Jeffrey W. Henderson	90,000	200,010	290,010
Kenneth J. Kelley	75,000	200,010	275,010
Randal J. Kirk	55,000	200,010	255,010
Connie L. Matsui	105,000	200,010	305,010
Matthew L. Posard	70,000	200,010	270,010

(1) Represents the grant date fair value of restricted stock awards granted in fiscal year 2017 in accordance with FASB ASC Topic 718.

(2) The aggregate numbers of shares subject to outstanding stock options and restricted stock awards held by the non-employee directors as of December 31, 2017 are described below:

Name	Aggregate Number of Option Awards Outstanding (#)	Aggregate Number of Stock Awards Outstanding (#)
Jean-Pierre Bizzari	—	14,135
James M. Daly	—	14,135
Jeffrey W. Henderson	—	14,135
Kenneth J. Kelley	—	14,135
Randal J. Kirk	—	14,135
—	—	14,135



Connie

L.

Matsui

Matthew

L. —

14,135

Posard

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### Directors' Compensation

Effective December 2015, the compensation for our non-employee directors is as follows: each non-employee director receives an initial restricted stock grant of common stock having a value of \$200,000 (with the number of shares equal to \$200,000 divided by the closing price of the Company's common stock on the date of grant, with any fraction rounded up to the nearest whole share) upon joining the Board; provided that, the numbers of shares granted for directors first elected or appointed between Annual Meetings shall be prorated based on the number of full quarters the individual is scheduled to serve as a non-employee director from the date of election or appointment until the next Annual Meeting of the stockholders such that the recipient will receive a grant of restricted stock valued at \$150,000 for a period of service exceeding 270 days, a grant of restricted stock valued at \$100,000 for a period of service exceeding 180 days (but no more than 270 days), a grant of restricted stock valued at \$50,000 for a period of service exceeding 90 days (but no more than 180 days), and no shares for a period of service of 90 days or less. Subject to acceleration in the event of a change of control of the Company, this initial restricted stock grant will vest upon the date of the next Annual Meeting following the date of the initial restricted stock grant. Non-employee directors also automatically receive annual restricted stock grants of common stock having a value of \$200,000 (with the number of shares equal to \$200,000 divided by the closing price of the Company's common stock on the date of grant, with any fraction rounded up to the nearest whole share) immediately following future Annual Meetings. Subject to acceleration in the event of a change of control of us, this annual restricted stock grant will vest in full on the earlier of (i) the first anniversary of the date of grant or (ii) the date of the next Annual Meeting following the date of the annual restricted stock grant. All restricted stock awards will be granted under our Amended and Restated 2011 Stock Plan. Our non-employee directors also receive an annual retainer of \$50,000 for service on the Board, provided that our Chair of the Board of Directors receives an annual retainer of \$85,000, as well as an additional annual retainer for service on any committee of the Board. Non-employee directors who serve on the Audit Committee receive an annual retainer of \$15,000, provided that the Chair of that committee receives an annual retainer of \$30,000. Non-employee directors who serve on the Compensation Committee receive an annual retainer of \$10,000, provided that the Chair of that committee receives an annual retainer of \$20,000. Non-employee directors who serve on the Nominating and Corporate Governance Committee receive an annual retainer of \$5,000, provided that the Chair of that committee receives an annual retainer of \$10,000. Employee directors do not receive any compensation for service on the Board of Directors.

### CEO Pay Ratio

For 2017, Dr. Torley's total compensation was \$5,180,552, as shown in the Summary Compensation Table. The total compensation for the median employee (excluding the CEO) in 2017 was \$206,374. Therefore, Dr. Torley's total compensation for 2017 was 25 times that of the median employee's total compensation in 2017. The pay ratio reported above is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll and employment records, as well as the methodology described below.

The compensation elements that were considered in the identification of the median employee were annualized base pay, target cash bonus opportunity and target long-term incentive award grant date fair value for 2017 for all employees, excluding the CEO and non-US employees, as of December 31, 2017. The total number of employees as of December 31, 2017 was 255 of which 251 were included in the population used to determine the median employee. Once identified, the total compensation for the median employee was calculated according to the requirements of the Summary Compensation Table.

### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to our Code of Conduct and Ethics, our executive officers, directors, and principal stockholders, including their immediate family members and affiliates, are prohibited from entering into transactions which create, or would appear to create, a conflict of interest with us. Our Audit Committee is responsible for reviewing and approving related party transactions. Our Audit Committee shall approve only those agreements that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our Audit Committee determines in the good faith exercise of its discretion.



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

The following table sets forth, as of March 8, 2018, certain information with respect to the beneficial ownership of our common stock by (i) each stockholder known by Halozyme to be the beneficial owner of more than 5% of our common stock, (ii) each director and director-nominee of Halozyme, (iii) each executive officer named in the Summary Compensation Table above, and (iv) all directors and executive officers of Halozyme as a group:

Beneficial Owner(1)	Number of Shares Beneficially Owned(2)	Percent(3)
Randal J. Kirk The Governor Tyler, 1881 Grove Avenue, Radford, Virginia 24141	17,592,771 (4)	12.2%
Iridian Asset Management LLC 276 Post Road West, Westport, CT 06880	13,306,154 (5)	9.3%
BlackRock, Inc. 55 East 52nd Street, New York, NY 10055	12,094,021 (6)	8.4%
Vanguard Group Inc. 100 Vanguard Blvd., Malvern, PA 19355	11,196,595 (7)	7.8%
BB Biotech AG Schwertstrasse 6, CH-8200 Schaffhausen, Switzerland	8,520,137 (8)	5.9%
Helen I. Torley	1,477,279 (9)	*
Laurie D. Stelzer	296,990 (10)	*
Mark J. Gergen	—	*
Harry J. Leonhardt	290,790 (11)	*
Athena M. Countouriotis	—	*
Connie L. Matsui	232,388 (12)	*
James M. Daly	34,337 (12)	*
Jean-Pierre Bizzari	50,949 (12)	*
Jeffrey W. Henderson	40,742 (12)	*
Kenneth J. Kelley	202,388 (12)	*
Matthew L. Posard	92,388 (12)	*
Directors and executive officers as a group (12 persons)	20,311,022	14.1%

\*Less than 1%.

Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table. Unless otherwise noted, the address for each beneficial owner is: c/o Halozyme Therapeutics, Inc., 11388 Sorrento Valley Road, San Diego, CA 92121.

(1) Under the rules of the Securities and Exchange Commission, a person is deemed to be the beneficial owner of (2) shares that can be acquired by such person within 60 days upon the exercise of options or warrants and vesting of stock awards.

- Calculated on the basis of 143,731,420 shares of common stock outstanding as of March 8, 2018, provided that any
- (3) additional shares of common stock that a stockholder has the right to acquire within 60 days after March 8, 2018 are deemed to be outstanding for the purpose of calculating that stockholder's percentage beneficial ownership. Based on Form 4 filed by Randal J. Kirk with the SEC on July 26, 2017. Includes shares held by the following entities over which Mr. Kirk (or an entity over which he exercises exclusive control) exercises exclusive control: 5,321,084 shares held by R.J. Kirk Declaration of Trust; 2,327,603 shares held by Third Security Capital Partners V, LLC; 354,654 shares held by JPK 2009, LLC; 354,653 shares held by MGK 2009, LLC; 302,954 shares held by JPK 2008, LLC; 302,954 shares held by MGK 2008, LLC; 302,954 shares held by ZSK 2008, LLC; 11,317 shares held by Lotus Capital (2000) Company, Inc.; 3,977,445 shares held by Kapital Joe LLC; 216,795 shares held by
- (4) Third Security Staff 2001 LLC; 290,460 shares held by JPK 2012, LLC, 46,701 shares held by The Kellie L. Banks (2009) Long-Term Trust; 2,235 shares held by ZSK 2009 LLC; 131,144 shares held by Third Security Senior Staff 2006 LLC; 65,572 shares held by Third Security Staff 2006 LLC; and 21,858 Third Security Incentive 2006 LLC. Also includes 14,135 shares subject to release within 60 days after March 8, 2018. Based on Form 13D/A filed by Third Security, LLC with the SEC on July 26, 2017: Mr. Kirk held sole voting and dispositive power over 17,592,771 shares and Third Security, LLC held sole voting and dispositive power over 8,651,281 shares. Based on Schedule 13G/A filed by Iridian Asset Management LLC ("Iridian") with the SEC on February 6, 2018. Iridian Asset Management LLC held shared voting and dispositive power over 13,306,154 shares. Messrs. David
- (5) L. Cohen and Harold J. Levy may be deemed to possess beneficial ownership of the shares of Common Stock beneficially owned by Iridian by virtue of their indirect controlling ownership of Iridian and having the power to vote and direct the disposition of shares of Common Stock as joint Chief Investment Officers of Iridian. Based on Schedule 13G/A filed by BlackRock, Inc. with the SEC on January 25, 2018. BlackRock, Inc.
- (6) beneficially owned 12,094,021 shares, with sole voting power over 11,792,412 shares and sole dispositive power over 12,094,021 shares, which shares are reported by BlackRock, Inc. as a parent holding company of its subsidiaries. Based on Schedule 13G/A filed by The Vanguard Group with the SEC on February 9, 2018. The Vanguard Group
- (7) beneficially owned 11,196,595 shares, with sole voting power over 235,765 shares, shared voting power over 14,244 shares, sole dispositive power over 10,956,836 shares and shared dispositive power over 239,759 shares, which shares are reported by The Vanguard Group as in its own capacity and on behalf of its subsidiaries.
- (8) Based on Schedule 13G/A filed by BB Biotech AG with the SEC on February 14, 2018. BB Biotech AG and its wholly owned subsidiary, Biotech Target N.V., held shared voting and dispositive power over 8,520,137 shares.
- (9) Includes 1,147,793 shares subject to options that may be exercised within 60 days after March 8, 2018.
- (10) Includes 239,480 shares subject to options that may be exercised within 60 days after March 8, 2018.
- (11) Includes 248,855 shares subject to options that may be exercised and 6,875 RSUs subject to release within 60 days after March 8, 2018.
- (12) Includes 14,135 shares subject to release within 60 days after March 8, 2018.

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

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors and persons who beneficially own more than 10% of our common stock to file initial reports of beneficial ownership and reports of changes in beneficial ownership with the SEC. Each such person is required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by such person.

Based solely on our review of such forms furnished to us and written representations from certain reporting persons that no other reports were required, we believe that all required reports were timely filed during the fiscal year ended December 31, 2017.

#### STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

Stockholder proposals may be included in our proxy materials for an Annual Meeting so long as they are provided to us on a timely basis and satisfy the other conditions set forth in applicable SEC rules. For a stockholder proposal to be included in our proxy materials for the 2018 Annual Meeting, the proposal must be received at our principal executive offices, addressed to the Secretary, not later than November 22, 2018.

Stockholder business that is not intended for inclusion in our proxy materials may be brought before the 2018 Annual Meeting so long as we receive notice of the proposal as specified by our Bylaws, addressed to the Secretary at our principal executive offices, not later than November 22, 2018, in accordance with the specific procedural requirements in our Bylaws. Failure to comply with our Bylaw procedures and deadlines may preclude presentation of the proposal at our 2018 Annual Meeting.

#### TRANSACTION OF OTHER BUSINESS

At the date of this Proxy Statement, the Board of Directors knows of no other business that will be conducted at the 2018 Annual Meeting other than as described in this Proxy Statement. If any other matter or matters are properly brought before the meeting, or any adjournment or postponement of the meeting, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

#### DELIVERY OF PROXY MATERIALS AND ANNUAL REPORTS

We may satisfy SEC's rules regarding delivery of proxy statements and annual reports by delivering a single proxy statement and annual report to an address shared by two or more stockholders. This process is known as "householding." This delivery method can result in meaningful cost savings for us. In order to take advantage of this opportunity, we have delivered only one proxy statement and annual report to multiple stockholders who share an address, unless contrary instructions were received prior to the mailing date. Accordingly, for many stockholders who hold their shares through a bank, brokerage firm or other holder of record (i.e., in "street name") and share a single address, only one annual report and proxy statement is being delivered to that address unless contrary instructions from any stockholder at that address were received.

We undertake to deliver promptly upon written or oral request a separate copy of the proxy statement and/or annual report, as requested, to a stockholder at a shared address to which a single copy of these documents was delivered. If you hold stock as a record stockholder and prefer to receive separate copies of a proxy statement or annual report either now or in the future, please contact our Secretary at 11388 Sorrento Valley Road, San Diego, California 92121, or by telephone at (858) 794-8889. If your stock is held by a brokerage firm or bank and you prefer to receive separate copies of a proxy statement or annual report either now or in the future, please contact your brokerage or bank. The voting instruction sent to a street-name stockholder should provide information on how to request (1) householding of future company materials or (2) separate materials if only one set of documents is being sent to a household. If it does not, a stockholder who would like to make one of these requests should contact us as indicated above.

By order of the Board of Directors,  
HARRY J. LEONHARDT, ESQ.  
Senior Vice President, General Counsel,  
Chief Compliance Officer and Corporate Secretary  
March 22, 2018



Appendix A

HALOZYME THERAPEUTICS, INC.  
2011 STOCK PLAN  
(as amended through May 2, 2018)

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HALOZYME THERAPEUTICS, INC.

2011 STOCK PLAN

(as amended through May 2, 2018)

1. Establishment, Purpose and Term of Plan.

1.1 Establishment. The Halozyme Therapeutics, Inc. 2011 Stock Plan (the “Plan”) was adopted March 10, 2011, subject to approval by the stockholders of the Company (the date of such stockholder approval, the “Effective Date”). Upon the Effective Date of the Plan, the Prior Plans were terminated such that no additional Awards could be granted thereunder. The terms of the Prior Plans remain in effect with respect to outstanding Awards until they are exercised, settled, expired, forfeited or otherwise canceled in full. On March 13, 2013, the Plan was amended and restated, subject to approval by the stockholders of the Company and subsequently amended and restated again on May 6, 2015 and May 4, 2016 following stockholder approval. On February 14, 2018, the Plan was further amended and restated, subject to stockholder approval at the next annual meeting of stockholders.

1.2 Purpose. The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract and retain the best qualified personnel to perform services for the Participating Company Group, by motivating such persons to contribute to the growth and profitability of the Participating Company Group, by aligning their interests with interests of the Company’s stockholders, and by rewarding such persons for their services by tying a significant portion of their total compensation package to the success of the Company. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Stock Awards, Restricted Stock Awards, Performance Shares, Performance Units, and Restricted Stock Units as described below.

1.3 Term of Plan. The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued and all restrictions on such shares under the terms of the Plan and the agreements evidencing Awards granted under the Plan have lapsed. However, Awards shall not be granted later than March 9, 2021. The Company intends that the Plan comply with Section 409A of the Code (including any amendments to or replacements of such section), and the Plan shall be so construed.

2. Definitions and Construction.

2.1 Definitions. Whenever used herein, the following terms shall have their respective meanings set forth below:

- (a) “Affiliate” means (i) an entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) an entity, other than a Subsidiary Corporation, that is controlled by the Company directly, or indirectly through one or more intermediary entities. For this purpose, the term “control” (including the term “controlled by”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting securities, by contract or otherwise; or shall have such other meaning assigned such term for the purposes of registration on Form S-8 under the Securities Act.
- (b) “Award” means any Option, SAR, Stock Award, Restricted Stock Award, Performance Share, Performance Unit, or Restricted Stock Unit granted under the Plan or any Prior Plan.
- (c) “Award Agreement” means a written agreement between the Company and a Participant setting forth the terms, conditions and restrictions of the Award granted to the Participant.
- (d) “Board” means the Board of Directors of the Company.
- (e) “Change in Control” means the occurrence of any of the following:

- (i) an Ownership Change Event or series of related Ownership Change Events (collectively, a “Transaction”) in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(y)(iii), the entity to which the assets of the Company were transferred (the “Transferee”), as the case may be; or
- (ii) a liquidation or dissolution of the Company; provided, however, that a Change in Control shall be deemed not to include a transaction described in subsection (i) of this Section 2.1(e) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors. Notwithstanding the foregoing, to the extent that any amount constituting deferred compensation subject to and not exempted from the requirements of Section 409A of the Code would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A. For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple sales or exchanges of the voting securities of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.
- (f) “Code” means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.
- (g) “Committee” means the Compensation Committee or other committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. If no committee of the Board has been appointed to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers. The Committee shall have the exclusive authority to administer the Plan and shall have all of the powers granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.
- (h) “Company” means Halozyme Therapeutics, Inc., a Delaware corporation, or any Successor.
- (i) “Consultant” means a person engaged to provide consulting or advisory services (other than as an Employee or a member of the Board) to a Participating Company.
- (j) “Director” means a member of the Board or of the board of directors of any Participating Company.
- (k) “Disability” means the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.
- (l) “Dividend Equivalent” means a credit, made at the discretion of the Committee or as otherwise provided by the Plan, to the account of a Participant, or a cash payment, in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.
- (m) “Employee” means any person treated as an employee (including an Officer or a member of the Board who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a member of the Board nor payment of a director’s fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual’s employment or termination of employment, as the case may be. For purposes of an individual’s rights, if any, under the Plan as of the time of the Company’s determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.



- (n) “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- (o) “Fair Market Value” means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:
  - (i) Except as otherwise determined by the Committee, if, on such date, the Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock as quoted on such national or regional securities exchange or market system constituting the primary market for the Stock on the day of determination, as reported in The Wall Street Journal or such other source as the Company deems reliable.
  - (ii) Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value on the basis of the closing, high, low or average sale price of a share of Stock or the actual sale price of a share of Stock received by a Participant, on such date, the preceding trading day, the next succeeding trading day or an average determined over a period of trading days. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan.
  - (iii) If, on such date, the Stock is not listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse.
- (p) “Incentive Stock Option” means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.
- (q) “Incumbent Director” means a director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination, but who was not elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company.
- (r) “Insider” means an Officer, a Director, or any other person whose transactions in Stock are subject to Section 16 of the Exchange Act.
- (s) “Non-Control Affiliate” means any entity in which any Participating Company has an ownership interest and which the Committee shall designate as a Non-Control Affiliate.
- (t) “Nonemployee Director” means a Director who is not an Employee.
- (u) “Nonstatutory Stock Option” means an Option not intended to be (as set forth in the Award Agreement) an incentive stock option within the meaning of Section 422(b) of the Code.
- (v) “Officer” means any person designated by the Board as an officer of the Company.
- (w) “Option” means the right to purchase Stock at a stated price for a specified period of time granted to a Participant pursuant to Section 6 of the Plan. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.
- (x) “Option Expiration Date” means the date of expiration of the Option’s term as set forth in the Award Agreement.
- (y) “Ownership Change Event” means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).
- (z) “Parent Corporation” means any present or future “parent corporation” of the Company, as defined in Section 424(e) of the Code.



- (aa) “Participant” means any eligible person who has been granted one or more Awards.
- (bb) “Participating Company” means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.
- (cc) “Participating Company Group” means, at any point in time, all entities collectively which are then Participating Companies.
- (dd) “Performance Award” means an Award of Performance Shares or Performance Units.
- (ee) “Performance Award Formula” means, for any Performance Award, a formula or table established by the Committee pursuant to Section 9.3 of the Plan which provides the basis for computing the value of a Performance Award at one or more threshold levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.
- (ff) “Performance Goal” means a performance goal established by the Committee pursuant to Section 9.3 of the Plan.
- (gg) “Performance Period” means a period established by the Committee pursuant to Section 9.3 of the Plan at the end of which one or more Performance Goals are to be measured.
- (hh) “Performance Share” means a bookkeeping entry representing a right granted to a Participant pursuant to Section 9 of the Plan to receive a payment equal to the value of a Performance Share, as determined by the Committee, based on performance.
- (ii) “Performance Unit” means a bookkeeping entry representing a right granted to a Participant pursuant to Section 9 of the Plan to receive a payment equal to the value of a Performance Unit, as determined by the Committee, based upon performance.
- (jj) “Prior Plans” means the Company’s 2008 Stock Plan, 2006 Stock Plan, and 2004 Stock Plan (each, a “Prior Plan”).
- (kk) “Restricted Stock Award” means an Award of Restricted Stock.
- (ll) “Restricted Stock Unit” or “Stock Unit” means a bookkeeping entry representing a right granted to a Participant pursuant to Section 10 of the Plan to receive a share of Stock on a date determined in accordance with the provisions of Section 10 and the Participant’s Award Agreement.
- (mm) “Restriction Period” means the period established in accordance with Section 8.4 of the Plan during which shares subject to a Restricted Stock Award are subject to Vesting Conditions.
- (nn) “Rule 16b-3” means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.
- (oo) “SAR” or “Stock Appreciation Right” means a bookkeeping entry representing, for each share of Stock subject to such SAR, a right granted to a Participant pursuant to Section 7 of the Plan to receive payment in any combination of shares of Stock or cash of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price.
- (pp) “Section 162(m)” means Section 162(m) of the Code.
- (qq) “Securities Act” means the Securities Act of 1933, as amended.
- (rr) “Service” means a Participant’s employment or service with the Participating Company Group, whether in the capacity of an Employee, a Director or a Consultant. Unless otherwise provided by the Committee, a Participant’s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders such Service or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant’s Service. Furthermore, a Participant’s Service shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence

approved by the Company. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(ss) "Stock" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2 of the Plan.

(tt) "Stock Award" means an Award of Stock as described in Section 8 of the Plan.

(uu) "Subsidiary Corporation" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

(vv) "Successor" means a corporation into or with which the Company is merged or consolidated or which acquires all or substantially all of the assets of the Company and which is designated by the Board as a Successor for purposes of the Plan.

(ww) "Ten Percent Owner" means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

(xx) "Vesting Conditions" means those conditions established in accordance with Section 8.4 or Section 10.2 of the Plan prior to the satisfaction of which shares subject to a Restricted Stock Award or Restricted Stock Unit Award, respectively, remain subject to forfeiture or a repurchase option in favor of the Company upon the Participant's termination of Service.

2.2 Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

### 3. Administration.

3.1 Administration by the Committee. The Plan shall be administered by the Committee. All questions of interpretation of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Award.

3.2 Authority of Officers. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has been delegated such authority by the Committee with respect to such matter, right, obligation, determination or election.

3.3 Committee Complying with Section 162(m). While the Company is a "publicly held corporation" within the meaning of Section 162(m), the Board may establish a Committee of "outside directors" within the meaning of Section 162(m) to approve the grant of any Award which might reasonably be anticipated to result in the payment of employee remuneration that would otherwise exceed the limit on employee remuneration deductible for income tax purposes pursuant to Section 162(m).

3.4 Powers of the Committee. In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

- (a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock or units to be subject to each Award;
- (b) to determine the type of Award granted and to designate Options as Incentive Stock Options or Nonstatutory Stock Options;
- (c) to determine the Fair Market Value of shares of Stock or other property;

- (d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares purchased pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of the expiration of any Award, (vii) the effect of the Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;
- (e) to determine whether an Award will be settled in shares of Stock, cash, or in any combination thereof;
- (f) to approve one or more forms of Award Agreement;
- (g) to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;
- (h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;
- (i) without the consent of the affected Participant and notwithstanding the provisions of any Award Agreement to the contrary, to unilaterally substitute at any time a Stock Appreciation Right providing for settlement solely in shares of Stock in place of any outstanding Option, provided that such Stock Appreciation Right covers the same number of shares of Stock and provides for the same exercise price (subject in each case to adjustment in accordance with Section 4.2) as the replaced Option and otherwise provides substantially equivalent terms and conditions as the replaced Option, as determined by the Committee;
- (j) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws or regulations of or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens may be granted Awards;
- (k) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law; and
- (l) to the extent permitted by applicable law, to delegate to any proper Officer the authority to grant one or more Awards, without further approval of the Committee, to any person eligible pursuant to Section 5, other than himself or a person who, at the time of such grant, is an Insider; provided, however, that (i) the exercise price per share of each such Option shall be equal to the Fair Market Value per share of the Stock on the effective date of grant, and (ii) each such Award shall be subject to the terms and conditions of the appropriate standard form of Award Agreement approved by the Committee and shall conform to the provisions of the Plan and such other guidelines as shall be established from time to time by the Committee.

3.5 Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided,



however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

3.6 Arbitration. Any dispute or claim concerning any Awards granted (or not granted) pursuant to this Plan and any other disputes or claims relating to or arising out of the Plan shall be fully, finally and exclusively resolved by binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. By accepting an Award, Participants and the Company waive their respective rights to have any such disputes or claims tried by a judge or jury.

3.7 Repricing and Reloading Prohibited. Without the affirmative vote of holders of a majority of the shares of Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares of Stock is present or represented by proxy, the Committee shall not approve a program providing for either (a) the cancellation of outstanding Options or SARs and the grant in substitution therefor of cash, other Awards, or new Options or SARs having a lower exercise price or (b) the amendment of outstanding Options or SARs to reduce the exercise price thereof. This paragraph shall not be construed to apply to the issuance or assumption of an Award in a transaction to which Code section 424(a) applies, within the meaning of Section 424 of the Code.

#### 4. Shares Subject to Plan.

4.1 Maximum Number of Shares Issuable. Effective as of the date of its most recent amendment and restatement, and subject to adjustment as provided in Section 4.2, the maximum number of shares of Stock that may be issued under the Plan pursuant to Awards granted hereunder shall be increased by eight million and seven hundred thousand (8,700,000) shares to a total of thirty-four million seven hundred thousand (34,700,000) shares of stock. No new Awards shall be granted under any Prior Plan on or after the Effective Date of this Plan. Shares issuable under this Plan shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. If an outstanding Award granted under this Plan for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award granted under this Plan that are subject to forfeiture or repurchase are forfeited or repurchased by the Company, the shares of Stock allocable to the terminated portion of such Award or such forfeited or repurchased shares of Stock shall restore to this Plan and be available for issuance under the Plan. Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations shall not again be available for issuance under the Plan. Upon payment in shares of Stock pursuant to the exercise of a SAR, the number of Shares available for issuance under the Plan shall be reduced by the gross number of Shares for which the SAR is exercised. If the exercise price of an Option is paid by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant, or by means of a Net-Settlement, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the Option is exercised. Shares of Stock shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash. Further, shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Options shall not be added to the shares of Stock authorized for grant under this Plan.

4.2 Adjustments for Changes in Capital Structure. Subject to any required action by the stockholders of the Company, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, in the Award limits set forth in Section 5.4, and in the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "New Shares"), the Committee may

unilaterally amend the outstanding Options to provide that such Options are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number. The Committee in its sole

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discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate, including modification of Performance Goals, Performance Award Formulas, and Performance Periods, so long as such adjustment does not prevent an Award intended to qualify as “performance-based compensation” under Section 162(m) from being so qualified. The adjustments determined by the Committee pursuant to this Section 4.2 shall be final, binding and conclusive.

#### 5. Eligibility and Award Limitations.

5.1 Persons Eligible for Awards. Awards may be granted only to Employees, Consultants and Directors. For purposes of the foregoing sentence, “Employees,” “Consultants” and “Directors” shall include prospective Employees, prospective Consultants and prospective Directors to whom Awards are offered to be granted in connection with written offers of an employment or other service relationship with the Participating Company Group; provided, however, that no Stock subject to any such Award shall vest, become exercisable or be issued prior to the date on which such person commences Service.

5.2 Participation. Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

#### 5.3 Incentive Stock Option Limitations.

(a) Persons Eligible. An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an “ISO-Qualifying Corporation”). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee of an ISO-Qualifying Corporation shall be deemed granted effective on the date such person commences Service with an ISO-Qualifying Corporation, with an exercise price determined as of such date in accordance with Section 6.1.

(b) Fair Market Value Limitation. To the extent that options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for Stock having a Fair Market Value greater than One Hundred Thousand Dollars (\$100,000), the portion of such options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of Stock shall be determined as of the time the option with respect to such Stock is granted. If the Code is amended to provide for a limitation different from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise, shares issued pursuant to each such portion shall be separately identified.

#### 5.4 Award Limits.

(a) Maximum Number of Shares Issuable Pursuant to Incentive Stock Options. Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed the aggregate number of shares of Stock set forth in Section 4.1. The maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to all Awards other than Incentive Stock Options shall be the number of shares determined in accordance with Section 4.1, subject to adjustment as provided in Section 4.2 and further subject to the limitation set forth in Section 5.4(b) below.

(b) Aggregate Limit on Full Value Awards. Subject to adjustment as provided in Section 4.2, the aggregate number of shares that may be issued under the Plan pursuant to the exercise or settlement of Stock Awards, Restricted Stock Awards, Restricted Stock Unit Awards and Performance Awards (“Full Value Awards”), on or after May 3, 2018 shall be limited to one-third (1/3<sup>rd</sup>) of the total number of shares of Stock that remain available for grant under Section 4.1 (after taking





into account the share increase from the most recent amendment and restatement of the Plan) which are not subject to outstanding Awards (the “Pre-May 2018 Grants”). The limitation on Full Value Awards that may be granted under the Plan shall be increased by shares which again become available for grant under Section 4.1 provided such shares relate to Full Value Awards granted on or after May 3, 2018. Any shares which again become available for grant under Section 4.1 that relate to Pre-May 2018 Grants may be granted as Options or SARs, but not as Full Value Awards.

(c) Section 162(m) Award Limits. The following limits shall apply to the grant of any Award if, at the time of grant, the Company is a “publicly held corporation” within the meaning of Section 162(m) and the Award is intended to qualify as “performance based compensation” under Section 162(m). Per-individual limits shall not be adjusted to effect a restoration of shares of Stock with respect to which the related Award is terminated, surrendered, or canceled.

(i) Options and SARs. Subject to adjustment as provided in Section 4.2, no Employee shall be granted within any fiscal year of the Company one or more Options or Freestanding SARs which in the aggregate are for more than One Million (1,000,000) shares of Stock reserved for issuance under the Plan; provided, however, that such maximum number shall be Two Million (2,000,000) shares with respect to any individual during the first fiscal year that the individual is employed with the Participating Company Group.

(ii) Stock, Restricted Stock and Restricted Stock Unit Awards. Subject to adjustment as provided in Section 4.2, no Employee shall be granted within any fiscal year of the Company one or more Stock Awards, Restricted Stock Awards or Restricted Stock Unit Awards, the grant or vesting of which is based on the attainment of Performance Goals, for more than Five Hundred Thousand (500,000) shares of Stock reserved for issuance under the Plan; provided, however, that such maximum number shall be One Million (1,000,000) shares with respect to any individual during the first fiscal year that the individual is employed with the Participating Company Group.

(iii) Performance Awards. Subject to adjustment as provided in Section 4.2 and the limitation set forth in Section 5.4(b), no Employee shall be granted within any fiscal year of the Company (1) Performance Shares which could result in such Employee receiving more than Five Hundred Thousand (500,000) shares of Stock reserved for issuance under the Plan for each full fiscal year of the Company contained in the Performance Period for such Award, or (2) Performance Units having a grant date value equal to the Fair Market Value of Five Hundred Thousand (500,000) shares of Stock on the date of grant for each full fiscal year of the Company contained in the Performance Period for such Award.

(d) Nonemployee Director Awards. Notwithstanding any other provision of the Plan to the contrary, the aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards to Nonemployee Directors in their capacity as Directors granted to any Nonemployee Director during any single calendar year shall not exceed six hundred thousand dollars (\$600,000).

#### 6. Terms and Conditions of Options.

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall from time to time establish. No Option or purported Option shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing Options may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 Exercise Price. The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

#### 6.2 Exercisability and Term of Options.



(c) **Option Vesting and Exercisability.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (i) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (ii) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option, and (iii) no Option shall have a time-based or performance-based vesting provision which results in any portion of the Option becoming vested within one-year from the Option's date of grant.

(d) **Participant Responsibility for Exercise of Option.** Each Participant is responsible for taking any and all actions as may be required to exercise any Option in a timely manner, and for properly executing any documents as may be required for the exercise of an Option in accordance with such rules and procedures as may be established from time to time. By signing an Option Agreement each Participant acknowledges that information regarding the procedures and requirements for the exercise of any Option is available upon such Participant's request. The Company shall have no duty or obligation to notify any Participant of the expiration date of any Option.

#### 6.3 Payment of Exercise Price.

(e) **Forms of Consideration Authorized.** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant having a Fair Market Value not less than the exercise price, (iii) by delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a "Cashless Exercise"), (iv) to the extent permitted by the Committee, in its sole discretion, by net share settlement (a "Net Settlement"); provided that such Net Settlement shall not be permitted with respect to an Incentive Stock Option unless the Participant consents to the Option being converted to a Nonstatutory Stock Option, (v) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (vi) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(f) **Limitations on Forms of Consideration.** Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

#### 6.4 Effect of Termination of Service.

(a) **Option Exercisability.** Subject to earlier termination of the Option as otherwise provided herein and unless otherwise provided by the Committee, an Option shall be exercisable after a Participant's termination of Service only during the applicable time periods provided in the Award Agreement.

(b) **Extension if Exercise Prevented by Law.** Notwithstanding the foregoing, unless the Committee provides otherwise in the Award Agreement, if the exercise of an Option within the applicable time periods is prevented by the provisions of Section 12 below, the Option shall remain exercisable until three (3) months (or such longer period of time as determined by the Committee, in its discretion) after the date the Participant is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date.

6.5 **Transferability of Options.** During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. Prior to the issuance of shares of Stock upon the exercise of an



Option, the Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, a Nonstatutory Stock Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 Registration Statement under the Securities Act or as necessary to qualify for an exemption from registration under Section 12(g) of the Exchange Act.

6.6 No Dividends or Dividend Equivalents. No dividends or dividend equivalents shall be paid or accrued on any Options granted under this Plan.

7. Terms and Conditions of Stock Appreciation Rights.

Stock Appreciation Rights shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. No SAR or purported SAR shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing SARs may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

7.1 Types of SARs Authorized. SARs may be granted in tandem with all or any portion of a related Option (a "Tandem SAR") or may be granted independently of any Option (a "Freestanding SAR"). A Tandem SAR may be granted either concurrently with the grant of the related Option or at any time thereafter prior to the complete exercise, termination, expiration or cancellation of such related Option.

7.2 Exercise Price. The exercise price for each SAR shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR.

7.3 Exercisability and Term of SARs.

(c) Tandem SARs. Tandem SARs shall be exercisable only at the time and to the extent, and only to the extent, that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of shares of Stock subject to the related Option.

(d) Freestanding SARs. Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; provided, however, that no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such SAR.

7.4 Deemed Exercise of SARs. If, on the date on which an SAR would otherwise terminate or expire, the SAR by its terms remains exercisable immediately prior to such termination or expiration and, if so exercised, would result in a payment to the holder of such SAR, then any portion of such SAR which has not previously been exercised shall automatically be deemed to be exercised as of such date with respect to such portion, except as otherwise prohibited by applicable law.

7.5 Effect of Termination of Service. Subject to earlier termination of the SAR as otherwise provided herein and unless otherwise provided by the Committee in the grant of an SAR and set forth in the Award Agreement, an SAR shall be exercisable after a Participant's termination of Service only as provided in the Award Agreement.

7.6 Nontransferability of SARs. During the lifetime of the Participant, an SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. Prior to the exercise of an SAR, the SAR shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution.

7.7 No Dividends or Dividend Equivalents. No dividends or dividend equivalents shall be paid or accrued on any SAR granted under this Plan.

8. Terms and Conditions of Stock Awards.

Stock Awards may be granted with or without Vesting Conditions and may or may not require the payment of cash consideration. Stock Awards shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. No Stock Award or purported Stock Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing Stock Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

8.1 **Types of Restricted Stock Awards Authorized.** Restricted Stock Awards may or may not require the payment of cash consideration for the stock. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 9.4. If either the grant of a Restricted Stock Award or the lapsing of the Restriction Period is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 9.3 through 9.5(a).

8.2 **Purchase Price.** The purchase price, if any, for shares of Stock issuable under each Stock Award and the means of payment shall be established by the Committee in its discretion.

8.3 **Purchase Period.** A Stock Award requiring the payment of cash consideration shall be exercisable within a period established by the Committee.

8.4 **Vesting and Restrictions on Transfer.** Shares issued pursuant to any Stock Award may or may not be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 9.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any Restriction Period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than as provided in the Award Agreement or as provided in Section 8.7. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder.

8.5 **Voting Rights; Dividends and Distributions.** Except as provided in this Section, Section 8.4 and any Award Agreement, during the Restriction Period applicable to shares subject to a Restricted Stock Award, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares. No cash dividends or distributions with respect to shares of Stock subject to the Restricted Stock Award shall be paid to any Participant unless and until the Participant vests in such underlying Restricted Stock Award. Upon the vesting of a Restricted Stock Award, any cash dividends or distributions declared but not paid during the Restriction Period with respect to such Restricted Stock Award shall be paid to the Participant within thirty (30) days following the vesting date. In the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made.

8.6 **Effect of Termination of Service.** Unless otherwise provided by the Committee in the grant of a Restricted Stock Award and set forth in the Award Agreement, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted Stock Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service in exchange for the payment of the purchase price, if any, paid by the Participant. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

8.7 **Nontransferability of Restricted Stock Award Rights.** Prior to the issuance of shares of Stock pursuant to a Restricted Stock Award, rights to acquire such shares shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Stock Award

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granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

9. Terms and Conditions of Performance Awards.

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. No Performance Award or purported Performance Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing Performance Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

9.1 Types of Performance Awards Authorized. Performance Awards may be in the form of either Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

9.2 Initial Value of Performance Shares and Performance Units. Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.2, on the effective date of grant of the Performance Share. Each Performance Unit shall have an initial value determined by the Committee; provided, however, that in no event shall the value be less than the aggregate Fair Market Value of the underlying shares on the date of grant. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

9.3 Establishment of Performance Period, Performance Goals and Performance Award Formula. In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period, Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. To the extent compliance with the requirements under Section 162(m) with respect to "performance-based compensation" is desired, the Committee shall establish the Performance Goal(s) and Performance Award Formula applicable to each Performance Award no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable Performance Period or (b) the date on which 25% of the Performance Period has elapsed, and, in any event, at a time when the outcome of the Performance Goals remains substantially uncertain, and shall establish the Performance Goal(s) in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the Performance Goals have been met. Once established, the Performance Goals and Performance Award Formula shall not be changed during the Performance Period with respect to any Performance Award for which compliance with the requirements under Section 162(m) with respect to "qualified performance-based compensation" is desired. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

9.4 Measurement of Performance Goals. Performance Goals shall be established by the Committee on the basis of targets to be attained ("Performance Targets") with respect to one or more measures of business or financial performance (each, a "Performance Measure"), subject to the following:

(a) Performance Measures. Performance Measures shall have the same meanings as used in the Company's financial statements, or, if such terms are not used in the Company's financial statements, they shall have the meaning applied pursuant to generally accepted accounting principles, or as used generally in the Company's industry. Performance Measures shall be calculated with respect to the Company and each Subsidiary Corporation and Parent Corporation consolidated therewith for financial reporting purposes or such division or other business unit as may be selected by the Committee. For purposes of the Plan, the Performance Measures applicable to a Performance Award shall be calculated in accordance with generally accepted accounting principles, but prior to the accrual or payment of any Performance Award for the same Performance Period, if determined by the Committee, and excluding the effect (whether positive or negative) of any change in accounting standards, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Performance Award. In addition, the Committee may, to



the extent applicable, provide for exclusion of the

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impact of an event or occurrence which the Committee determines should appropriately be excluded, such as: (i) restructurings, discontinued operations, extraordinary items, and other unusual, infrequently occurring or non-recurring charges or events, (ii) asset write-downs, (iii) litigation or claim judgments or settlements, (iv) acquisitions or divestitures, (v) reorganization or change in the corporate structure or capital structure of the Company, (vi) an event either not directly related to the operations of the Company, any subsidiary, division, business segment or business unit whether or not within the reasonable control of management, (vii) foreign exchange gains and losses, (viii) a change in the fiscal year of the Company, (ix) the refinancing or repurchase of bank loans or debt securities, (x) unbudgeted capital expenditures, (xi) the issuance or repurchase of equity securities and other changes in the number of outstanding shares, (xii) conversion of some or all of convertible securities to common stock, (xiii) any significant business interruption event, or (xiv) the effect of changes tax or in other laws or regulatory rules affecting reported results. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to a Performance Award. Performance Measures may be one or more of the following, as determined by the Committee:

- (i) Earnings or Profitability Metrics: including, but not limited to, sales revenue; revenue under collaborative agreements; earnings/loss (gross, operating, net, or adjusted); earnings/loss before interest and taxes ("EBIT"); earnings/loss before interest, taxes, depreciation and amortization ("EBITDA"); profit margin; operating margin; income (gross, operating or net); expense levels or ratios; in each case adjusted to eliminate the effect of any one or more of the following: interest expense, asset impairments, stock-based compensation expense, or other extraordinary or non-recurring items, as specified by the Committee when establishing the performance goals;
  - (ii) Return Metrics: including, but not limited to, return on investment, assets, equity or capital (total or invested);
  - (iii) Cash Flow Metrics: including, but not limited to, operating cash flow; cash flow sufficient to achieve financial ratios or a specified cash balance; free cash flow; cash flow return on capital; net cash provided by operating activities; cash flow per share; working capital;
  - (iv) Liquidity Metrics: including, but not limited to, debt reduction; extension of maturity dates of outstanding debt; debt leverage (debt to capital, net debt-to-capital, debt-to-EBITDA or other liquidity ratios) or access to capital; debt ratings; total or net debt; other similar measures of liquidity approved by the Committee;
  - (v) Stock Price and Equity Metrics: including, but not limited to, return on stockholders' equity; total shareholder return; revenue (gross, operating or net); revenue growth; stock price; stock price appreciation; market price of stock; market capitalization; earnings/loss per share (basic or diluted) (before or after taxes); price-to-earnings ratio; and
  - (vi) Strategic Metrics: including, but not limited to, product research and development; completion of an identified special project; clinical trials; regulatory filings or approvals; patent application or issuance; manufacturing or process development; sales or net sales; market share; market penetration; economic value added; customer service; customer satisfaction; inventory control; balance of cash, cash equivalents and marketable securities; growth in assets; key hires; employee satisfaction; employee retention; business expansion; acquisitions, divestitures, joint ventures or financing; legal compliance or safety and risk reduction.
- (b) Performance Targets. Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value or as a value determined relative to a standard selected by the Committee.

#### 9.5 Settlement of Performance Awards.

(a) Determination of Final Value. As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall certify in writing the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

(b) Discretionary Adjustment of Award Formula. In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award that is not intended to constitute “qualified performance based compensation” to a “covered employee” within the meaning of Section 162(m) (a “Covered Employee”) to reflect such Participant’s individual performance in his or her position with the Company or such other factors as the Committee may determine. With respect to a Performance Award intended to constitute qualified performance-based compensation to a Covered Employee, the Committee shall have the discretion to reduce some or all of the value of the Performance Award that would otherwise be paid to the Covered Employee upon its settlement notwithstanding the attainment of any Performance Goal and the resulting value of the Performance Award determined in accordance with the Performance Award Formula, but may not increase the value of any such Performance Award.

(c) Payment in Settlement of Performance Awards. As soon as practicable following the Committee’s determination and certification in accordance with Sections 9.5(a) and (b), payment shall be made to each eligible Participant (or such Participant’s legal representative or other person who acquired the right to receive such payment by reason of the Participant’s death) of the final value of the Participant’s Performance Award. Payment of such amount shall be made in cash in a lump sum or in installments, shares of Stock (either fully vested or subject to vesting), or a combination thereof, as determined by the Committee.

9.6 Voting Rights; Dividend Equivalent Rights and Distributions. Participants shall have no voting rights with respect to shares of Stock represented by Performance Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No cash dividends or distributions with respect to shares of Stock subject to Performance Awards shall be paid to any Participant unless and until the Participant vests in such underlying Performance Awards. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Performance Award that the Participant shall be entitled to receive Dividend Equivalents with respect to the payment of cash dividends on Stock having a record date prior to the date on which the Performance Award is settled or forfeited. Such Dividend Equivalents, if any, shall be credited to the Participant in the form of additional whole Performance Shares or Performance Units as of the date of payment of such cash dividends on Stock. The number of additional Performance Shares or Performance Units (rounded to the nearest whole number) to be so credited shall be determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Performance Award previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalents shall be accumulated and paid to the extent that the Performance Award becomes nonforfeitable, as determined by the Committee. Settlement of Dividend Equivalents may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and shall be paid on the same terms as the underlying award as provided in Section 9.5. In the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, appropriate adjustments shall be made in the Participant’s Performance Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Performance Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

9.7 Effect of Termination of Service. Unless otherwise provided by the Committee in the grant of a Performance Award and set forth in the Award Agreement, if the Participant’s Service terminates for any reason, including death or Disability, before the completion of the Performance Period applicable to the Performance Award, the final value of the Participant’s Performance Award shall be determined by the extent to which the applicable Performance Goals have been attained with respect to the entire Performance Period and shall be prorated based on the number of months of the Participant’s Service during the Performance Period. Payment shall be made following the end of the Performance Period in any manner permitted by Section 9.5.

9.8 Nontransferability of Performance Awards. Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant’s beneficiary, except transfer by

will or

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by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

10. Terms and Conditions of Restricted Stock Unit Awards.

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the Committee shall from time to time establish. No Restricted Stock Unit Award or purported Restricted Stock Unit Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing Restricted Stock Units may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

10.1 Grant of Restricted Stock Unit Awards. Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 9.4. If either the grant of a Restricted Stock Unit Award or the Vesting Conditions with respect to such Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 9.3 through 9.5(a).

10.2 Vesting. Restricted Stock Units may or may not be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 9.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award.

10.3 Voting Rights, Dividend Equivalent Rights and Distributions. Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No cash dividends or distributions with respect to shares of Stock subject to Restricted Stock Units shall be paid to any Participant unless and until the Participant vests in such underlying Restricted Stock Units. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to receive Dividend Equivalents with respect to the payment of cash dividends on Stock having a record date prior to the date on which Restricted Stock Units held by such Participant are settled. Such Dividend Equivalents, if any, shall be credited to the Participant in the form of additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock. The number of additional Restricted Stock Units (rounded to the nearest whole number) to be so credited, if any, shall be determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Such additional Restricted Stock Units, if any, shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time (or as soon thereafter as practicable) as the original Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

10.4 Effect of Termination of Service. Unless otherwise provided by the Committee in the grant of a Restricted Stock Unit Award and set forth in the Award Agreement, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

10.5 Settlement of Restricted Stock Unit Awards. The Company shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Restricted Stock Unit Award vest or on such other date determined by the Committee, in its discretion, and set forth in the Award Agreement one (1) share of Stock (and/or any other

new, substituted or additional securities or other property pursuant to an adjustment described in Section 11.3) for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes. Notwithstanding

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the foregoing, if permitted by the Committee and set forth in the Award Agreement, the Participant may elect in accordance with terms specified in the Award Agreement to defer receipt of all or any portion of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section.

10.6 Nontransferability of Restricted Stock Unit Awards. Prior to the issuance of shares of Stock in settlement of a Restricted Stock Unit Award, the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

11. Effect of Change in Control on Awards.

11.1 Change in Control Transactions. In the event of any transaction resulting in a Change in Control of the Company, outstanding Awards that are payable in or convertible into Stock under the Plan will terminate upon the effective time of such Change in Control unless provision is made by the Company in connection with the transaction for the continuation or assumption of such Awards by, or for the substitution of equivalent awards of, the surviving or successor entity or a parent thereof. All determinations as to whether any, some or all outstanding Awards and, if any, which such Awards, will be continued, assumed or substituted in a transaction and whether any such substitution is for equivalent awards shall be made in the sole discretion of the Committee, and such continuation, assumption, or substitution may be effectuated without the consent of the holder of any such outstanding Award. In the event of such termination, the holders of Awards that will be terminated upon the effective time of the Change in Control will be permitted, immediately before the Change in Control, to exercise or convert all portions of such Awards under the Plan that are then exercisable or convertible or which become exercisable or convertible upon or prior to the effective time of the Change in Control. In the event of any transaction resulting in a Change in Control of the Company prior to the end of a Performance Period for any Performance Award, the Committee may determine that one or more Participants who were awarded a Performance Award for the Performance Period in which such Change in Control of the Company occurs may receive payment of such Performance Award for the Performance Period, in such amount and at such time as the Committee determines; provided, however, that, to the extent such Performance Award constitutes deferred compensation under Section 409A of the Code, any such payment with respect to the Performance Award shall be made in compliance with Section 409A of the Code.

11.2 Unusual or Nonrecurring Events. The Committee is authorized to make, in its discretion and without the consent of holders of Awards, adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

12. Compliance with Securities Law.

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

13. Tax Withholding.

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13.1 Tax Withholding in General. The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, including by means of a Cashless Exercise or net exercise of an Option, or net settlement of other types of Awards, to make adequate provision for, the federal, state, local and foreign taxes, if any, required by law to be withheld by the Participating Company Group with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

13.2 Withholding in Shares. The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of the Participating Company Group. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates.

#### 14. Amendment or Termination of Plan.

The Board or the Committee may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.2), (b) no change in the class of persons eligible to receive Incentive Stock Options, the prohibition on repricing and reloading in Section 3.7, the Award limits in Section 5.4, the minimum exercise price, maximum term, and vesting period of Options or SARs, and any limitation on the Vesting Conditions of Restricted Stock or Restricted Stock Units, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule. No amendment, suspension or termination of the Plan shall affect any then outstanding Award unless expressly provided by the Board or the Committee. In any event, no amendment, suspension or termination of the Plan may adversely affect any then outstanding Award without the consent of the Participant unless necessary to comply with any applicable law, regulation or rule.

#### 15. Miscellaneous Provisions.

15.1 Repurchase Rights. Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

15.2 Rights as Employee, Consultant or Director. No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

15.3 Rights as a Stockholder. A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.2 or another provision of the Plan.

15.4 Fractional Shares. The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.



15.5 Severability. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

15.6 Beneficiary Designation. Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse, if required by applicable law or the Company. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

15.7 Unfunded Obligation. Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan. Each Participating Company shall be responsible for making benefit payments pursuant to the Plan on behalf of its Participants or for reimbursing the Company for the cost of such payments, as determined by the Company in its sole discretion. In the event the respective Participating Company fails to make such payment or reimbursement, a Participant's (or other individual's) sole recourse shall be against the respective Participating Company, and not against the Company. A Participant's acceptance of an Award pursuant to the Plan shall constitute agreement with this provision.



