HALOZYME THERAPEUTICS INC
Form SB-2/A
July 23, 2004

As filed with the Securities And Exchange Commission on July 23, 2004
Registration No. 333-114776

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

Amendment No. 2 to
FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Halozyme Therapeutics, Inc.
(Name of small business issuer in its charter)

Nevada	**2836**	**88-0488686**
(State or Jurisdiction of Incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

11588 Sorrento Valley Road, Suite 17
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(Address and telephone number of principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH

SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. The selling security holders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and neither the selling security holders nor we are soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED July 23, 2004

PROSPECTUS

HALOZYME THERAPEUTICS, INC.

29,508,664 SHARES OF COMMON STOCK

This prospectus relates to the distribution by certain stockholders of Halozyme Therapeutics, Inc. of up to 29,508,664 shares of our common stock which they own, or which they may at a later date acquire upon the exercise of warrants. Halozyme is not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering. We may receive proceeds from the exercise price of the warrants if they are exercised by the selling security holders. All costs associated with this registration will be borne by Halozyme.

Halozyme s common stock is quoted on the OTC Bulletin Board under the symbol HZYM. On July 19, 2004 the closing bid price for one share of our common stock was $3.05.

THESE SECURITIES ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 5 OF THIS PROSPECTUS BEFORE MAKING A DECISION TO PURCHASE OUR STOCK.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2004

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PROSPECTUS SUMMARY

This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. This summary highlights selected information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including the more detailed information regarding our company, the risks of purchasing our common stock discussed under Risk Factors, and our financial statements and the accompanying notes, before making an investment decision.

Our Business

Effective March 11, 2004, pursuant to the Agreement and Plan of Merger (the Merger Agreement), dated as of January 28, 2004, among privately held DeliaTroph Pharmaceuticals, Inc., dba Hyalozyme Therapeutics, Inc. (Halozyme), Global Yacht Services, Inc. (Global) and Hyalozyme Acquisition Corporation (Merger Sub), a wholly owned subsidiary of Global, the Merger Sub merged with and into Halozyme, with Halozyme remaining as the surviving corporation (the Merger).

Halozyme is a development stage biopharmaceutical company dedicated to the development and planned commercialization of recombinant human enzymes for the infertility, ophthalmology, and oncology markets. Our products under development are based on intellectual property covering the family of human enzymes known as hyaluronidases. Hyaluronidases are enzymes (proteins), which break down hyaluronic acid, which is a naturally occurring substance in the human body. Currently, we have no products and all of our potential products are either in the discovery, pre-clinical, pre-new drug application (NDA) or pre-510(k) stage. It may be years, if ever, before we are able to obtain the necessary regulatory approvals necessary to generate meaningful revenue from the sale of these potential products. In addition, we have never generated any revenue; have had operating and net losses each year since inception; and our auditors have raised substantial doubt that we will have the ability to continue as a going concern. We have accumulated a deficit of $5,264,927 since inception.

The Offering

By means of this prospectus, a number of stockholders of Halozyme are offering to sell up to 19,046,721 shares of common stock which they own, and 10,461,943 shares of common stock which they may at a later date acquire upon the exercise of warrants. In this prospectus, Halozyme refers to these persons as the selling security holders.

As of March 31, 2004, Halozyme had 39,421,906 shares of common stock issued and outstanding, which includes shares offered by this prospectus. The number of outstanding shares of common stock does not include stock which may be issued pursuant to the exercise and/or conversion of options and/or warrants previously issued by Halozyme.

We will not receive any proceeds from the sale of common stock offered by the selling security holders, but we did receive consideration from the selling security holders at the time they purchased the shares. We may receive proceeds from the exercise price of the warrants if they are exercised by the selling security holders. We intend to use any proceeds from exercise of the warrants for working capital and general corporate purposes.

The purchase of the securities offered by this prospectus involves a high degree of risk. Risk factors include the lack of revenues and history of loss, and the need for additional capital. See the Risk Factors section of this prospectus for a more complete discussion of these and other risks.

Summary Financial Data

The following table presents summary financial information for the year ended December 31, 2003 and for the quarter ended March 31, 2004. The summary information includes the effects of the acquisition, as if the Merger transaction between Halozyme and Global had occurred at the beginning of 2003. The data was taken from our financial statements appearing elsewhere in this prospectus, and you should read the actual financial statements for a complete presentation of this information.

	Year Ended December 31, 2003	Quarter Ended March 31, 2004
Revenue	$	$
Operating Expenses	$ (1,822,672)	$ (1,207,552)
Net Loss	$ (2,215,025)	$ (1,284,422)
Current Assets	$ 503,580	$ 7,568,843
Total Assets	**$ 647,247**	**$ 7,732,773**
Current Liabilities	$ 373,440	$ 773,242
Total Liabilities	**$ 373,440**	**$ 773,242**
Stockholders Equity	**$ 273,807**	**$ 6,959,531**

RISK FACTORS

You should carefully consider each of the following risk factors and all of the other information provided in this prospectus before purchasing our common stock. An investment in our common stock involves a high degree of risk, and should be considered only by persons who can afford the loss of their entire investment. The risks and uncertainties described below are the only ones we know of that we consider to be material at this time. If the events described in these risks occur, our business, financial condition and results of operations would likely suffer. Additionally, this prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. This section discusses the risk factors that might cause those differences

Risks Related To Our Business

We have not generated any revenue from product sales to date; we have a history of net losses and negative cash flow, and may never achieve or maintain profitability.

We have not generated any revenue from product sales to date and may never generate revenues from product sales in the future. Even if we do achieve significant revenues from product sales, we expect to incur significant operating losses over the next several years. We have never been profitable, and may never become profitable. Through March 31, 2004, we have incurred aggregate net losses of $5,264,927.

We will need to raise funds in the next twelve months, and our current capital structure may make us less attractive to investors.

During the next twelve months we will need to raise additional capital to obtain FDA approval for any of our products. If we engage in acquisitions of companies, products, or technology in order to execute our business strategy, we may need to raise additional capital. We may be required to raise additional capital in the future through collaborative agreements, private financings, and various other equity or debt financings. Our capital structure is fairly complex, due largely to the fact that we have issued warrants to purchase up to 10,461,943 shares of our common stock and we may redeem 8,094,829 of these such warrants for $0.01 per share under certain circumstances (for a full summary of the terms of such warrants, see "Description of Securities"). Considering our stage of development and the nature of our capital structure, if we are required to raise additional capital in the future, the additional financing may not be available on favorable terms, or at all. If we are successful in raising additional capital, a substantial number of additional shares will be outstanding and would dilute the ownership interest of our investors.

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

None of our product candidates have received regulatory approval from the FDA or from any similar national regulatory agency or authority in any other country in which we intend to do business. Approval from the FDA is necessary to manufacture and market pharmaceutical products in the United States. Many other countries including major European countries and Japan have similar requirements.

We intend to file a 510(k) for Cumulase and an NDA for Enhanze SC . The processes for obtaining FDA approval are extensive, time-consuming and costly, and there is no guarantee that the FDA will approve any of the 510(k)s or NDAs that we intend to file with respect to any of our product candidates, or that the timing of any such approval will be appropriate for our product launch schedule and other business priorities, which are subject to change. We have not currently begun the 510(k), NDA or any other regulatory approval process for any of our potential products, and we may not be successful in obtaining such approvals for any of our potential products.

If we are unsuccessful in our clinical trials, we will not receive regulatory approvals for our product candidates.

Clinical testing of pharmaceutical products is also a long, expensive and uncertain process. Even if initial results of preclinical studies or clinical trial results are positive, we may obtain different results in later stages of drug development, including failure to show desired safety and efficacy.

The clinical trials of any of our product candidates could be unsuccessful, which would prevent us from obtaining regulatory approval and commercializing the product. FDA approval can be delayed, limited or not granted for many reasons, including, among others:

- FDA officials may not find a product candidate safe or effective to merit an approval;
- FDA officials may not find that the data from preclinical testing and clinical trials justifies approval, or they may require additional studies that would make it commercially unattractive to continue pursuit of approval;
- the FDA may not approve our manufacturing processes or facilities, or the processes or facilities of our contract manufacturers or raw material suppliers;
- the FDA may change its approval policies or adopt new regulations; and

- the FDA may approve a product candidate for indications that are narrow or under conditions that place our product at a competitive disadvantage, which may limit our sales and marketing activities or otherwise adversely impact the commercial potential of a product.

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

In addition, we intend to market certain of our products, and perhaps have certain of our products manufactured, in foreign countries. The process of obtaining approvals in foreign countries is subject to delay and failure for similar reasons.

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

A number of factors may affect the market acceptance of any of our existing products or any other products we develop or acquire in the future, including, among others:

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

We have never successfully marketed any products, and we may not be successful in marketing and promoting our existing product candidates or any other products we develop or acquire in the future.

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

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

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

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

If we have problems with our sole contract manufacturer, our product development and commercialization efforts for our product candidates could be delayed or stopped.

We have signed an agreement with Avid Bioservices Incorporated, a contract manufacturing organization, to produce bulk recombinant enzyme product for clinical use. Our contract manufacturer will produce the active pharmaceutical ingredient under current good manufacturing practices for commercial scale validation and will provide support for chemistry, manufacturing and controls sections for FDA regulatory filings. We have not established and may not be able to establish arrangements with additional manufacturers for these ingredients or products should the existing supplies become unavailable or in the event that our sole contract manufacturer is unable to adequately perform its responsibilities. Difficulties in our relationship with our manufacturer or delays or interruptions in such manufacturer s supply of its requirements could limit or stop our ability to provide sufficient quantities of our products, on a timely basis, for clinical trials and, if our products are approved, could limit or stop commercial sales, which would have a material adverse effect on our business and financial condition.

Our inability to retain key management and scientific personnel could negatively affect our business.

Our success depends on the performance of key management and scientific employees with biotech experience. Given our small staff size and programs currently under development, we depend substantially on our ability to hire, train, retain and motivate high quality personnel, especially our scientists and management team in this field. If we were to lose either Jonathan Lim, our chief executive officer, or Gregory Frost, our chief scientific officer, then we would likely lose some portion of our institutional knowledge and technical know-how, potentially causing a substantial delay in one or more of our development programs until adequate replacement personnel could be hired and trained. For example, Dr. Frost has been with our Company from soon after its inception, and he possesses a substantial amount of knowledge about our development efforts. If we were to lose his services, we would experience delays in meeting our product development schedules. We have not entered into employment agreements with any of our employees or officers, including Dr. Lim and Dr. Frost. We do not have key man life insurance policies on the lives of any of our employees, including Dr. Lim and Dr. Frost.

Future sales of shares of our common stock, including sales of shares following the registration of shares we issued in our most recent financing, may negatively affect our stock price.

As a result of our recent private financing transaction, the private investors received approximately 19.0 million shares of common stock. The shares of common stock issued in connection with this financing transaction represent approximately 48% of our outstanding common stock. In connection with the financing transaction, we also issued warrants to the private investors that are exercisable for the purchase of up to an aggregate of 10.5 million shares of common stock based upon a purchase price ranging from $0.77 to $1.75 per share. The exercise of these warrants could result in significant dilution to stockholders at the time of exercise.

This registration statement covers the shares issued to the private investors and issuable upon exercise of the warrants. In the future, we may issue additional options, warrants or other derivative securities convertible into Halozyme common stock.

Sales of substantial amounts of shares of our common stock, or even the potential for such sales, could lower the market price of our common stock and impair the Company s ability to raise capital through the sale of equity securities.

Our stock price is subject to significant volatility.

Our stock price is subject to significant volatility. The following factors, in addition to other risks and uncertainties described in this section and elsewhere in this report, may cause the market price of our common stock to fall. We participate in a highly dynamic industry, which often results in significant volatility in the market price of common stock irrespective of company performance. As a result, our high and low stock prices for the last twelve months are $4.75 and $0.02, respectively. Fluctuations in the price of our common stock may be exacerbated by conditions in the healthcare and technology industry segments or conditions in the financial markets generally.

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

The merger between Global and Halozyme was concluded on March 11, 2004. On March 12, 2004, our common stock began trading. Since then, trading volume has been limited with an average daily volume of 35,000 shares. By contrast, we are registering 29,508,664 shares with this registration statement which represents a substantial portion of our current outstanding shares. If limited trading in our stock continues, it may be difficult for investors to sell their shares in the public market at any given time at prevailing prices.

Short selling common stock by selling security holders may drive down the market price of our stock.

Any selling security holders who holds warrants may sell shares of our common stock on the market before exercising the warrant. The stock is usually offered at or below market since the warrant holders receive stock at a discount to market. Once the sale is completed the holders exercise a like dollar amount of shares. If the stock sale lowered the market price, upon exercise, the holders would receive a greater number of shares then they would have absent the short sale. This pattern may result in a reduction of our common stock s market price.

Our common stock is deemed to be penny stock by the Securities and Exchange Commission, which subjects its sale to certain rules and limitations.

Shares of our common stock are penny stocks as defined in the Securities Exchange Act of 1934, as amended (the Exchange Act), which are traded in the over-the-counter market on the over-the-counter bulletin board. As a result, investors may find it more difficult to dispose of or obtain accurate quotations as to the price of the shares of the common stock being registered hereby. In addition, the penny stock rules adopted by the Securities and Exchange Commission under the Exchange Act subject the sale of the shares of our common stock to certain regulations which impose sales practice requirements on broker/dealers. For example, brokers/dealers selling such securities must, prior to effecting the transaction, provide their customers with a document that discloses the risks of investing in such securities. Included in these documents are the following:

- the bid and offer price quotes in and for the penny stock , and the number of shares to which the quoted prices apply;
- the brokerage firm s compensation for the trade; and
- the compensation received by the brokerage firm s sales person for the trade.

In addition, the brokerage firm must send the investor:

- a monthly account statement that gives an estimate of the value of each penny stock in the investor s account and
- a written statement of the investor s financial situation and investment goals.

Legal remedies, which may be available to you as an investor in penny stocks , are as follows:

- if penny stock is sold to you in violation of your rights listed above, or other federal or state securities laws, you may be able to cancel your purchase and get your money back;
- if the stocks are sold in a fraudulent manner, you may be able to sue the persons and firms that committed the fraud for damages; or
- if you have signed an arbitration agreement, however, you may have to pursue your claim through arbitration. If the person purchasing the securities is someone other than an accredited investor or an established customer of the broker/dealer, the broker/dealer must also approve the potential customer s account by obtaining information concerning the customer s financial situation, investment experience and investment objectives. The broker/dealer must also make a determination whether the transaction is suitable for the customer and whether the customer has sufficient knowledge and experience in financial matters to be reasonably expected to be capable of evaluating the risk of transactions in such securities. Accordingly, the Securities and Exchange Commission s rules may limit the number of potential purchasers of the shares of our common stock. Resale restrictions on transferring penny stocks are sometimes imposed by some states, which may make transaction in our stock more difficult and may reduce the value of the investment. Various state securities laws pose restrictions on transferring penny stocks and as a result, investors in our common stock may have the ability to sell their shares of our common stock impaired.

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

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

- we may have to issue convertible debt or equity securities to complete an acquisition, which would dilute our stockholders and could adversely affect the market price of our common stock;
- an acquisition may negatively impact our results of operations because it may require us to incur large one-time charges to earnings, amortize or write down amounts related to goodwill and other intangible assets, or incur or assume substantial debt or liabilities, or it may cause adverse tax consequences, substantial depreciation or deferred compensation charges;
- we may encounter difficulties in assimilating and integrating the business, technologies, products, personnel or operations of companies that we acquire;
- certain acquisitions may disrupt our relationship with existing customers who are competitive to the acquired business;

- acquisitions may require significant capital infusions and the acquired businesses, products or technologies may not generate sufficient revenue to offset acquisition costs;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- acquisitions may involve the entry into a geographic or business market in which we have little or no prior experience; and
- key personnel of an acquired company may decide not to work for us.

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

Risks Related To Our Industry

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

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

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

We are dependent on receiving FDA and other governmental approvals prior to manufacturing, marketing and shipping our products. Consequently, there is always a risk that the FDA or other applicable governmental authorities will not approve our products, or will take post-approval action limiting or revoking our ability to sell our products, or that the rate, timing and cost of such approvals will adversely affect our product introduction plans or results of operations.

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

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

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

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

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

We currently own or license several U.S. and foreign patents and also have pending patent applications. There can be no assurance that our existing patents, or any patents issued to us as a result of such applications, will provide a basis for commercially viable products, will provide us with any competitive advantages, or will not face third-party challenges or be the subject of further proceedings limiting their scope or enforceability.

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

In addition to protecting our own intellectual property rights, third parties may assert patent, trademark or copyright infringement or other intellectual property claims against us based on what they believe are their own intellectual property rights. While we have not ever been and are currently not involved in any litigation, in the event we become involved, we may be required to pay substantial damages, including but not limited to treble damages, for past infringement if it is ultimately determined that our products infringe a third party s intellectual property rights. Even if infringement claims against us are without merit, defending a lawsuit takes significant time, may be expensive and may divert management s attention from other business concerns. Further, we may be stopped from developing, manufacturing or selling our products until we obtain a license from the owner of the relevant technology or other intellectual property rights. If such a license is available at all, it may require us to pay substantial royalties or other fees.

If third-party reimbursement is not available, our products may not be accepted in the market.

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

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

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

We have numerous competitors in the United States and abroad, including, among others, major pharmaceutical and specialized biotechnology firms, universities and other research institutions that may be developing competing products. Such competitors may include Sigma-Aldrich Corporation, ISTA Pharmaceuticals, Inc. (ISTA), and Allergan, Inc., among others. These competitors may develop technologies and products that are more effective or less costly than our current or future product candidates or that could render our technologies and product candidates obsolete or noncompetitive. Many of these competitors have substantially more resources and product development, manufacturing and marketing experience and capabilities than we do. In addition, many of our competitors have significantly greater experience than we do in undertaking preclinical testing and clinical tria ls of pharmaceutical product candidates and obtaining FDA and other regulatory approvals of products and therapies for use in healthcare. In particular, ISTA is developing ovine derived hyaluronidase (Vitrase) for intraocular use, and is also being tested for peribulbar block. On May 6, 2004, the FDA approved ISTA s Vitrase for use as a spreading agent, the same indication we plan to seek for Enhanze SC .

We are exposed to product liability claims, and insurance against these claims may not be available to us on reasonable terms or at all.

We might incur substantial liability in connection with clinical trials or the sale of our products. Product liability insurance is expensive and in the future may not be available on commercially acceptable terms, or at all. We do not currently carry product liability insurance, although we plan to acquire it within the next 12 months. A successful claim or claims brought against us in excess of our insurance coverage could materially harm our business and financial condition.

Cautionary Statement Regarding Forward-Looking Statements

Some statements in this prospectus contain certain forward-looking statements of management of Halozyme. Forward-looking statements are statements that estimate the happening of future events and are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as may, shall, could, expect, estimate, anticipate, predict, probable, possible, should, similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guarantee, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. We cannot guarantee that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

USE OF PROCEEDS

We will not receive proceeds from the sale of shares under this prospectus, but we did receive consideration from the selling security holders at the time they purchased the shares. We may receive proceeds from the exercise price of the warrants if they are exercised by the selling security holders. Assuming the exercise of all the selling security holders warrants, we would receive gross proceeds of approximately $15,980,817. The weighted average exercise price of the warrants is $1.53 per share. We intend to use any proceeds from exercise of the warrants for working capital and general corporate purposes.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Halozyme s common stock is quoted on the OTC Bulletin Board under the symbol HZYM. Our common stock has been traded on the OTC Bulletin Board since March 12, 2004. Prior to that date, our common stock was not actively traded in the public market and it traded under the symbol GYHT representing Global Yacht Services, Inc. For the periods indicated, the following table sets forth the high and low bid prices per share of common stock. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

Fiscal Year 2004	**High Bid**	**Low Bid**
First Quarter	$4.75	$0.02

Fiscal Year 2003	**High Bid**	**Low Bid**
First Quarter	n/a	n/a
Second Quarter	$0.12	$0.05
Third Quarter	$0.10	$0.05
Fourth Quarter	$0.10	$0.02

Fiscal Year 2002	**High Bid**	**Low Bid**
First Quarter	n/a	n/a
Second Quarter	n/a	n/a
Third Quarter	n/a	n/a
Fourth Quarter	n/a	n/a

Trades of our common stock are subject to Rule 15g-9 of the Securities and Exchange Commission, which rule imposes certain requirements on broker/dealers who sell securities subject to the rule to persons other than established customers and accredited investors. For transactions covered by the rule, brokers/dealers must make a special suitability determination for purchasers of the securities and receive the purchaser s written agreement to the transaction prior to sale. The Securities and Exchange Commission also has rules that regulate broker/dealer practices in connection with transactions in penny stocks . Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in that security is provided by the exchange or system). The penny stock rules require a broker/dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the Commission that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer s account. The bid and offer quotations, and the broker/dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer s confirmation. These disclosure requirements have the effect of reducing the level of trading activity in the secondary market for our common stock. As a result of these rules, investors may find it difficult to sell their shares.

Holders

As of March 31, 2004, there were approximately 120 record owners of Halozyme s common stock.

Dividends

We have never paid cash dividends and have no plans to do so in the foreseeable future. Our future dividend policy will be determined by our Board of Directors and will depend upon a number of factors, including our financial condition and performance, our cash needs and expansion plans, income tax consequences, and the restrictions that applicable laws and our credit arrangements then impose.

DILUTION

We are not selling any common stock in this offering. The selling security holders are current stockholders of Halozyme. As such, there is no dilution resulting from the common stock to be sold in this offering.

MANAGEMENT S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

You should read the following discussion and analysis together with Summary Financial Data and the financial statements and related notes included elsewhere in this prospectus. This discussion may contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in any forward-looking statements as a result of many factors, including those set forth under Risk Factors and elsewhere in this prospectus.

Halozyme s Results of Operations for the three months ended March 31, 2004 and 2003.

Revenues - Halozyme has generated no revenues since its inception on February 26, 1998.

Research and Development Our investment in research and development increased substantially in the first quarter of 2004 to $697,000 versus $206,000 in the first quarter of 2003. This increase was primarily due to the hiring of additional research and development personnel and contract manufacturer costs for development and production of our rHuPH20 enzyme for clinical use. We expect research and development costs to continue to increase in future periods as we increase our research efforts and continue to develop and manufacture our first two products.

General and Administrative Our general and administrative expenses were $511,000 in the first quarter of 2004 versus $46,000 in the first quarter of 2003. This increase was primarily due to the hiring of additional administrative personnel and the increased legal and accounting fees associated with becoming a public reporting entity. We anticipate that compliance with provisions of the Sarbanes-Oxley Act of 2002, including Section 404 relating to audits of our internal controls, will increase our general and administrative costs in future periods.

Other Income and Expense We earned $7,000 in interest income during the first quarter of 2004 versus $20,000 in interest expense during the first quarter of 2003. The increase in interest income was due to an increase in cash and cash equivalents resulting from the completion of an $8.1 million capital investment during January, 2004. The interest expense during the 2003 quarter was due to interest expense on outstanding notes payable. Other income and expense also includes $84,000 of liabilities assumed as a result of the Merger.

Net Loss Net loss for the first quarter of 2004 was $1,284,000, or $0.08 per common share, compared to $272,000, or $0.03 per common share for the first quarter of 2003. The increase in net loss was due to an increase in operating expenses, reflecting our increased research and development efforts and additional personnel.

Liquidity and Capital Resources Net cash used in operations was $879,000 during the first quarter of 2004 versus $358,000 of cash used in operations during the first quarter of 2003. This increase was due to an increase in personnel and our increased research and development efforts.

Net cash used in investing activities was $42,000 during the first quarter of 2004. This was due to the purchase of property and equipment during the quarter. No cash was used in investing activities during the first quarter of 2003.

Net cash provided by financing activities was $7,870,000 during the first quarter of 2004 versus $434,000 during the first quarter of 2003. In January, 2004, we sold common stock for approximately $8,057,000, or $7,670,000 net of issuance costs. Additionally, we received approximately $200,000 in proceeds from stock option and warrant exercises during the first quarter of 2004. During the first quarter of 2003, we received $434,000 from the issuance of notes and the related accrued interest on those notes.

We have net operating loss carryforwards of approximately $4 million for federal income tax purposes which begin to expire in 2018. The Tax Reform Act of 1986 contains provisions that limit the amount of federal net operating loss carryforwards that can be used in any given year in the event of specified occurrences, including significant ownership changes. If these specified events occur, or are deemed to have occurred, we may lose some or all of the tax benefits of these carryforwards. We believe that it is likely that there have been ownership changes as defined in Internal Revenue Code Section 382 during this period of losses, and therefore a tax value computation is required to determine the applicable annual limitation applied to the utilization of the net operating loss carryforwards. While we do not believe that the limitations, if any, would impair our ability to use our net operating losses, the extent of such limitations has not yet been determined. A valuation allowance has been recognized for the full amount of the deferred tax asset created by these carryforwards.

In the near term, we intend to use our cash on hand to support our ongoing operating and financing requirements, such as ongoing research and development efforts, expansion of our manufacturing capabilities, and capital expenditures, as well as to meet our working capital requirements.

Our long-term liquidity will depend on our ability to commercialize our first two products, Cumulase and Enhanze SC , and may require us to raise additional funds through public or private financing, bank loans, collaborative relationships or other arrangements. We can give no assurance that such additional funding will be available on terms attractive to us, or at all. We have concluded the old business of Global.

Halozyme's Results of Operations - for the years ended December 31, 2003 and 2002.

Revenue. Halozyme has generated no revenues since its inception on February 26, 1998.

Research and Development. For the year ended December 31, 2003, Halozyme had research and development expenses of $1.1 million compared to $0.8 million for the year ended December 31, 2002, an increase of approximately $0.3 million. The majority of this increase was due to the hiring of additional research and development personnel, facilities costs, and the use of outside services as the Company increased its research and development efforts and began production of its PH20 enzyme for clinical use.

General and Administrative. For the year ended December 31, 2003, Halozyme had general and administrative expenses of $0.6 million compared to $0.4 million for the year ended December 31, 2003, an increase of $0.2 million This increase was due to increased personnel and related expenses.

Other Income and Expense. For the year ended December 31, 2003, Halozyme had other expenses of $0.4 million compared to $19,000 in other income for the year ended December 31, 2002. This increase in other expense was primarily due to interest expense on notes payable and interest expense due to the beneficial conversion feature on notes issued in 2003.

Net Loss. For the year ended December 31, 2003, Halozyme's net loss was $2.1 million compared to $1.1 million for the year ended December 31, 2002. The increase in net loss was due to an increase in operating expenses, reflecting Halozyme's increased research and development efforts and additional personnel.

Global's Results of Operations - for the years ended December 31, 2003 and 2002.

Revenue. For the year ended December 31, 2003, Global realized revenues of $25,705 compared to $87,769 for the year ended December 31, 2002. The decrease in revenues was due to a decrease in yacht rentals, charters and management services compared to 2002. Cost of revenues for the year ended December 31, 2003 was $27,003 compared to $74,674 for the year ended December 31, 2002. Gross profit for the year ended December 31, 2003 was negative $1,298, compared to $13,095 for the year ended December 31, 2002. Because Global decreased the scope and volume of its operations and was preparing for its Merger with Halozyme, Global had lower revenues, costs of revenues and gross profit for the year ended December 31, 2003 compared to the year ended December 31, 2002.

Operating Expenses. For the year ended December 31, 2003, Global had total operating expenses of $77,793 compared to $78,358 for the year ended December 31, 2002. For the year ended December 31, 2003, the majority of those expenses were represented by legal and professional fees of $59,860 as Global incurred significant legal expenses to prepare for the merger with Halozyme.

Net Loss. For the year ended December 31, 2003, Global had a net loss of $79,091 compared to $65,263 for the year ended December 31, 2002. The increase in net loss was due to lower revenues in 2003 compared to 2002 while expenses did not materially change.

Liquidity and Capital Resources. Global had cash and total assets of $47,517 as at December 31, 2003. As previously discussed in the Prospectus Summary section, Global consummated its merger with Halozyme on March 11, 2004. On that date, Halozyme had cash and cash equivalents of approximately $7.6 million. We believe that Halozyme's current available cash is sufficient to fund operations for the balance of 2004.

Halozyme s Plan of Operation for the Next Twelve Months.

As previously mentioned, Global merged with Halozyme on March 11, 2004. The old business of Global has ceased to operate. Global s board and management have resigned and Halozyme s board and management have assumed operational control of the new entity with Halozyme as the accounting acquirer. In management s opinion, to achieve our business plan in the next twelve months, Halozyme will strive to attain the following milestones:

- *Cumulase :* We have already completed our milestone of securing worldwide non-exclusive distribution agreements for our Cumulase product. In connection with these recently concluded distribution agreements, we anticipate filing a 510(k) application in the fourth quarter of this year. If we receive FDA clearance, we could launch this product by the end of the fourth quarter of 2004.
- *Enhanze SC :* We are currently in discussions with a potential sales and marketing partner for our Enhanze SC product. Our objective is to finalize these discussions in the third quarter of 2004. We envision that such a partnership may allow the Company to retain all the intellectual property, clinical development and manufacturing rights, while the partner would contribute sales and marketing efforts to sell the product in selected markets. Currently, we are in the process of producing our registration batches and plan on filing a NDA in the first quarter of 2005 for this product, assuming we satisfy the appropriate regulatory requirements.
- *Chemophase :* We are currently in pre-clinical development with our Chemophase product. Our objective is to complete this work by the end of the first quarter of 2005 and file an IND by the end of the second quarter of 2005, assuming we satisfy the appropriate regulatory requirements.

In addition, we believe we have sufficient cash on hand to achieve the following milestones described above: (1) filing our 510(k) application for Cumulase and launching the product by the end of 2004, (2) securing a sales and marketing partner and filing an NDA in the first quarter of 2005 for our Enhanze SC product, (3) and completing the pre-clinical work for our Chemophase product. We will require additional capital in order to launch Enhanze SC , if approved, and file an IND for Chemophase .

Our research and development expenses consist primarily of costs associated with the development and manufacturing of our product candidates, compensation and other expenses for research and development personnel, supplies and materials, costs for consultants and related contract research, facility costs, amortization and depreciation. We charge all research and development expenses to operations as they are incurred. Our research and development activities are primarily focused on the development of our Cumulase and Enhanze SC product candidates which are both based on our recombinant human PH20 (rHuPH20) enzyme, a human synthetic version of hylauronidase. We are also developing Chemophase , which is also based on our recombinant PH20, enzyme, and are currently conducting preclinical studies in animal models.

Since our inception through March 31, 2004, we incurred research and development costs of $3.1 million. From January 1, 2002 through March 31, 2004, approximately 90% of our research and development costs were associated with the research and development of our recombinant human PH20 enzyme used in our Cumulase and Enhanze SC product candidates. Due to the uncertainty in obtaining FDA approval, our reliance on third parties, and competitive pressures, we are unable to estimate with any certainty the additional costs we will incur in the continued development of our Cumulase , Enhanze SC , and Chemophase product candidates for commercialization. However, we expect our research and development costs to increase substantially if we are able to advance our product candidates into later stages of clinical development.

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

Product candidate completion dates and costs vary significantly for each product candidate and are difficult to estimate. The lengthy process of seeking regulatory approvals, and the subsequent compliance with applicable regulations, require the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could cause our research and development expenditures to increase and, in turn, have a material adverse effect on our results of operations. While we anticipate filing a 510(k) for our Cumulase product in the fourth quarter of 2004, a NDA for our Enhance SC product in the first quarter of 2005, and an IND for our Chemophase product in the second quarter of 2005, we cannot be certain when or if any net cash inflow from these products or any of our other development projects will commence.

After giving effect to the Merger, substantial additional capital will be required to implement our business plan. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders will be reduced, stockholders may experience additional dilution and such securities may have rights, preferences and privileges senior to those of our common stock. There can be no assurance that additional financing will be available on terms favorable to us or at all. If adequate funds are not available or are not available

on acceptable terms, we may not be able to fund expansion, take advantage of unanticipated acquisition opportunities, develop or enhance services or products or respond to competitive pressures. Such inability could materially harm our business, results of operations and financial condition.

Off-Balance Sheet Arrangements. We do not have any off-balance sheet arrangements.

DESCRIPTION OF BUSINESS

Our Business Development

Halozyme Therapeutics, Inc. is a Nevada corporation, which was originally formed on February 21, 2001 under the name Global Yacht Services, Inc. Effective March 11, 2004, pursuant to the Agreement and Plan of Merger (the Merger Agreement), dated as of January 28, 2004, among privately held DeliaTroph Pharmaceuticals, Inc. dba Hyalozyme Therapeutics, Inc. (Halozyme), Global Yacht Services, Inc. (Global) and Hyalozyme Acquisition Corporation (Merger Sub), a wholly owned subsidiary of Global, the Merger Sub merged with and into Halozyme, with Halozyme remaining as the accounting acuquirer and surviving corporation (the Merger).

Although Global acquired Halozyme as a result of the Merger, the stockholders of Halozyme hold a majority of the voting interest in the combined enterprise. Immediately prior to the Merger, Halozyme had 119 stockholders. Additionally, the Merger resulted in Halozyme s management and Board of Directors assuming operational control of Global.

The following lists a summary of the structure of the Merger and matters completed in connection therewith:

- On January 28, 2004, pursuant to an investment round completed simultaneously with the signing of the Merger Agreement, Halozyme raised equity capital of approximately $8.1 million.
- The shareholders of Global amended and restated Global s Articles of Incorporation to change Global s corporate name to Halozyme Therapeutics, Inc., increased the authorized number of shares of common stock to 100 million, and authorized 20 million shares of preferred stock.
- Global issued 35,521,906 shares of its restricted common stock, 6,380,397 options and 11,742,665 warrants to purchase shares of its common stock to the stockholders of Halozyme in exchange for 100% of their issued and outstanding common stock, options and warrants to purchase Halozyme s common stock.
- A total of 4,296,362 shares of Global s outstanding common stock were redeemed by Global from three stockholders in exchange for $42,303, or approximately $0.01 per share.
- At the conclusion of the Merger, Global s stockholders owned approximately 10% of the issued and outstanding shares of Halozyme s common stock, based on 39,421,906 shares outstanding after the Merger.

The Merger Agreement may be found at Exhibit A to Global s definitive Schedule 14C Information Statement, as filed with the Securities and Exchange Commission on February 17, 2004.

Our Business prior to the Merger.

Global s revenues were derived from yacht rentals and charters as well as management services, which included providing routine maintenance, repairs and electronics installation to its customers yachts. Regular maintenance includes services such as exterior and interior cleaning, bottom cleaning, waxing, and zinc replacement.

Our Business following the Merger.

General

Halozyme was founded on February 26, 1998. We are a development stage biopharmaceutical company dedicated to the development and planned commercialization of recombinant human enzymes for the infertility, ophthalmology, and oncology communities. Our products under development are based on intellectual property covering the family of human enzymes known as hyaluronidases. Hyaluronidases are enzymes (proteins), which break down hyaluronic acid, which is a naturally occurring substance in the human body. Currently, we have no products and all of our potential products are either in the discovery, pre-clinical, pre-NDA or pre-510(k) stage. It may be years, if ever, before we are able to obtain the necessary regulatory approvals necessary to generate meaningful revenue from the sale of these potential products. In addition, we have never generated any revenue; have had operating and net losses each year since inception; and our auditors have raised substantial doubt that we will have the ability to continue as a going concern. We have accumulated a deficit of $5,264,927 from inception through March 31, 2004.

Technology

Our technology is based on recombinant human PH20 (rHuPH20), a human synthetic version of hyaluronidase that degrades hyaluronic acid, a space-filling gel -like substance that is a major component of tissues throughout the body, such as skin and cartilage. The PH20 enzyme is a naturally occurring enzyme that digests hyaluronic acid to temporarily break down the gel, thereby facilitating the penetration and diffusion of other drugs that are injected in the skin or in the muscle.

Bovine and ovine derived hyaluronidases have been used in multiple therapeutic areas, including in vitro fertilization and ophthalmology, where a FDA-approved bovine version was used as a drug delivery agent to enhance dispersion of local anesthesia for cataract surgery for over 50 years. Despite the multiple potential therapeutic applications for hyaluronidase, there are problems with existing and potential animal derived product offerings, including:

- *Impurity:* Most such commercial enzyme preparations are crude extracts from cattle testes and are typically less than 1-5% pure.
- *Prion disease:* Cattle testes are an organ with the highest concentration of hyaluronidase, but also with the highest levels of a protein implicated in the development of neurodegenerative disorders associated with prion disease, such as Mad Cow Disease.
- *Immunogenicity:* Hyaluronidases can also be found in bacteria, leeches, certain venoms, and marine organisms. Very few companies are pursuing clinical development of any of these enzymes. Regardless, all such preparations are non-human, and are therefore likely to elicit potent immune reactions, possess endotoxin, or have some of the same defects as slaughterhouse derivations.

There have been successes in replacing animal product derived drugs with human recombinant biologics, as in the case of insulin, Pulmozyme and human growth hormone. Our objective is to execute this recombinant human enzyme replacement strategy by applying our products under development to key markets in multiple therapeutic areas, beginning with in-vitro fertilization (IVF) and ophthalmology.

As an alternative to the existing animal product derived drugs, our proprietary technology, as evidenced by our exclusive license with the University of Connecticut of the patent covering the DNA sequence which encodes human hyaluronidase, may both expand existing markets and create new ones. Gaps in existing hyaluronidase offerings may create demand for our solution, and provide opportunities to capture market share.

Strategy

We are pursuing a recombinant human enzyme replacement strategy to replace animal- derived hyaluronidase enzymes currently on the market. Our objective is to develop and commercialize our first enzyme, recombinant human hyaluronidase (rHuPH20), as a medical device, drug enhancement agent, and therapeutic biologic. Key aspects of our corporate strategy include the following:

- Obtain regulatory approval of our developmental product, Cumulase as a medical device;
- If approved, commercialize Cumulase through our distributors;
- File an NDA for our developmental product, Enhanze SC ;
- Establish a sales and marketing partnership for Enhanze SC .

See the Halozyme s Plan of Operation for the Next Twelve Months section within the Management s Discussion and Analysis and Plan of Operation section of this prospectus for a more detailed discussion of our corporate strategy.

Product Development Programs

We have six product candidates targeting multiple indications in various stages of development. The following table summarizes our lead clinical product and pipeline candidates:

Product	Indication	Development Status
Cumulase	In-vitro fertilization	Pre-510(k)
Enhanze SC	Spreading factor for anesthesia	Pre-NDA
Chemophase	Chemoadjuvant for solid tumors	Pre-clinical
HTI-101	Inflammation, lysosomal storage disorders	Discovery
HTI-201	Inflammation, Oncology	Discovery
HTI-401	Central nervous system trauma and disorders, wound healing	Discovery

Cumulase

Cumulase is an ex vivo (used outside of the body) formulation of rHuPH20 to replace the bovine enzyme currently used for the preparation of oocytes (eggs) prior to IVF during the process of intracytoplasmic sperm injection (ICSI), in which the enzyme is an essential component. The enzyme strips away the hyaluronic acid that surrounds the oocyte. This allows the clinician to then perform the ICSI procedure, injecting the sperm into the oocyte. The FDA considers hyaluronidase IVF products to be medical devices subject to 510(k) approval, and because a 510(k) approval would not require extensive clinical trials, we have a unique opportunity to potentially bring rHuPH20 technology to market as early as 2004. The total Cumulase market consists of an estimated 500,000 intracytoplasmic sperm injection cycles worldwide in 2004 (Source: CDC, 2001; ESHRE, 2002).

Enhanze SC

Enhanze SC is a local formulation of rHuPH20 to replace Wydase®, Wyeth s discontinued bovine enzyme previously used for over 50 years as a drug delivery agent to enhance dispersion of local anesthesia for ophthalmic surgery, particularly in cataract surgery. We plan to submit a New Drug Application (NDA) in the first quarter of 2005. The market consists of approximately 6.4 million local anesthesia procedures (or 45% of the 14.2 million total estimated cataract surgery procedures) worldwide in 2004 (Source: Medtech Insight, 2002; Marketscope, 2001; Review of Ophthalmology, 2003). Our NDA may facilitate approval for multiple additional indications, including other types of surgery requiring local anesthesia, such as cosmetic surgery.

Enhanze SC may also facilitate the penetration and dispersion of other drugs by temporarily opening flow channels under the skin. Molecules as large as 200 nanometers may pass freely through the perforated extracellular matrix which recovers its normal density within 24 hours, leading to a drug delivery platform which does not permanently alter the architecture of the skin. Halozyme intends to seek partnerships with pharmaceutical companies that market drugs requiring injection via the subcutaneous or intramuscular routes that could benefit from this technology.

Local anesthesia and other small molecule drugs: A natural extension of Enhanze SC would be applying this technology, used as a spreading factor for local anesthetics around the eye, to other areas of the body. For example, lidocaine and bupivacaine are administered for most minor surgical operations requiring local anesthesia.

Subcutaneous Fluid Replacement (SFR): Our Enhanze SC may also facilitate a procedure known as hypodermoclysis, which allows subcutaneous delivery of fluids up to 1 liter without the need for intravenous access. Importantly, fluid replacement in terminal patients may be achieved without the need for nursing assistance. This was an approved indication of Wydase®. Over 1.1 million SFR infusions are performed per year with hospice patients alone (Source: Company estimates based on National Hospice and Palliative Care Organization data, 2001). However, over 500 million infusion bags are utilized annually in the United States alone, many of which could potentially convert to SFR using

Enhanze Technology, creating a significant potential market opportunity (Source: B. Braun, 2003).

Chemophase

Enhanze Technology may also be utilized in a high unit, intravenous or local formulation to deliver chemotherapy to previously chemorefractory tumors in patients with brain, breast, head and neck, colon, lung, and other malignancies that accumulate hyaluronic acid. Bovine material has shown activity in clinical trials with pediatric brain tumors. We have a material transfer agreement with the research group that ran these trials. The market for cancer biologics, such as Herceptin for breast cancer and Rituxan for Non-Hodgkin s Lymphoma, was $6.7 billion in 2001 (as reported by Freedonia, 2003).

HTI-101

Our HTI-101 discovery program is focused on the development of new clinical applications for our second patented enzyme. We intend to leverage our knowledge of this family of enzymes to develop new indications for HTI-101 in the fields of inflammation and lysosomal storage diseases.

HTI-201

We have a patented discovery program surrounding another enzyme for use in inflammation and oncology. We intend to leverage our recombinant protein expression capacity to develop this technology.

HTI-401

HTI-401 is a fourth patented enzyme in our portfolio that has unique substrate specificity. We intend to develop manufacturing systems for HTI-401 to explore its use in CNS trauma and wound healing.

Collaborations

We have collaborations underway using our recombinant hyaluronidase technology for gene therapy delivery and for solid tumor chemosensitization. Our research collaboration with the Schering Plough Research Institute involves the testing of rHuPH20 hyaluronidase for enhanced gene therapy delivery. The research collaboration with the Ludwig Boltzmann Institute of Clinical Oncology in Vienna, Austria is exploring the effects of rHuPH20 on the sensitivity of tumor cells to chemotherapeutic agents. These programs are collaborative research programs supplying recombinant enzyme with partners that have expertise in relevant pre-clinical models or have drugs that may benefit from our Enhanze Technology programs.

Sales and Marketing

Cumulase

Our sales and marketing strategy in the IVF market will consist of a multi-channel approach that targets patients, clinicians, suppliers, and regulators. We will raise public awareness of the current risk of using animal-derived products in IVF applications among industry professionals and the general public through direct contact with target audiences, advertising in trade journals, presentations and booths at conferences and trade shows, mass mailings, Web initiatives, and brand-building efforts such as press releases and other public relations efforts. Direct contact could include communicating with key advocacy groups, meeting with FDA officials, and attending specialty conferences. We anticipate spending as much as $100,000 on these various programs during 2004.

One of the highest impact target audiences will be the Society for Assisted Reproductive Technology (SART), which is the leading organization of professionals dedicated to the practice of assisted reproductive technologies in the United States. The organization includes over 370 members, which represents over 95% of the ART clinics in the nation. We will use efficacy and safety data to recruit key thought leaders and practitioners from this organization to help promote the use of Cumulase over existing preparations.

There are approximately eight known suppliers of IVF reagents and media, including micromanipulation media that contain hyaluronidase preparations. All of these suppliers sell animal-derived enzymes, and would benefit greatly from having the opportunity to supply clinics with a human recombinant hyaluronidase. We are seeking to establish non-exclusive distribution agreements with a subset of these suppliers to serve the worldwide marketplace. As of April 19, 2004, we have signed three such worldwide distribution agreements with key suppliers serving this market. The agreements are with MediCult AS, a Denmark-based distributor with strengths in the European market, MidAtlantic Diagnostics, Inc., a New Jersey-based distributor with strengths in the North American market, and Cook Ob/Gyn Incorporated, an Indiana-based distributor with strengths in the worldwide market. These three agreements are non-exclusive distribution agreements, having five year terms with renewal options for an additional two or three years, and granting each of our distributors the right to purchase Cumulase from us and resell it to end users.

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Enhanze SC

We are seeking to establish a distribution agreement with a potential sales and marketing partner that may include a large, diversified medical products and pharmaceutical company, or a focused global ophthalmics company to help market and sell Enhanze SC .

Competition

Cumulase

A strong clinical selling point for Cumulase is that it may eliminate the risk of animal pathogens and toxicity inherent in slaughterhouse preparations. The competing enzymes are of animal origin, creating an opportunity for Halozyme to enter the market with a recombinant human enzyme replacement. The leading IVF suppliers are CooperSurgical, Irvine Scientific, MidAtlantic Diagnostics, and Cook Ob/Gyn (bovine products) in the US, and MediCult (ovine) and Vitrolife (bovine) outside the US.

Enhanze SC

Some commercial pharmacies now compound hyaluronidase preparations for institutions and physicians. However, there are several concerns with using an extemporaneously compounded sterile product. Compounded preparations are not FDA-approved products. Some compounding pharmacies do not test every batch of product for drug concentration, sterility, and lack of pyrogens. The American Academy of Ophthalmology therefore recommends that compounded ophthalmic products be used within 30 days of preparation to minimize bacterial overgrowth and drug decomposition. Another manufacturer, ISTA Pharmaceuticals, Inc. (ISTA), is developing ovine derived hyaluronidase (Vitrase) for intraocular use, and is also being tested for peribulbar block. On May 6, 2004, the FDA approved ISTA s Vitrase for use as a spreading agent, the same indication we plan to seek for Enhanze SC .

Patents and Proprietary Rights

Our intellectual property portfolio includes six recently issued and four pending composition of matter and utility patents encompassing all four of the clinically relevant human hyaluronidase enzymes. We believe our patent position surrounding recombinant human hyaluronidases and their methods of manufacture is a key barrier to entry. Patent protection from pending applications may extend the life of our intellectual property estate through 2024.

Development and Manufacturing

We have signed an agreement with Avid Bioservices, Inc. (Avid), a contract manufacturing organization, to produce bulk recombinant enzyme product for clinical use. Avid will manufacturer will produce the active pharmaceutical ingredient under commercial good manufacturing practices for commercial scale validation and will provide support for chemistry, manufacturing and controls sections for FDA regulatory filings. The value of the contract is approximately $1,500,000 and is payable as milestones are achieved over the term of the contract in 2004. We have not established and may not be able to establish arrangements with additional manufacturers for these ingredients or products should the existing supplies become unavailable or in the event that Avid is unable to adequately perform its responsibilities. Difficulties in our relationship with Avid or delays or interruptions in their supply of its requirements could limit or stop its ability to provide sufficient quantities of our products, on a timely basis, for clinical trials and, if our products are approved, could limit or stop commercial sales, which would have a material adverse effect on our business and financial condition.

Employees

At May 31, 2004, we had 14 full-time employees. Nine of our employees are involved in research and clinical development activities. Five employees hold Ph.D. or M.D. degrees. We anticipate hiring five to ten additional employees by the end of 2004.

Property

Our administrative offices and research facilities are located in San Diego, California. We lease approximately 5,700 square feet of office space for approximately $11,500 per month. The lease term expires on June 30, 2005. We believe the space is adequate for our immediate needs. Additional space may be required as we expand our research and development activities. We do not foresee any significant difficulties in obtaining any required additional facilities.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Jonathan E. Lim, MD (32), President & Chief Executive Officer and Chairman of the Board. Dr. Lim joined Halozyme in 2003. From 2001 to 2003, Dr. Lim was a management consultant at McKinsey & Company, where he specialized in the health care industry, serving a wide range of start-ups to Fortune 500 companies in the biopharmaceutical, medical products, and payor/provider segments. From 1999 to 2001, Dr. Lim was a recipient of a National Institutes of Health Postdoctoral Fellowship, during which time he conducted clinical outcomes research at Harvard Medical School. He has published articles in peer-reviewed medical journals such as the Annals of Surgery and the Journal of Refractive Surgery. Dr. Lim s prior experience also includes two years of clinical training in general surgery at the New York Hospital-Cornell Medical Center and Memorial Sloan-Kettering Cancer Center; Founder and President of a seed-stage health care company; Founding Editor-in-Chief of the McGill Journal of Medicine; and basic science and clinical research at the Salk Institute for Biological Studies and Massachusetts Eye and Ear Infirmary. Dr. Lim is currently a California-licensed physician and member of the strategic planning committee of the American Medical Association. He earned his BS with honors and MS degrees in molecular biology from Stanford University, his MD degree from McGill University, and his MPH degree in health care management from Harvard University.

Gregory I. Frost, PhD (32), Vice President & Chief Scientific Officer and Director. Dr. Frost joined Halozyme in 1999 and has spent more than ten years researching the hyaluronidase family of enzymes. From 1998 to 1999, he was a Senior Research Scientist at the Sidney Kimmel Cancer Center (SKCC), where he focused much of his work developing the hyaluronidase technology. Prior to SKCC, his research in the Department of Pathology at the University of California, San Francisco, led directly to the purification, cloning, and characterization of the human hyaluronidase gene family, and the discovery of several metabolic disorders. He has authored 13 scientific peer-reviewed and invited articles in the Hyaluronidase field and is an inventor on numerous patents. Frost s prior experience includes serv ing as a scientific consultant to a number of biopharmaceutical companies, including Q-Med (SE), Biophausia AB (SE), and Active Biotech (SE). Dr. Frost is registered to practice before the US Patent Trademark Office, and earned his BA in biochemistry and molecular biology from the University of California, Santa Cruz, and his PhD in the department of Pathology at the University of California, San Francisco, where he was an ARCS-Scholar.

David A. Ramsay, MBA (39), Vice President & Chief Financial Officer. Mr. Ramsay joined Halozyme in 2003 and brings 17 years of corporate financial experience spanning several industries. From 2000 to 2003, he was Vice President, Chief Financial Officer of Lathian Systems, a provider of technology-based sales solutions for the life sciences industry. Prior to Lathian, Mr. Ramsay was the Vice President, Treasurer of ICN Pharmaceuticals, a multinational, specialty pharmaceutical company. Mr. Ramsay joined ICN in 1998 from ARCO, where he spent four years in various financial roles, most recently serving as Manager of Financial Planning & Analysis for the company s 1,700-station West Coast Retail Marketing Network. Prior to ARCO, he served as Vice President, Controller for Securi ty Pacific Asian Bank, a subsidiary of Security Pacific Corporation. He began his career as a Senior Auditor (CPA) at Deloitte & Touche after graduating from the University of California, Berkeley with a BS degree in Business Administration. Mr. Ramsay earned his MBA degree with a dual major in Finance and Strategic Management from The Wharton School at the University of Pennsylvania.

Don A. Kennard (57), Vice President of Regulatory Affairs & Quality Assurance. Mr. Kennard joined Halozyme in 2004 and brings to Halozyme nearly 30 years of professional senior management experience in the fields of regulatory affairs (RA), clinical programs, and quality assurance (QA). He has worked directly with the U.S. Food and Drug Administration (FDA), as well as regulatory authorities of various foreign ministries of health, to secure registration, authorize commercialization, and successfully implement quality programs, for a broad range and extensive number of product approvals across pharmaceuticals, biologics, medical devices, and diagnostics. Prior to Halozyme, Mr. Kennard was Vice President of Worldwide RA/QA at Quidel, Inc., a manufacturer of diagnostic products, where he led the RA/Q A and Clinical functions, while also establishing a Quality System CE marking program that enabled Quidel to expand and sustain sales in the EU. From 1991 to 2001, he was Vice President of RA/QA/R&D for Nobel Biocare, Inc. and Steri-Oss (acquired by Nobel Biocare), where he directed all regulatory affairs, quality assurance, clinical trials, and R&D activities. From 1981 to 1991, Mr. Kennard was Director of RA/QA at Allergan, Inc., where he directed regulatory affairs, quality assurance and quality control in the development and manufacture of prescription and OTC ophthalmic and dermatological drugs, injectable drugs, biotechnology products, and ophthalmic products. Prior to Allergan, he was Director of Quality Control at B. Braun. Mr. Kennard holds a BS degree in Microbiology and a Regulatory Affairs Certificate.

Carolyn M. Rynard, PhD (48), Vice President of Product Development & Manufacturing. Dr. Rynard joined Halozyme in 2003. Dr. Rynard s career in drug development spans 20 years in the pharmaceutical and biotech industries. Her broad experience includes project management, formulation, manufacturing, clinical supplies, validation, medical devices, and quality systems. From 2001 to 2003, Dr. Rynard was Vice President of Product Development at Medinox, Inc., where she was directly responsible for Medinox s Chemistry, Manufacturing, and Control, formulation, analytical methods, and specification development. From 1994 to 2001, she worked for Amylin Pharmaceuticals, Inc., a San Diego, California-based pharmaceutical company where she held various positions of increasing responsibility, serving most recently as Senior Director of Product Development. At Amylin, Dr. Rynard managed seven functional areas and wrote CMC sections for US NDAs and investigational new drug applications; European marketing authorization applications and clinical trial exemptions; as well as device 510(k) and CE mark technical files. Prior to joining Amylin, Dr. Rynard held various R&D positions at Baxter Healthcare and at Du Pont. Dr. Rynard earned her BSc degree in Chemistry and Biochemistry from the University of Toronto, and her PhD in Physical and Organic Chemistry from Stanford University.

Mark S. Wilson, MBA (43), Vice President of Business Development. Mr. Wilson joined Halozyme in 2003 and has spent more than 15 years in the biotechnology/pharmaceutical industry, having most recently served as Founder and CEO of Biophysica Science, Inc. and Director of Strategic External Alliance Management at Pfizer Global R&D La Jolla from 2001 to 2003. From 1996 to 2001, Mr. Wilson was Associate Director of Materials at Agouron Pharmaceuticals, Inc., where he identified and negotiated international supply agreements in excess of $120 million annually and served as Materials Manager for the launch of Viracept®. From 1991 to 1996, Mr. Wilson was an Associate Director at Gensia Laboratories, Ltd., where he directed a wide range of business operations. Prior experience al so includes various management and operational roles at Hybritech, Ferro Corporation, and TRW, Inc. Mr. Wilson earned his BS degree in engineering from the University of California, Berkeley, and his MBA degree at the Anderson Graduate School of Management at the University of California, Los Angeles.

John S. Patton, PhD (56), Director. Dr. Patton is co-Founder and Vice President, Research of Nektar Therapeutics (formerly Inhale Therapeutic Systems) and has served as Chief Scientific Officer since November 2001 and as a director since July 1990. He is an expert in the delivery of peptides and proteins. Before co-founding Inhale, Dr. Patton led the drug delivery group at Genentech, Inc., where he demonstrated the feasibility of systemic delivery of large molecules through the lungs. Prior to joining Genentech, Inc., he was a tenured professor at the University of Georgia. He has published a wide range of articles and has presented his work in national and international arenas. Dr. Patton received his Ph.D. in Biology from the University of California, San Diego, and held post-doctoral positions in biomedicine at Harvard Medical School and the University of Lund in Sweden. Dr. Patton chairs the Scientific and Clinical Advisory Board of Halozyme.

Robert Engler, MD (59), Director. Dr. Engler spent his career as a Cardiologist at the Veterans Affairs Medical Center and the University of California, San Diego, where he retired as Professor Emeritus in 2001. While at the VA Center, Dr. Engler served as Associate Chief of Staff and Chief of Research and was an attending physician, in addition to running an active cardiovascular research laboratory. His research and clinical work led to the founding of two successful biotechnology companies: Gensia, Inc., and Collateral Therapeutics, Inc. He also founded and served as President of the Veterans Medical Research Foundation. Dr. Engler graduated from Georgetown Medical School.

Kenneth Kelley, MBA (45), Director. Mr. Kelley brings over 20 years of entrepreneurial, venture capital, operational and technical biotechnology experience to Halozyme. Previously, he 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 and over eight years served as CEO, Director and Chairman. Earlier, Mr. Kelly was an Associate at Institutional Venture Partners (IVP), where he participated in the financing of 20 biotech and medical companies resulting in 15 IPO's. Prior to IVP, he was a consultant for McKinsey & Company and a scienti st at Integrated Genetics (acquired by Genzyme). He has an MBA from Stanford and a BA in biochemical sciences from Harvard.

EXECUTIVE COMPENSATION

The following table summarizes the annual compensation paid to Halozyme s named executive officers for the two years ended December 31, 2003 and 2002:

		Annual Comp	Long-Term Compensation Awards
Name and Position	**Year**	**Salary**	**Securities Underlying Stock Options**
Jonathan Lim, President, CEO, Director (1)	2003	66,667	2,471,201
Gregory Frost, VP, CSO, Director (2)	2003	92,500	1,235,601
	2002	43,333	
David Ramsay, VP, CFO, Secretary (3)	2003	12,240	741,360
Mark Wilson, VP (4)	2003	36,674	494,240
Carolyn Rynard, VP (5)	2003	17,660	494,240

(1) Dr. Lim joined Halozyme in May, 2003. His annualized salary for 2003 was $100,000.
(2) Dr. Frost joined Halozyme in March, 1999.
(3) Mr. Ramsay joined Halozyme in November, 2003. His annualized salary for 2003 was $95,000.
(4) Mr. Wilson joined Halozyme in June, 2003. His annualized salary for 2003 was $95,000.
(5) Ms. Rynard joined Halozyme in October, 2003. Her annualized salary for 2003 was $95,000.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mitch Keeler, our former president and director prior to the Merger with Halozyme, provided office space to us for operations at no charge. Our financial statements for the years ended 2003 and 2002 reflect the fair market value of such office space as occupancy costs, which is approximately $195 per month. The amount of occupancy costs has been included in the financial statements as an additional capital contribution by Mr. Keeler. Additionally, Mr. Keeler owns a yacht which was used for our charter services prior to the Merger with Halozyme. Mr. Keeler did not expect to be paid or reimbursed for providing the use of his yacht and for providing the office facilities, nor has he demanded such reimbursement.

Option grants in last fiscal year. The following table sets forth each grant of stock options made during the fiscal year ended December 31, 2003, to each of the named executive officers:

Name	**Number of Securities Underling Options Granted**	**% of Total Options Granted to Employees in Fiscal Year**	**Exercise Price**	**Expiration Date**	**Potential Realizable Value Assumed Annual Rates Stock Price Appreciation for Option Term ($)(1)**	
Jonathan Lim, MD (2)	2,471,201	38.1%	$ 0.39	11/11/13	1,569,877	2,499,767
Gregory Frost, PhD (3)	1,235,601	19.1%	$ 0.43	11/11/13	865,445	1,378,077
David Ramsay (4)	741,360	11.4%	$ 0.39	11/11/13	470,963	749,930
Mark Wilson (5)	494,240	7.6%	$ 0.39	11/11/13	313,975	499,953
Carolyn Rynard, PhD (6)	494,240	7.6%	$ 0.39	11/11/13	313,975	499,953

(1) The potential realizable value at 5% and 10% annual rates of stock price appreciation for each person is based on the market price of the underlying shares of common stock on the date each option was granted.
(2) 25% of the options vested on November 11, 2003, 25% vest on May 3, 2004, 25% vest on May 2, 2005 and 25% vest on May 1, 2006.
(3) 25% of the options vest on May 3, 2004, with 1/48 of the shares vesting monthly thereafter.
(4) 25% of the options vest on November 9, 2004, with 1/48 of the shares vesting monthly thereafter.
(5) 25% of the options vest on June 8, 2004, with 1/48 of the shares vesting monthly thereafter.
(6) 25% of the options vest on October 19, 2004, with 1/48 of the shares vesting monthly thereafter.

Option exercises in Last Fiscal Year and Fiscal Year End Option Values. The following table sets forth the information with respect to stock option exercises during the year ended December 31, 2003, by the named executive officers, and the number and value of securities underlying unexercised options held by named executive officers at December 31, 2003.

	Shares Acquired Upon Exercise	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2003 (#)		Value of Unexercised In-the-MoneyOptions at December 31, 2003 ($)(1)	
Name			**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Jonathan Lim, MD	256,410			2,214,791		
Gregory Frost, PhD				1,235,601		
David Ramsay				741,360		
Mark Wilson				494,240		
Carolyn Rynard, PhD				494,240		

(1) The price of Halozyme s common stock at fiscal year end minus the exercise price. The fair market value of Halozyme s common stock at the close of business on December 31, 2003 was $0.39.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Employee Benefit and Stock Plans

2004 Stock Plan

Our 2004 Stock Plan (the Plan), was approved by our board of directors on May 21, 2004 and will be put to a vote of our stockholders by a date no later than 12 months after the date the board approved the Plan. The following summary of the Plan is qualified in its entirety by the specific language of the Plan.

Purpose. The Plan is intended to make available incentives that will assist us to attract, retain and motivate employees whose contributions are essential to our success. We may provide these incentives through the grant of stock options and stock purchase rights.

Shares Subject to Plan. A total of 10,000,000 shares of our common stock has been authorized and reserved for issuance under the Plan. However, the actual number of awards which may be granted under the Plan shall be reduced, at all times, by the number of stock awards outstanding under our Amended and Restated 2001 Stock Plan. As of May 31, 2004, options to purchase 6,530,397 shares of our common stock were outstanding under our 2001 Stock Plan and 310,000 options to purchase shares of our common stock were outstanding under our 2004 Stock Plan. Appropriate adjustments will be made in the number of authorized shares and in outstanding awards to prevent dilution or enlargement of participants rights in the event of a stock split or other change in our capital structure. Shares subject to awards which expire or are cancelled or forfeited will again become available for issuance under the Plan.

Administration. The administrator of our Plan will generally be the compensation committee of our board of directors, although the board may delegate to one or more of our officers authority, subject to limitations specified by the plan and the board, to grant stock options to service providers who are neither officers nor directors of us. Subject to the provisions of the Plan, the administrator determines in its discretion the persons to whom and the times at which awards are granted, the types and sizes of such awards, and all of their terms and conditions. All awards must be evidenced by a written agreement between us and the participant. The administrator may amend, cancel or renew any award, waive any restrictions or conditions applicable to any award, and accelerate, continue, extend or defer the vesting of any award. The administrator has the authority to construe and interpret the terms of the Plan and awards granted under it. Eligibility. Awards may be granted under the Plan to our employees, including officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity.

While we may grant incentive stock options only to employees, we may grant nonstatutory stock options and stock purchase rights to any eligible participant. Stock Options. The administrator may grant nonstatutory stock options or incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, or any combination of these. The exercise price of each incentive stock option may not be less than the fair market value of a share of our common stock on the date of grant. The exercise price of each nonstatutory stock option may not be less than 85% of the fair market value of a share of our common stock on the date of grant. However, any stock option granted to a person who owns stock possessing more than 10 percent of the total combined voting power of all classes of our stock or of any parent or subsidiary corporation must have an exercise price equal to at least 110 percent of the fair market value of a share of our common stock on the date of grant and a term not exceeding five years. The term of all other options may not exceed ten years. Options vest and become exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the administrator. Unless a longer period is provided by the administrator, an option generally will remain exercisable for three months following the participant s termination of service, except that if service terminates as a result of the participant s death or disability, the option generally will remain exercisable for twelve months, but in any event not beyond the expiration of its term.

Stock Purchase Rights. The administrator may also grant awards under the Plan in the form of a restricted stock purchase right, giving a participant an immediate right to purchase our common stock. The administrator determines the purchase price payable under restricted stock purchase right, which may not be less than 85% of the then current fair market value of our common stock. The stock received under such purchase rights may be subject to vesting conditions based on such service or performance criteria as the administrator specifies, and the shares acquired may not be transferred by the participant until vested. Unless otherwise determined by the administrator, a participant will forfeit any unvested shares upon voluntary or involuntary termination of service with us for any reason, including death or disability. Participants holding restricted stock will have the right to vote the shares and to receive any dividends paid, except that dividends or other distributions paid in shares will be subject to the same restrictions as the original award.

Change in Control. In the event of a change in control, the acquiring or successor entity may assume all stock options and stock purchase rights under the Plan or substitute substantially equivalent options and stock purchase rights. If the outstanding stock options and stock purchase rights are not assumed or replaced, then all unexercisable, unvested or unpaid portions of such outstanding awards will become immediately exercisable, vested and payable in full immediately on the date ten (10) days prior to the date of the change in control. If the outstanding stock options and stock purchase rights are not assumed by the acquiring or successor entity and are thereafter not exercised prior to the closing of the change in control, all unexercised portions of such outstanding awards will terminate. Alternatively, the administrator may provide for the cancellation of outstanding stock options or stock purchase rights in exchange for a payment in cash, stock or other property having a value equal to the difference between the exercise price of the award and the consideration payable in the change in control transaction with respect to the number of vested shares subject to the award. The administrator may also accelerate the vesting and settlement of any award upon a change in control.

Amendment and Termination. The Plan will continue in effect until the tenth anniversary of its approval by our board of directors, unless earlier terminated by the administrator. The administrator may amend, suspend or terminate the Plan at any time, provided that without stockholder approval, the plan cannot be amended to increase the number of shares authorized, change the class of persons eligible to receive incentive stock options, or effect any other change that would require stockholder approval under any applicable law or listing rule. Amendment, suspension or termination of the Plan may not adversely affect any outstanding award without the consent of the participant, unless such amendment, suspension or termination is necessary to comply with applicable law.

The following table sets forth certain information regarding the beneficial ownership of our common stock by each person or entity known by us to be the beneficial owner of more than 5% of the outstanding shares of common stock, each of our directors and named executive officers, and all of our directors and executive officers as a group as of May 31, 2004.

Name/Address of Beneficial Owner	Amount of Owner	Percent of Class
Gregory Frost (1) 11588 Sorrento Valley Road, Suite 17 San Diego, CA 92121	3,584,990	9.00%
Jonathan Lim (2) 11588 Sorrento Valley Road, Suite 17 San Diego, CA 92121	1,493,620	3.69%
David Ramsay (3) 11588 Sorrento Valley Road, Suite 17 San Diego, CA 92121	256,410	0.65%
Mark Wilson (4)	194,162	0.49%

11588 Sorrento Valley Road, Suite 17 San Diego, CA 92121		
Robert Engler (5) 11588 Sorrento Valley Road, Suite 17 San Diego, CA 92121	8,333	0.02%
Kenneth Kelley (6) 11588 Sorrento Valley Road, Suite 17 San Diego, CA 92121	8,333	0.02%
John Patton (7) 11588 Sorrento Valley Road, Suite 17 San Diego, CA 92121	447,471	1.13%
Elliot Feuerstein (8) 8294 Mira Mesa Blvd San Diego, CA 92126	3,504,373	8.86%
Börgstrom Family Trusts (9) c/o Ira Lechner 19811 4th Place Escondido, CA 92029	2,710,474	6.88%
Peter Geddes (10) P.O. Box 5303 Beverly Hills, CA 90209	2,645,376	6.60%
Jonathan Spanier (11) 8732 St Ives Drive Los Angeles, CA 90069	2,800,270	7.01%
Jesse Grossman (12) 175 S. Lave Ave, #307 Pasadena, CA 91101	2,563,571	6.42%
Richard P. Genovese (13) Chateau Perigord II, 6 Lacets, Saint Leon, Bloc F, Etage II, Apt. OF112 Monte Carlo, Monaco 9800	2,478,825	6.16%
All officers and directors as a group (14)	5,993,319	15.02%

Beneficial ownership is determined in accordance with the Rule 13d-3(a) of the Exchange Act, and generally includes voting or investment power with respect to securities. Except as subject to community property laws, where applicable, the person named above has sole voting and investment power with respect to all shares of Halozyme s common stock shown as beneficially owned by him.

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(1) Includes 2,953,779 shares and warrants to purchase 32,771 shares held in the name of Dr. Frost; and 190,072 shares and warrants to purchase 22,241 shares held in the name of the Frost Family Trust. Also includes 386,127 shares issuable upon exercise of options exercisable within 60 days, of which are held in Dr. Frost s name.

(2) Includes 484,497 shares and warrants to purchase 26,690 shares held in the name of Dr. Lim. Also includes 982,433 shares issuable upon exercise of options exercisable within 60 days, of which are held in Dr. Lim s name.

(3) Includes 256,410 shares in the name of Mr. Ramsay, which are subject to the Company s right of repurchase until such shares are vested

(4) Includes 50,000 shares held in the name of Mr. Wilson. Also includes 144,162 shares issuable upon exercise of options exercisable within 60 days, of which are held in Mr. Wilson s name.

(5) Includes 8,333 shares issuable upon exercise of options exercisable within 60 days, of which are held in Mr. Engler s name.

(6) Includes 8,333 shares issuable upon exercise of options exercisable within 60 days, of which are held in Mr. Kelley s name.

(7) Includes 83,051 shares held in the name of Dr. Patton; 232,830 shares and warrants to purchase 31,590 shares held in the name of the John and Jamie Patton Trust. Also includes 100,000 shares issuable upon exercise of options exercisable within 60 days, of which are held in Dr. Patton s name.

(8) Includes 3,256,872 shares and warrants to purchase 120,556 shares held in the name of Mr. Feuerstein; and 116,415 shares and warrants to purchase 10,530 shares held in the name of the Elliot Feuerstein Trust.

(9) Includes 2,426,158 shares held in the name of the Börgstrom Family Trust; 94,772 shares held in the name of Eva Börgstrom for the benefit of Nils Peter Börgstrom; 94,772 shares held in the name of Bengt Jonas Börgstrom; and 94,772 shares held in the name of Per Henrik Börgstrom.

(10) Includes 1,705,951 shares and warrants to purchase 731,091 shares, 140,000 shares and warrants to purchase 50,000 shares held in the name of Peter Geddes under custodial accounts for the benefit of minors; and 11,667 shares and warrants to purchase 6,667 shares held in the name of Grove Capital, LLC in which Peter Geddes is a member. Peter Geddes may be deemed a beneficial owner of the shares held in the name of Grove Capital, LLC; however, he disclaims beneficial ownership except to the extent of his pecuniary interest therein

(11) Includes 1,390,257 shares and warrants to purchase 655,219 shares; 474,890 shares and warrants to purchase 211,570 shares held in the name of the Jonathan Spanier IRA Account; 50,000 shares held in the name of Jonathan Spanier under a custodial account for the benefit of a minor; and 11,667 shares and warrants to purchase 6,667 shares held in the name of Grove Capital, LLC in which Jonathan Spanier and the Jonathan Spanier IRA Account are members. Each of Jonathan Spanier and the Jonathan Spanier IRA Account may be deemed beneficial owners of the shares held in the name of Grove Capital, LLC; however, each disclaims beneficial ownership except to the extent of their pecuniary interest therein.

(12) Includes 1,231,558 shares and warrants to purchase 627,219 shares; 474,890 shares and warrants to purchase 211,570 shares held by the Jesse Grossman Accountancy Corporation Retirement Trust; and 11,667 shares and warrants to purchase 6,667 shares held in the name of Grove Capital, LLC in which Jesse Grossman and the Jesse Grossman Accountancy Corporation Retirement Trust are members. Each of Jesse Grossman and the Jesse Grossman Accountancy Corporation Retirement Trust may be deemed beneficial owners of the shares held in the name of Grove Capital, LLC; however, each disclaims beneficial ownership except to the extent of their pecuniary interest therein.

(13) Includes 1,642,431 shares and warrants to purchase 836,394 shares held in the name of Mr. Genovese.

(14) See Notes 1, 2, 3, 4, 5, 6 and 7. Includes 1,629,388 shares issuable upon exercise of options exercisable within 60 days.

SELLING SECURITY HOLDERS

The shares are being offered by certain selling security holders. The selling security holders may from time to time offer and sell pursuant to this prospectus up to an aggregate of 29,508,664 shares of our common shares now owned by them or issuable to them upon the exercise of warrants. The selling security holders may, from time to time, offer and sell any or all of the shares that are registered under this prospectus. Because the selling security holders are not obligated to sell their shares, and because the selling security holders may also acquire publicly traded shares of our common stock, we cannot estimate how many shares the selling security holders will own after the offering.

Except for Mark Wilson, who currently serves as our Vice President of Business Development, none of the selling security holders has ever held an office, been a director or have had any other material relationship with Global, Halozyme or its predecessor.

Pursuant to the stock purchase agreements with the selling security holders, all expenses incurred with respect to the registration of the common stock will be borne by us, but we will not be obligated to pay any underwriting fees, discounts, commissions or other expenses incurred by them in connection with the sale of such shares.

The following table sets forth, with respect to the selling security holders: (i) the number of shares of common stock beneficially owned as of May 18, 2004 and prior to the offering contemplated hereby, and (ii) the percentage of shares of common stock beneficially owned as of May 18, 2004.

Security Holders	Shares of Common Stock Being Registered	Shares of Common Stock Issuable Upon Exercise of Warrants	Total Shares of Common Stock Equivalents Being Registered	Shares of Common Stock Beneficially Owned But NOT Being Registered	Total Shares of Common Stock Beneficially Owned	Total Beneficial Ownership%
Adam K. Stern	40,000	20,000	60,000		60,000	0.15%
Anthony Salandra	68,798	61,298	130,096		130,096	0.33%
Arianna Sheree Lynch	2,407		2,407		2,407	0.01%
Asia Pacific Imports	50,000	25,000	75,000		75,000	0.19%
Autry Qualified Interest Trust	200,000	100,000	300,000		300,000	0.76%
Baybridge Capital Corp.	512,349	187,425	699,774		699,774	1.77%
BioGrowth, Inc.	512,349	187,425	699,774		699,774	1.77%
Bonanza Master Fund, LTD	600,000	300,000	900,000		900,000	2.27%
Brean Murray & Co. Inc.	50,000	364,284	414,284		414,284	1.04%
Cal Fed Bank Custodian for Jonathan Spanier IRA	474,890	211,570	686,460		686,460	1.73%
Cantonal Corporation	300,001	150,000	450,001	45,000	495,001	1.25%
Centrum Bank AG	200,000	100,000	300,000		300,000	0.76%
Cimarron Biomedical Investors	200,000	100,000	300,000		300,000	0.76%

Cindy Ullman	5,000	2,500	7,500	7,500	0.02%
Colleen Paffie	8,800		8,800	8,800	0.02%
Curtis Leahy	405,000		405,000	405,000	1.03%
Darren Blanton	562,788	442,788	1,005,576	1,005,576	2.52%
David Hochman	10,000	5,000	15,000	15,000	0.04%
Dr. Donald Cramer	2,500	1,250	3,750	3,750	0.01%
Dr. Leonard Makowka	10,000	5,000	15,000	15,000	0.04%
Equine Consultants Ltd.	107,500		107,500	107,500	0.27%
Erietta Papakosta	100,000	50,000	150,000	150,000	0.38%
Forest Hill Select Fund, LP	320,000	160,000	480,000	480,000	1.21%
Franklin H. Nyi	80,000	40,000	120,000	120,000	0.30%

Security Holders	Shares of Common Stock Being Registered	Shares of Common Stock Issuable Upon Exercise of Warrants	Total Shares of Common Stock Equivalents Being Registered	Shares of Common Stock Beneficially Owned But NOT Being Registered	Total Shares of Common Stock Beneficially Owned	Total Beneficial Ownership%
Garfield Associates, LLC	20,000	10,000	30,000		30,000	0.08%
Gene Salkind, MD	160,000	80,000	240,000	150,000	390,000	0.99%
Gibralt Capital Corporation	400,000	200,000	600,000		600,000	1.51%
Grant Bettingen, Inc.	123,703		123,703		123,703	0.31%
Grove Capital, LLC	35,000	20,000	55,000		55,000	0.14%
Harvest International	107,596	107,596	215,192		215,192	0.54%
Harvey Anderson	53,798	53,798	107,596		107,596	0.27%
Harvey Grossman	8,800		8,800		8,800	0.02%
Henri Talerman	80,000	40,000	120,000		120,000	0.30%
Hyde Family Trust	80,000	40,000	120,000		120,000	0.30%
Jacqueline Autry	40,000	20,000	60,000		60,000	0.15%
Janelle Noelle Lynch	2,407		2,407		2,407	0.01%
Jeffrey Geddes	8,800		8,800		8,800	0.02%
Jerome Morgan	8,800	4,400	13,200		13,200	0.03%
Jesse Grossman	1,231,558	627,219	1,858,777		1,858,777	4.64%
Jesse Grossman Accountancy Corp. Retirement Trust	474,890	211,570	686,460		686,460	1.73%