SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1999

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 0-28150

NEUROCRINE BIOSCIENCES, INC.
(Exact name of registrant as specified in its charter)

Delaware	33-0525145
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
10555 Science Center Drive, San Diego, CA	92121
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: (858) 658-7600
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.001 par value

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of March 15, 2000 totaled approximately $527.6 million based on the closing stock price as reported by the Nasdaq National Market. As of March 15, 2000, there were 21,830,471 shares of the Registrant's Common Stock, $.001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of Form 10-K is incorporated by reference from the Registrant's Proxy Statement for the Annual Meeting of Stockholders held on May 24, 2000 (the "Proxy Statement"), which was filed with the Securities and Exchange Commission on April 27, 2000.

PART II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements which involve risks and uncertainties, pertaining generally to the expected continuation of our collaborative agreements, the receipt of research payments thereunder, the future achievement of various milestones in product development and the receipt of payments related thereto, the potential receipt of royalty payments, preclinical testing and clinical trials of potential products, the period of time that our existing capital resources will meet our funding requirements, and our financial results and operations. Actual results could differ materially from those anticipated in such forward-looking statements as a result of various factors, including those set forth below.

Overview

We incorporated in California in 1992 and we reincorporated in Delaware in 1996. Since we were founded, we have been engaged in the discovery and development of novel pharmaceutical products for diseases and disorders of the central nervous and endocrine systems. To date, we have not generated any revenues from the sale of products, and we do not expect to generate any product revenues in the foreseeable future. We have funded our operations primarily through private and public offerings of our common stock and payments under research and development agreements. We are developing a number of products with corporate collaborators and will rely on existing and future collaborators to meet funding requirements. We expect to generate future net losses in anticipation of significant increases in operating expenses as products are advanced through the various stages of clinical development. As of December 31, 1999, we have incurred a cumulative deficit of $41.7 million and we expect to incur operating losses in the future, which may be greater than losses in prior years.

Results of Operations

Our revenues for the year ended December 31, 1999 were $16.8 million compared with $16.0 million in 1998, and $26.1 million in 1997. Although similar in amount, revenues for 1999 and 1998 had a different composition resulting from several significant events. During 1999, we entered into a collaborative agreement with Wyeth-Ayerst and agreed to a two-year extension of our 1995 collaboration with Janssen Pharmaceutica. Revenues received in 1999 under the new agreements consisted of $5.4 million of sponsored research and development funding and $3.0 million in milestone achievements.

The increase in 1999 revenues generated by the new agreements was offset by a decline in revenues received under the Eli Lilly, Novartis and Neuroscience Pharma (NPI), Inc. collaborations that were concluded during the year. Revenues in 1998 for sponsored research and development funding and milestone achievements under these agreements were $12.2 million and $2.3 million, respectively.

Revenues recorded during 1997 included the initiation of the Eli Lilly collaboration and the final year of sponsored research funding under the 1995 Janssen agreement. Revenues in 1997 for sponsored research and development funding and milestone achievements under these and the Novartis agreements were $20.0 million and $5.3 million, respectively.

Research and development expenses increased to $29.2 million during 1999 compared with $21.8 million in 1998 and $18.8 million in 1997. Increased expenses reflect advancement of our drug candidates through progressive clinical development phases. We expect to incur significant increases in future periods as later phases of development typically involve an increase in the scope of studies and number of patients treated.

General and administrative expenses increased to $7.5 million during 1999 compared with $6.6 million in 1998 and $5.7 million in 1997. Increased expenses resulted from additional professional services, including patent and legal services, to support our expanded clinical development efforts. We anticipate similar increases in general and administrative expenses in the future as these efforts continue.

During 1998, we wrote-off acquired in-process research and development costs of $4.9 million. This amount included the acquisition of Northwest NeuroLogic and the in-licensing of drug candidates for our insomnia and malignant glioma programs. Both of the in-licensed programs are currently under clinical development.

Interest income decreased to $3.1 million during 1999 compared with $4.2 million for 1998 and $4.1 million in 1997. The decrease in 1999 compared with 1998 and 1997 primarily resulted from lower investment balances. Management anticipates an increase in interest income during future periods resulting from cash reserves generated by the sale of our common stock in December 1999 and increased revenues from anticipated collaborations.

In December 1999, we sold our investment in Neuroscience Pharma (NPI), Inc. and recorded a gain of $526,000. Our proportionate share of NPI operating losses during 1999, 1998 and 1997 were $764,000, $3.4 million and $1.1 million, respectively. In addition, we recorded a write-down in the investment value of $646,000 during 1999 and $3.8 million during 1998 relating to the decline in cash redemption value of the NPI preferred shares.

Net loss for 1999 was $16.8 million, or $0.88 per share, compared to net loss of $20.0 million, or $1.10 per share, for 1998 and net income of $5.1 million, or $0.30 per share, for 1997. Management expects to incur similar operating losses in the next two to three years as our clinical development efforts continue to grow.

To date, our revenues have come principally from funded research and achievements of milestones under corporate collaborations. The nature and amount of these revenues from period to period may lead to substantial fluctuations in the results of year-to-year revenues and earnings. Accordingly, results and earnings of one period are not predictive of future periods.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1999, our cash, cash equivalents, and short-term investments totaled $91.1 million compared with $62.7 million at December 31, 1998. The increase in cash balances at December 31, 1999 resulted from the private placement of our common stock, which resulted in net cash proceeds of $39.3 million.

Net cash used by operating activities during fiscal year 1999 was $10.3 million compared with $10.7 million in fiscal year 1998 and net cash provided of $11.0 million in fiscal year 1997. The decrease in cash used in operations during 1999 compared with 1998 resulted primarily from increased sponsored research and milestone revenues received under our collaborations during 1999. The increase in cash used during 1998 compared with 1997 resulted primarily from higher sponsored research and milestone revenues received under our collaborations during 1997, which included a $5.0 million lump sum payment from Eli Lilly, in addition to lower operating expenses.

Net cash used by investing activities during fiscal year 1999 was $21.2 million compared with net cash provided of $4.7 million in fiscal year 1998 and net cash used of $7.2 million in fiscal year 1997. The fluctuations in cash used resulted primarily from the timing differences in the investment purchases, sales, maturities and the fluctuations in our portfolio mix between cash equivalents and short-term investment holdings. We expect similar fluctuations to continue in future periods. Capital equipment purchases are expected to be $2.4 million for the fiscal year 2000, of which $2.0 million will be financed through leasing arrangements.

Net cash provided by financing activities during fiscal year 1999 was $41.0 million compared with $1.9 million and $659,000 during fiscal years 1998 and 1997, respectively. Cash provided during 1999 resulted from net proceeds received from the private sale of our common stock and exercise of employee stock options. Cash provided during 1998 resulted from capital lease financing of equipment purchases. Cash provided during 1997 resulted from the issuance of our common stock upon the exercises of stock options and warrants and proceeds received from a note payable used to finance the purchase of land.

In September 1999, we signed an amendment to our 1995 agreement with Janssen Pharmaceutica, N.V. The amendment provides for a new sponsored research period designed to identify new corticotropin-releasing factor receptor antagonists, which will be subject to the terms of the original agreement signed in 1995. The term of the amendment is from April 1999 through February 2001. Under the agreement, we will receive $5.0 million in sponsored research funding, up to $3.5 million in milestone achievements, $500,000 for research already conducted under this technology and reimbursement of all outside and third-party costs associated with the project. As of December 31, 1999, we have received $1.9 million in sponsored research and $500,000 payment for prior research.

In March 1999, we entered into an agreement with Wyeth-Ayerst Laboratories, the pharmaceutical division of American Home Products, on the research, development and commercialization of compounds, which modulate excitatory amino acid transporters for the treatment of neurodegenerative and psychiatric diseases.

The Wyeth-Ayerst agreement includes sharing proprietary technologies, funding for research, payments for milestones reached, plus royalties on sales from products resulting from the collaboration. Under the terms of the agreement, we expect to receive three to five years of funding for research and development as well as worldwide royalties on commercial sales of products that result from the collaboration. Wyeth-Ayerst will also provide us with access to chemical libraries for screening within the collaborative field. As of December 31, 1999, we have received $3.0 million in sponsored research payments and $3.0 million for the achievement of four milestones.

During 1998, we expensed acquired in-process research and development of $4.9 million. These charges consisted of $4.2 million for the acquisition of Northwest NeuroLogic, through which we received licenses to the melanocortin receptor and excitatory amino acid transporters programs, and $710,000 for licenses to an insomnia and brain cancer compounds. We performed scientific due diligence related to the acquired projects and because they were based on narrow scientific hypothesis, we concluded that none of these programs had alternative future uses.

The nature and efforts required to develop the acquired in-process research and development into commercially viable products include research to identify a clinical candidate, preclinical development, clinical testing, FDA approval and commercialization. This process may cost in excess of $100 million and can take as long as 10 years to complete. It is also important to note that if a clinical candidate is identified, the further development of that candidate can be halted or abandoned at any time due to a number of factors. These factors include, but are not limited to, funding constraints, safety or a change in market demand.

Because of our limited financial resources, our strategy to develop some of our programs is to enter into collaborative agreements with major pharmaceutical companies. Through these collaborations, we could partially recover our research costs through contract research and milestone revenues. The collaborators would then be financially responsible for all clinical development and commercialization costs.

In May 1998, when we acquired the in-process research and development programs from Northwest NeuroLogic, we estimated the costs to identify a clinical candidate and provide minimal research support during the clinical development stages for the melanocortin receptor program to be $15.4 million over an 8-year period. Costs to identify a clinical candidate and provide minimal research support during the clinical development stages of the excitatory amino acid transporters program were estimated at $22.4 million. Estimated revenues from the collaborative arrangements were anticipated to reduce our net costs. The clinical development and commercialization costs were to be completely funded by the collaborator.

During fiscal year 2000, we anticipate that our gross costs for continued research on these programs will approximate $5 million. Our research efforts may not result in clinical candidates for either compound. We intend to collaborate on the melanocortin receptor technology. We would expect the collaborator to then be responsible for the clinical development, commercialization and funding. Our excitatory amino acid transporters program is currently under a collaborative agreement with Wyeth-Ayerst. Consequently, we cannot estimate the time or resources they will commit to the development of this program.

Our insomnia and brain cancer compounds are both in the early stages of clinical testing. During 2000, we expect to spend approximately $20 million on additional clinical testing of the brain cancer and insomnia compounds. We expect the clinical testing of both compounds to continue for at least the next two years, but our efforts may not result

in commercially viable products. If our efforts were completely successful and we did not collaborate on these compounds, we estimate that each compound could cost an additional $50-$150 million and take up to five years to reach commercial viability.

For each of our programs, we periodically assess the scientific progress and merits of the programs to determine if continued research and development is economically viable. Certain of our programs have been terminated due to the lack of scientific progress and lack of prospects for ultimate commercialization. Because of the uncertainties associated with research and development of these programs, we may not be successful in achieving commercialization. As such, the ultimate timeline and costs to commercialize a product cannot be accurately estimated.

We believe that our existing capital resources, together with interest income and future payments due under our strategic alliances, will be sufficient to satisfy our current and projected funding requirements for at least the next 12 months. However, we cannot assure you that these capital resources and payments will be sufficient to conduct our research and development programs as planned. The amount and timing of expenditures will vary depending upon a number of factors, including progress of our research and development programs.

We will require additional funding to continue our research and product development programs, to conduct preclinical studies and clinical trials, for operating expenses, to pursue regulatory approvals for our product candidates, for the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims, if any, the cost of product in-licensing and any possible acquisitions, and we may require additional funding to establish manufacturing and marketing capabilities in the future. We may seek to access the public or private equity markets whenever conditions are favorable. We may also seek additional funding through strategic alliances and other financing mechanisms, potentially including off-balance sheet financing. We cannot assure you that adequate funding will be available on terms acceptable to us, if at all. If adequate funds are not available, we may be required to curtail significantly one or more of our research or development programs or obtain funds through arrangements with collaborators or others. This may require us to relinquish rights to certain of our technologies or product candidates.

We expect to incur operating losses over the next several years as our research, development, preclinical studies and clinical trial activities increase. To the extent that we are unable to obtain third-party funding for such expenses, we expect that increased expenses will result in increased losses from operations. We cannot assure you that we will successfully develop our products under development or that our products, if successfully developed, will generate revenues sufficient to enable us to earn a profit.

INTEREST RATE RISK

We are exposed to interest rate risk on our short-term investments and on our long-term debt. The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in highly liquid and high quality government and other debt securities. To minimize our exposure due to adverse shifts in interest rates, we invest in short-term securities with maturities of less than 44 months. If a 10% change in interest rates were to have occurred on December 31, 1999, this change would not have had a material effect on the fair value of our investment portfolio as of that date. Due to the short holding period of our investments, we have concluded that we do not have a material financial market risk exposure.

Interest risk exposure on long-term debt relates to our note payable, which bears a floating interest rate of prime plus one quarter percent (8.75% at December 31, 1999 and 8.00% at December 31, 1998). At December 31, 1999 and 1998, the note balance was $461,000 and $610,000, respectively. This note is payable in equal monthly installments through January 2003. Based on the balance of our long-term debt, we have concluded that we do not have a material financial market risk exposure.

IMPACT OF YEAR 2000

Beginning in 1998, we conducted a program to address the impact of the Year 2000 on the processing of date sensitive information by our computer systems and software ("IT Systems"), embedded systems in our non-computer equipment ("Non-IT Systems") and relationships with certain third parties. Assessment, testing, and remediation of our critical systems were completed in mid-October 1999. Based on survey responses and Year 2000 website statements, we also assessed Year 2000 readiness of third parties with which we have significant relationships. Contingency plans were formulated for each of our critical systems and third-party relationships, which were deficient in compliance criteria.

The total costs, both out-of-pocket and internal, of our Year 2000 program were estimated at $175,000 and were funded with available cash. There are no further costs anticipated. Other internal systems projects were not significantly deferred as a result of the Year 2000 readiness program, because much of the Year 2000 assessment and remediation efforts were integrated into our routine maintenance and upgrade programs. To date, there have been no material adverse effects caused by the January 1, 2000 date change on our IT and Non-IT Systems, third-party relationships, nor our results of operations.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Our business is subject to significant risks, including but not limited to, the risks inherent in our research and development activities, including the successful continuation of our strategic collaborations, the successful completion of clinical trials, the lengthy, expensive and uncertain process of seeking regulatory approvals, uncertainties associated both with the potential infringement of patents and other intellectual property rights of third parties, and with obtaining and enforcing our own patents and patent rights, uncertainties regarding government reforms and of product pricing and reimbursement levels, technological change and competition, manufacturing uncertainties and dependence on third parties. Even if our product candidates appear promising at an early stage of development, they may not reach the market for numerous reasons. Such reasons include the possibilities that the product will be ineffective or unsafe during clinical trials, will fail to receive necessary regulatory approvals, will be difficult to manufacture on a large scale, will be uneconomical to market or will be precluded from commercialization by proprietary rights of third parties.

NEW ACCOUNTING PRONOUNCEMENTS

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." SAB 101 provides guidance in applying generally accepted accounting principles to revenue recognition in financial statements, including the recognition of nonrefundable up-front fees received in conjunction with a research and development arrangement.

We are required to adopt this pronouncement effective in the fourth quarter of 2000. As required by the adoption, we reviewed all up-front payments, license fees and milestones received in the current and prior years. Up-front payments have been received for program cost reimbursements incurred during a negotiation period. License fees are received in exchange for a grant to use our proprietary technologies on an as-is basis, for the term of the collaborative agreement. Milestones are received for specific scientific achievements determined at the beginning of the collaboration. These achievements are remote and unpredictable at the onset of the collaboration and are based on the success of scientific efforts.

Based on that review, we have determined that there were no up-front payments or license fees received during 1999 or in prior years, which will be subject to the adoption of SAB 101. We are continuing to review the impact of the adoption on milestones revenues. Currently, we believe that $3.0 million in milestones payments received from Wyeth-Ayerst during 1999 may be subject to the accounting provisions of SAB 101. All other fees received relate to agreements under which the scientific milestones have been achieved and the research portion of the collaboration has been completed, or the agreements have been terminated entirely.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk is contained in Item 7, Management Discussion and Analysis--Interest Rate Risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the list of the Company's Financial Statements filed with this Form 10-K under Item 14 below.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report

1. List of Financial Statements. The following financial statements of Neurocrine Biosciences, Inc. and Report of Ernst & Young LLP, Independent Auditors, are included in this report:
   Report of Ernst & Young LLP, Independent Auditors
   Consolidated Balance Sheet as of December 31, 1999 and 1998
   Consolidated Statement of Operations for the years ended December 31, 1999, 1998 and 1997
   Consolidated Statement of Stockholders' Equity for the years ended December 31, 1999, 1998 and 1997
   Consolidated Statement of Cash Flows for the years ended December 31, 1999, 1998 and 1997
   Notes to the Consolidated Financial Statements

2. List of all Financial Statement schedules. All schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

3. List of Exhibits required by Item 601 of Regulation S-K. See part (c) below.

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended December 31, 1999.

(c) Exhibits. The following exhibits are filed as part of, or incorporated by reference into, this report:

Exhibit Number	Description
2.1	Agreement and Plan of Reorganization dated May 1, 1998, between Northwest NeuroLogic, Inc., NBI Acquisition Corporation and the Registrant (7)
2.2	Form of Warrant pursuant to the Agreement and Plan of Reorganization dated May 1, 1998 (7)
3.1	Restated Certificate of Incorporation (1)
3.2	Bylaws (1)

Exhibit Number	Description
3.3	Certificate of Amendment of Bylaws (1)
4.1	Form of Common Stock Certificate (1)
4.2	Form of warrant issued to existing warrant holders (1)
4.3**	Information and Registration Rights Agreement dated September 15, 1992, as amended
4.4	Form of Series A warrant issued in connection with the execution by the Registrant of the Unit Purchase Agreement (see below) (1)
4.5**	New Registration Rights Agreement dated March 29, 1996 among the Registrant and the investors signatory thereto
4.6	Letter of Intent between Northwest NeuroLogic, Inc. and the Registrant dated February 27, 1998 (6)
4.7*	Registration Rights Agreement dated May 28, 1998, between certain investors and the Registrant (7)
4.8	Amended and Restated Rights Agreement by and between the Registrant and American Stock Transfer & Trust Company, as Rights Agent, dated as of July 19, 1999 (9)
4.9	Stock Purchase Agreement dated December 20 through 23, 1999, between Neurocrine Biosciences, Inc. and each of the Purchasers named therein (11)
10.1	Purchase and Sale Agreement and Escrow Instructions between MS Vickers II, LLC and the Registrant dated February 13, 1997 (3)
10.2	1992 Incentive Stock Plan, as amended (10)
10.3	1996 Employee Stock Purchase Plan (1)
10.4	1996 Director Stock Option Plan and form of stock option agreement (1)
10.5	Form of Director and Officer Indemnification Agreement (1)
10.6	Employment Agreement dated March 1, 1997, between the Registrant and Gary A. Lyons, as amended (4)
10.7	Employment Agreement dated March 1, 1997, between the Registrant and Errol B. De Souza, as amended (4)
10.8	Employment Agreement dated March 1, 1997, between the Registrant and Paul W. Hawran (4)
10.9	Employment Agreement dated March 1, 1997, between the Registrant and Stephen Marcus, MD (4)
10.10	Consulting Agreement dated September 25, 1992, between the Registrant and Wylie A. Vale, Ph.D. (1)
10.11	Consulting Agreement effective January 1, 1992, between the Registrant and Lawrence J. Steinman, MD (1)
10.12	Lease Agreement dated June 1, 1993, between the Registrant and Hartford Accident and Indemnity Company, as amended (1)
10.13	Exclusive License Agreement dated as of July 1, 1993, by and between the Beckman Research Institute of the City of Hope and the Registrant covering the treatment of nervous system degeneration and Alzheimer's disease (1)
10.14	Exclusive License Agreement dated as of July 1, 1993, by and between the Beckman Research Institute of the City of Hope and the Registrant covering the use of Pregnenolone for the enhancement of memory (1)
10.15	License Agreement dated May 20, 1992, by and between The Salk Institute for Biological Studies and the Registrant (1)
10.16	License Agreement dated July 17, 1992, by and between The Salk Institute for Biological Studies and the Registrant (1)
10.17	License Agreement dated November 16, 1993, by and between The Salk Institute for Biological Studies and the Registrant (1)
10.18	License Agreement dated October 19, 1992, by and between the Board of Trustees of the Leland Stanford Junior University and the Registrant (1)
10.19	Agreement dated January 1, 1995, by and between the Registrant and Janssen Pharmaceutica, N.V. (1)
10.20	Letter Agreement dated January 19, 1996, by and between the Registrant and Ciba-Geigy Limited (1)
10.21*	Unit Purchase Agreement dated March 29, 1996, by and between Neuroscience Pharma, Inc. the Registrant and the investors signatory thereto (1)

Exhibit Number	Description
10.22*	Exchange Agreement dated March 29, 1996, by and between Neurocrine Biosciences (Canada), Inc., the Registrant and the investors signatory thereto (1)
10.23*	Research and Development Agreement dated March 29, 1996, by and between Neurocrine Biosciences (Canada), Inc. and Nueorscience Pharma, Inc. (1)
10.24*	Intellectual Property and License Grants Agreement dated March 29, 1996, by and between the Registrant and Neurocrine Biosciences (Canada), Inc. (1)
10.25*	Development and Commercialization Agreement dated December 20, 1996, by and between Ciba-Geigy Ltd. and the Registrant (2)
10.26*	Letter and Purchase Order dated June 7, 1996, by and between Ciba-Geigy and the Registrant (2)
10.27	Third Lease Amendment dated June 6, 1996, by and between Talcott Realty I Limited Partnership and the Registrant (2)
10.28*	Research and License Agreement dated October 15, 1996, between the Registrant and Eli Lilly and Company (2)
10.29*	Lease between Science Park Center LLC and the Registrant dated July 31, 1997 (5)
10.30*	Option Agreement between Science Park Center LLC (Optionor) and the Registrant dated July 31, 1997 (Optionee) (5)
10.31*	Construction Loan Agreement Science Park Center LLC and the Registrant dated July 31, 1997 (5)
10.32	Secured Promissory Note Science Park Center LLC and the Registrant dated July 31, 1997 (5)
10.33*	Operating Agreement for Science Park Center LLC between Nexus Properties, Inc. and the Registrant dated July 31, 1997 (5)
10.34	Form of incentive stock option agreement and nonstatutory stock option agreement for use in connection with 1992 Incentive Stock Plan (1)
10.35*	Patent License Agreement dated May 7, 1998, between the US Public Health Service and the Registrant (7)
10.36*	Patent License Agreement dated April 28, 1998, between and among Ira Pastan, David Fitzgerald and the Registrant (7)
10.37*	Sub-License and Development Agreement dated June 30, 1998, by and between DOV Pharmaceutical, Inc. and the Registrant (7)
10.38*	Warrant Agreement dated June 30, 1998, between DOV Pharmaceutical, Inc. and the Registrant (7)
10.39*	Warrant Agreement dated June 30, 1998, between Jeff Margolis and the Registrant (7)
10.40*	Warrant Agreement dated June 30, 1998, between Stephen Ross and the Registrant (7)
10.41*	Collaboration and License Agreement dated January 1, 1999, by and between American Home Products Corporation acting through its Wyeth-Ayerst Laboratories Division and the Registrant (8)
10.42*	Employment Agreement dated January 1, 1999, between the Registrant and Margaret Valeur-Jensen (8)
10.43*	Employment Agreement dated February 9, 1998, between the Registrant and Bruce Campbell (8)
10.44	Amended 1992 Incentive Stock Plan, as amended May 27, 1997, May 27, 1998 and May 21, 1999 (8)
10.45*	Agreement by and among Dupont Pharmaceuticals Company, Janssen Pharmaceutica, N.V. and Neurocrine Biosciences, Inc. dated September 28, 1999 (10)
10.46*	Amendment Number One to the Agreement between Neurocrine Biosciences, Inc. and Janssen Pharmaceutica, N.V. dated September 24, 1999 (10)
21+	Subsidiaries of the Company
23**	Consent of Ernst & Young LLP, Independent Auditors
24+	Power of Attorney
27+	Financial Data Schedule

(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-03172)

(2) Incorporated by reference to the Company's Report on Form 10-K for the fiscal year ended December 31, 1996

(3) Incorporated by reference to the Company's amended Quarterly Report on Form 10-Q filed on August 15, 1997

(4) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 14, 1997

Exhibit Number	Description
(5)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 1997
(6)	Incorporated by reference to the Company's Report on Form 8-K filed on March 13, 1998
(7)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 16, 1998
(8)	Incorporated by reference to the Company's Report on Form 10-K for the fiscal year ended December 31, 1998
(9)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 11, 1999
(10)	Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 12, 1999
(11)	Incorporated by reference to the Company's Report on Form S-3 filed on January 20, 2000
*	Confidential treatment has been granted with respect to certain portions of the exhibit
**	Filed herewith
+	Previously filed

(d) Financial Statement Schedules. See Item 14 (a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEUROCRINE BIOSCIENCES, INC.
A Delaware Corporation

By: /s/ Gary A. Lyons

    Gary A. Lyons
    President and Chief Executive Officer

Date: November 30, 2000

NEUROCRINE BIOSCIENCES, INC.
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Neurocrine Biosciences, Inc.

We have audited the accompanying consolidated balance sheet of Neurocrine Biosciences, Inc. as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Neurocrine Biosciences, Inc. at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

ERNST & YOUNG LLP

San Diego, California
January 27, 2000

NEUROCRINE BIOSCIENCES, INC.
Consolidated Balance Sheet
(in thousands)

	December 31, 1999	December 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,265	$ 11,708
Short-term investments, available-for-sale	69,833	50,962
Receivables under collaborative agreements	1,458	863
Receivables from related parties	-	544
Other current assets	2,257	1,556
Total current assets	94,813	65,633
Property and equipment, net	11,181	10,899
Licensed technology and patent applications costs, net	615	967
Other assets	2,613	3,030
Total assets	$ 109,222	$ 80,529
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,447	$ 2,481
Accrued liabilities	5,069	2,077
Deferred revenues	155	169
Current portion of long-term debt	149	149
Current portion of capital lease obligations	825	693
Total current liabilities	8,645	5,569
Long-term debt, net of current portion	312	461
Capital lease obligations, net of current portion	1,827	1,786
Deferred rent	1,005	257
Other liabilities	1,079	498
Total liabilities	12,868	8,571
Commitments and contingencies (See Note 6)	-	-
Stockholders' equity:		
Preferred Stock, $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common Stock, $0.001 par value; 100,000,000 shares authorized; issued and outstanding shares were 21,608,011 in 1999 and 18,930,865 in 1998	22	19
Additional paid in capital	138,798	97,064
Deferred compensation	(411)	(187)
Stockholder notes	(119)	(119)
Accumulated other comprehensive (loss) income	(264)	31
Accumulated deficit	(41,672)	(24,850)
Total stockholders' equity	96,354	71,958
Total liabilities and stockholders' equity	$ 109,222	$ 80,529

See accompanying notes.

NEUROCRINE BIOSCIENCES, INC.
Consolidated Statement of Operations
(in thousands)

	Year-ended December 31,		
	1999	1998	1997
Revenues:			
Sponsored research and development	$ 12,171	$ 8,751	$ 14,985
Sponsored research and development from related party	491	3,610	-
Milestones and license fees	3,000	2,500	10,250
Grant income and other revenues	1,129	1,176	909
Total revenues	16,791	16,037	26,144
Operating expenses:			
Research and development	29,169	21,803	18,758
General and administrative	7,476	6,594	5,664
Write-off of acquired in-process research and development and licenses	-	4,910	-
Total operating expenses	36,645	33,307	24,422
Income (loss) from operations	(19,854)	(17,270)	1,722
Other income and expenses:			
Interest income	3,082	4,151	4,084
Interest expense	(231)	(151)	(153)
Equity in NPI losses and other adjustments, net	(885)	(7,188)	(1,130)
Other income	1,066	504	818
Income (loss) before taxes	(16,822)	(19,954)	5,341
Income taxes	-	1	214
Net income (loss)	$ (16,822)	$ (19,955)	$ 5,127
Earnings (loss) per common share:			
Basic	$ (0.88)	$ (1.10)	$ 0.30
Diluted	$ (0.88)	$ (1.10)	$ 0.28
Shares used in the calculation of earnings (loss) per common share:			
Basic	19,072	18,141	16,930
Diluted	19,072	18,141	18,184

See accompanying notes.

NEUROCRINE BIOSCIENCES, INC.
Consolidated Statement of Stockholders' Equity
(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Unearned Compensation	Notes Receivable from Stockholders
BALANCE AT DECEMBER 31, 1996	16,777	$ 17	$ 83,234	$ (376)	$ (128)
Net income	-	-	-	-	-
Unrealized loss on short-term investments	-	-	-	-	-
Comprehensive income	-	-	-	-	-
Issuance of common stock for warrants	182	-	59	-	-
Issuance of common stock for option exercises	106	-	453	-	-
Issuance of common stock pursuant to the Employee Stock Purchase Plan	22	-	175	-	-
Issuance of common stock in exchange for NPI Preferred Stock	600	1	4,473	-	-
Payments received on stockholder notes	-	-	-	-	8
Deferred compensation and related amortization, net	-	-	192	(63)	-
BALANCE AT DECEMBER 31, 1997	17,687	18	88,586	(439)	(120)
Net loss	-	-	-	-	-
Unrealized gain on short-term investments	-	-	-	-	-
Comprehensive loss	-	-	-	-	-
Issuance of common stock for warrants	60	-	142	-	-
Issuance of common stock for option exercises	81	-	286	-	-
Issuance of common stock pursuant to the Employee Stock Purchase Plan	30	-	205	-	-
Issuance of common stock in exchange for NPI Preferred Stock	679	1	3,854	-	-
Issuance of common stock for NNL Acquisition	392	-	4,032	-	-
Issuance of common stock for milestone achievement	2	-	17	-	-
Payments received on stockholder notes	-	-	-	-	1
Amortization of deferred compensation, net	-	-	(58)	252	-
BALANCE AT DECEMBER 31, 1998	18,931	19	97,064	(187)	(119)
Net loss	-	-	-	-	-
Unrealized gain on short-term investments	-	-	-	-	-
Comprehensive loss	-	-	-	-	-
Issuance of common stock for option exercises	307	-	1,507	-	-
Issuance of common stock pursuant to the Employee Stock Purchase Plan	42	-	213	-	-
Issuance of common stock, net of offering costs	2,328	3	39,293		-
Amortization of deferred compensation, net	-	-	721	(224)	-
BALANCE AT DECEMBER 31, 1999	21,608	$ 22	$ 138,798	$ (411)	$ (119)

	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
BALANCE AT DECEMBER 31, 1996	$ 42	$ (10,022)	$ 72,767
Net income	-	5,127	5,127
Unrealized loss on short-term investments	(40)	-	(40)
Comprehensive income	-	-	5,087
Issuance of common stock for warrants	-	-	59
Issuance of common stock for option exercises	-	-	453
Issuance of common stock pursuant to the Employee Stock Purchase Plan	-	-	175
Issuance of common stock in exchange for NPI Preferred Stock	-	-	4,474
Payments received on stockholder notes	-	-	8
Deferred compensation and related amortization, net	-	-	129
BALANCE AT DECEMBER 31, 1997	2	(4,895)	83,152
Net loss	-	(19,955)	(19,955)
Unrealized gain on short-term investments	29	-	29
Comprehensive loss	-	-	(19,926)
Issuance of common stock for warrants	-	-	142
Issuance of common stock for option exercises	-	-	286
Issuance of common stock pursuant to the Employee Stock Purchase Plan	-	-	205
Issuance of common stock in exchange for NPI Preferred Stock	-	-	3,855
Issuance of common stock for NNL Acquisition	-	-	4,032
Issuance of common stock for milestone achievement	-	-	17
Payments received on stockholder notes	-	-	1
Amortization of deferred compensation, net	-	-	94

BALANCE AT DECEMBER 31, 1998	31	(24,850)	71,958
Net loss	-	(16,822)	(16,822)
Unrealized gain on short-term investments	(295)	-	(295)
Comprehensive loss	-	-	(17,117)
Issuance of common stock for option exercises	-	-	1,507
Issuance of common stock pursuant to the Employee Stock Purchase Plan	-	-	213
Issuance of common stock, net of offering costs			39,296
Amortization of deferred compensation, net	-	-	497
BALANCE AT DECEMBER 31, 1999	$ (264)	$ (41,672)	$ 96,354

See accompanying notes.

NEUROCRINE BIOSCIENCES, INC.
Consolidated Statement of Cash Flows
(in thousands)

	Twelve Months Ended December 31,		
	1999	1998	1997
CASH FLOW FROM OPERATING ACTIVITIES			
Net (loss) income	$ (16,822)	$ (19,955)	$ 5,127
Adjustments to reconcile net income (loss) to net cash Provided by (used in) operating activities:			
Acquisition of Northwest NeuroLogic for Common Stock	-	4,200	-
Equity in NPI losses and other adjustments, net	885	7,188	1,130
Depreciation and amortization	2,066	1,720	1,322
Loss on abandonment of assets	133	460	76
Gain on sale of equipment	-	(15)	-
Deferred revenues	(14)	(1,750)	1,000
Deferred rent	748	(402)	384
Compensation expenses recognized for stock options	497	194	129
Change in operating assets and liabilities, net of acquired business:			
Accounts receivable and other current assets	(752)	(2,898)	885
Other non-current assets	(357)	291	(1,274)
Accounts payable and accrued liabilities	3,360	271	2,213
Net cash flows (used in) provided by operating activities	(10,256)	(10,696)	10,992
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of short-term investments	(87,728)	(41,618)	(113,080)
Sales/maturities of short-term investments	68,562	50,006	112,315
Purchases of property and equipment, net	(2,061)	(3,683)	(6,440)
Net cash flows (used in) provided by investing activities	(21,227)	4,705	(7,205)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of Common Stock	41,016	433	687
Proceeds received from long-term obligations	981	2,500	747
Principal payments on long-term obligations	(957)	(1,006)	(783)
Payments received on notes receivable from stockholders	-	1	8
Net cash flows provided by financing activities	41,040	1,928	659
Net increase (decrease) in cash and cash equivalents	9,557	(4,063)	4,446
Cash and cash equivalents at beginning of the period	11,708	15,771	11,325
Cash and cash equivalents at end of the period	$ 21,265	$ 11,708	$ 15,771
SUPPLEMENTAL DISCLOSURES			
Supplemental disclosures of cash flow information:			
Interest paid	$ 231	$ 150	$ 153
Taxes paid	-	1	250
Schedule of noncash investing and financing activities:			
Conversion of note receivable to investment in NPI	$ -	$ 1,401	-
Conversion of NPI Preferred Stock to investment in NPI	-	3,855	4,474

See accompanying notes.

NEUROCRINE BIOSCIENCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1999

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activities. Neurocrine Biosciences, Inc. (the "Company") was incorporated in California on January 17, 1992 and was reincorporated in Delaware in March 1996. The Company is a neuroscience-based company focused on the discovery and development of novel therapeutics for neuropsychiatric, neuroinflammatory and neurodegenerative diseases and disorders. The Company's neuroscience, endocrine and immunology disciplines provide a unique biological understanding of the molecular interaction between central nervous, immune and endocrine systems for the development of therapeutic interventions for anxiety, depression, insomnia, stroke, malignant brain tumors, multiple sclerosis, obesity and diabetes.

Principles of Consolidation. The consolidated financial statements include the accounts of Neurocrine Biosciences, Inc. (the "Company") and its wholly owned subsidiary, Northwest NeuroLogic, Inc. ("NNL"). Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Cash Equivalents. The Company considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Short-Term Investments Available-for-Sale. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Debt and Equity Securities," short-term investments are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in comprehensive income. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

The Company invests its excess cash primarily in investment grade debt instruments, marketable debt securities of U.S. government agencies, and high-grade commercial paper. Management has established guidelines relative to diversification and maturities that maintain safety and liquidity.

Property and Equipment. Property and equipment are carried at cost. Depreciation and amortization are provided over the estimated useful lives of the assets, ranging from three to ten years, using the straight-line method.

Licensed Technology and Patent Application Costs. Licensed technology consists of worldwide licenses to patents related to the Company's platform technology which are capitalized at cost and amortized over periods of 7 to 11 years. These costs are regularly reviewed to determine that they include costs for patent applications the Company is pursuing. Costs related to applications that are not being actively pursued are evaluated under Accounting Principles Board Statement 17 "Intangible Assets" and are adjusted to an appropriate amortization period which generally results in immediate write-off. Assets written-off during 1999 had a net book value of $133,000. Accumulated amortization at December 31, 1999 and 1998 was $685,000 and $679,000, respectively.

Impairment of long-lived assets. In accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", if indicators of impairment exist, the Company assesses the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through undiscounted future operating cash flows. If impairment is indicated, the Company measures the amount of such impairment by comparing the carrying value of the asset to the present value of the expected future cash flows associated with the use of the asset. While the Company's current and historical operating and cash flow

losses are indicators of impairment, the Company believes the future cash flows to be received from the long-lived assets will exceed the assets carrying value, and accordingly the Company has not recognized any impairment losses through December 31, 1999.

Industry Segment and Geographic Information. The Company operates in a single industry segment - the discovery and development of therapeutics for the treatment of diseases and disorders of the central, nervous and immune systems. The Company has no foreign operations.

Research and Development Revenue and Expenses. Revenues under collaborative research agreements and grants are recognized as research costs are incurred over the period specified in the related agreement or as the services are performed. These agreements are on a best-efforts basis and do not require scientific achievement as a performance obligation and provide for payment to be made when costs are incurred or the services are performed. All fees are nonrefundable to the collaborators. Up-front, nonrefundable payments for license fees are recognized as revenues upon receipt. These licenses grant the use of the Company's proprietary technology on an as-is basis for the term of the collaborative agreement. They do not require the Company to expend additional efforts or provide financial support. Advance payments for sponsored research revenues received in excess of amounts earned are classified as deferred revenue and recognized as income in the period earned. Milestone payments are recognized as revenue upon achievement of pre-defined scientific events. Revenues from government grants are recognized based on a percentage-of-completion basis as the related costs are incurred. The Company recognizes revenue only on payments that are nonrefundable and when the work is performed. Research and development costs are expensed as incurred. Such costs include proprietary research and development activities and expenses associated with collaborative research agreements. Research and development expenses relating to collaborative agreements and grants were approximately $7.2 million, $12.0 million and $9.4 million during 1999, 1998 and 1997, respectively.

Stock-Based Compensation. As permitted by SFAS 123, "Accounting for Stock-Based Compensation", the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for stock-based employee compensation. Deferred compensation is recorded for employee options only in the event that the fair market value of the stock on the date of the option grant exceeds the exercise price of the options. The deferred compensation is amortized over the vesting period of the options.

Deferred charges for options granted to non-employees has been determined in accordance with SFAS 123 and EITF 96-18 as the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured. Deferred charges for options granted to non-employees are periodically remeasured as the underlying options vest and are included in deferred compensation in the financial statements.

Earnings Per Share. Basic and diluted earnings per share are calculated in accordance with SFAS 128, "Earnings per Share". All earnings per share amounts for all periods have been presented, and where appropriate, were restated to conform to the requirements of SFAS 128.

Comprehensive Income. Comprehensive income is calculated in accordance with SFAS 130, "Comprehensive Income". The Statement requires the disclosure of all components of comprehensive income, including net income and changes in equity during a period from transactions and other events and circumstances generated from non-owner sources. The Company's other comprehensive income consisted of gains and losses on short-term investments and is reported in the consolidated statement of stockholders' equity.

Reclassifications. Certain reclassifications have been made to prior year amounts to conform to the presentation for the year ended December 31, 1999.

Impact of Recently Issued Accounting Standards. In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." SAB 101 provides guidance in applying generally

accepted accounting principles to revenue recognition in financial statements, including the recognition of nonrefundable up-front fees received in conjunction with a research and development arrangement.

We are required to adopt this pronouncement effective in the fourth quarter of 2000. As required by the adoption, we reviewed all up-front payments, license fees and milestones received in the current and prior years. Up-front payments have been received for program cost reimbursements incurred during a negotiation period. License fees are received in exchange for a grant to use our proprietary technologies on an as-is basis, for the term of the collaborative agreement. Milestones are received for specific scientific achievements determined at the beginning of the collaboration. These achievements are remote and unpredictable at the onset of the collaboration and are based on the success of scientific efforts.

Based on that review, we have determined that there were no up-front payments or license fees received during 1999 or in prior years, which will be subject to the adoption of SAB 101. We are continuing to review the impact of the adoption on milestones revenues. Currently, we believe that $3.0 million in milestones payments received from Wyeth-Ayerst during 1999 may be subject to the accounting provisions of SAB 101. All other fees received relate to agreements under which the scientific milestones have been achieved and the research portion of the collaboration has been completed, or the agreements have been terminated entirely.

In June 1998, the Financial Accounting Standards Board issued SFAS 133,"Accounting for Derivative Instruments and Hedging Activities". The Company expects to adopt the new Statement effective January 1, 2001. This statement requires the recognition of all derivative instruments as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value. The Company does not expect the adoption of this statement to have a material impact on its results of operations or financial position.

Note 2. Short-Term Investments

The following is a summary of short-term investments classified as available-for-sale securities (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 1999				
US Government securities	$ 1,997	$ -	$ (24)	$ 1,973
Corporate debt securities	68,100	7	(247)	67,860
Total securities	$ 70,097	$ 7	$ (271)	$ 69,833
December 31, 1998				
US Government securities	$ 6,000	$ 17	$ -	$ 6,017
Certificates of deposit	260	-	-	260
Commercial paper	5,420	-	-	5,420
Corporate debt securities	39,141	61	(87)	39,115
Other	110	40	-	150
Total securities	$ 50,931	$ 118	$ (87)	$ 50,962

Gross realized gains and losses were not material for any of the reported periods. The amortized cost and estimated fair value of debt securities by contractual maturity at December 31, 1999, are shown below (in thousands).

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 2,004	$ 2,000
Due after one year through four years	68,093	67,833
	$ 70,097	$ 69,833

Note 3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1999 and 1998, consist of the following (in thousands):

	1999	1998
Land	$ 5,299	$ 5,299
Furniture and fixtures	1,982	1,856
Equipment	9,046	7,356
Leasehold improvements	875	562
	17,202	15,073
Less accumulated depreciation and amortization	(6,021)	(4,174)
Net property and equipment	$ 11,181	$ 10,899

Furniture and equipment under capital leases were $6.7 million and $5.8 million at December 31, 1999 and 1998, respectively. Accumulated depreciation of furniture and equipment under capital leases totaled $4.0 million and $3.1 million at December 31, 1999 and 1998, respectively. In 1999, the Company entered into $981,000 of additional capital leases. Similar transactions in 1998 totaled $2.5 million.

Note 4. ACCRUED LIABILITIES

Accrued liabilities at December 31, 1999 and 1998 consist of the following (in thousands):

	1999	1998
Accrued employee benefits	$ 1,331	$ 1,120
Accrued professional fees	270	438
Accrued offering expenses	1,222	-
Accrued development costs	1,828	333
Taxes payable	27	15
Other accrued liabilities	391	171
	$ 5,069	$ 2,077

Note 5. LONG-TERM DEBT

During 1997, the Company partially financed the purchase of land under a 5 year note payable for approximately $747,000, which bears interest at a floating rate of prime plus one quarter percent (8.75% and 8.00% at December 31, 1999 and 1998, respectively). The note is repayable in equal monthly installments beginning February 1998.

At December 31, 1999, the balance of the note was $ 461,000. The repayment schedule for the note is $149,000 for each year 2000 through 2002 and $13,000 in the year 2003.

Note 6. COMMITMENTS AND CONTINGENCIES

Capital Lease Obligations. The Company has financed certain equipment under capital lease obligations, which expire on various dates through the year 2004 and bear interest at rates between 7.6% and 10.1%. The lease commitments are repayable in monthly installments.

Operating Leases. In May 1997, the Company purchased two adjacent parcels of land in San Diego for $5.0 million. In August 1997, the Company sold one parcel to Science Park Center LLC, a California limited liability

company (the "LLC"), of which the Company owns a nominal minority interest, in exchange for a note receivable in the amount of $3.5 million plus interest of 8.25%. However, for accounting purposes, this transaction does not qualify as a sale under SFAS No. 98 and therefore, the entire amount of the note receivable is included in land. The amount included in land at December 31, 1999 and 1998 was $3.8 million.

During 1998, the LLC constructed an expanded laboratory and office complex which was leased by the Company under a 15 year operating lease, commencing September 1998. The Company has the option to purchase the facility at any time during the term of the lease at a predetermined price. The lease contains a 4% per year escalation in base rent fees, effective with each anniversary. In November 1998, the Company subleased a portion of this facility to an unrelated third party through August 2000. The Company will hold the second parcel of land until such time as additional facilities are required.

In November 1998, the lease obligation relating to the Company's former operating facility was amended to reduce the amount of square footage leased and to shorten the lease term to conclude in June 2000. The Company currently subleases this space to an unrelated third party and is obligated to continue this arrangement through June 2000.

Repayment schedules for the capital lease obligations and operating lease commitments at December 31, 1999 are as follows (in thousands):

Fiscal Year:	Capital Leases	Operating Leases
2000	$ 996	$ 2,731
2001	1,163	2,525
2002	573	2,626
2003	173	2,731
2004	66	2,841
Thereafter	-	29,880
Total minimum payments	$ 2,971	$ 43,334
Less: amounts representing interest	(319)	
Future minimum payments	2,652	
Less: current portion	(825)	
Future payments on capital lease obligations	$ 1,827	

Rent expense was $2.7 million, $2.4 million and $2.1million for the years ended December 31, 1999, 1998 and 1997, respectively. Sublease income was $1.2 million, $837,000 and $917,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

Future minimum sublease income to be received under non-cancelable subleases at December 31, 1999 will be $657,000 for the year ending December 31, 2000.

Licensing and Research Agreements. The Company has entered into licensing agreements with various universities and research organizations, which are cancelable at the option of the Company with 30 days written notice. Under the terms of these agreements, the Company has received licenses to technology, or technology claimed, in certain patents or patent applications. The Company is required to pay royalties on future sales of products employing the technology or falling under claims of a patent, and certain agreements require minimum royalty payments. Certain agreements also require the Company to make payments upon the achievement of specified milestones. Due to the uncertainty of the pharmaceutical development process, the Company continually reassesses the value of the license agreements and cancels them as research efforts are discontinued on these programs.

Note 7. Stockholders' Equity

Common Stock Issuances. From inception through 1996, the Company has issued Common Stock in various private and public offerings, as well as to corporate collaborators, at prices between $5.00 and $10.50 per share resulting in aggregate net proceeds of approximately $72.1 million. In December 1999, the Company sold 2.3 million shares of Common Stock in a private placement at $18.00 per share. The offering resulted in net proceeds of $39.3 million.

Options. The Company has authorized 5.6 million shares of its Common Stock for issuance upon exercise of options or stock purchase rights granted under the 1992 Incentive Stock Option Plan, 1996 Director Option Plan and the 1997 NNL Stock Option Plan (collectively "the Plan"). These plans provide for the grant of stock options and stock purchase rights to officers, directors, and employees of, and consultants and advisors to, the Company. Options under these plans have terms of up to 10 years from the date of grant and may be designated as incentive stock options or nonstatutory stock options under the Plan.

A summary of the Company's stock option activity, and related information for the years ended December 31 follows:

	1999		1998		1997	
	Options (in thousands)	Weighted Average Exercise Price	Options (in thousands)	Weighted Average Exercise Price	Options (in thousands)	Weighted Average Exercise Price
Outstanding at January 1,	2,793	$6.02	2,653	$5.84	1,739	$4.48
Granted	1,142	$6.03	677	$6.26	1,072	$7.86
Exercised	(412)	$4.79	(81)	$3.64	(100)	$4.10
Canceled	(365)	$6.52	(456)	$5.76	(58)	$5.88
Outstanding at December 31,	3,158	$5.91	2,793	$6.02	2,653	$5.85

A summary of options outstanding as of December 31, 1999 follows:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Outstanding as of 12/31/99	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable As of 12/31/99	Weighted Average Exercise Price
$0.02 to $2.50	478	4.3	$2.29	425	$2.42
$4.03 to $4.25	459	5.6	$4.24	406	$4.25
$4.66 to $5.25	501	8.7	$4.99	119	$5.01
$5.27 to $6.50	410	8.8	$5.79	97	$5.97
$6.56 to $7.37	509	7.7	$7.16	271	$7.25
$7.50 to $8.25	361	7.2	$7.95	219	$8.00
$8.31 to $20.50	440	7.4	$9.66	251	$9.04
	3,158	7.1	$5.91	1,788	$5.54

The weighted average fair values of the options granted during 1999, 1998 and 1997 were $3.75, $5.59 and $5.01, respectively.

Pro forma information regarding net income (loss) is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model using the following weighted-average assumptions for 1999, 1998 and 1997, respectively: risk-free interest rates of 6.4%, 5.5% and 5.8%; a dividend yield of 0.0% (for all years), volatility factors of the expected market price of the Company's common stock of .74, .88 and .43; and a weighted average expected life of the option of 5 years (for all years presented).

For purposes of pro forma disclosures, the estimated fair value of the options granted is amortized to expense over the options' vesting period. The pro forma effect on net losses for 1999 and 1998 and net income in 1997, is not likely to be representative of the effects on reported income or loss in future years because these amounts reflect less than full vesting for options granted during these periods. The Company's pro forma information for the years ended December 31, 1999, 1998 and 1997 follows (in thousands, except for per share data):

	1999	1998	1997
Net income (loss) as reported	$(16,822)	$(19,955)	$5,127
Earnings (loss) per share (diluted)	$ (0.88)	$ (1.10)	$ 0.28
Pro forma net income (loss)	$(18,303)	$(20,758)	$4,364
Pro forma earnings (loss) per share (diluted)	$ (0.96)	$ (1.14)	$ 0.24

Employee Stock Purchase Plan. The Company has reserved 125,000 shares of Common Stock for issuance under the 1996 Employee Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan permits eligible employees to purchase Common Stock through payroll deductions at a purchase price equal to 85% of the lesser of the fair market value per share of Common Stock on the start date of an offering period or on the date on which the shares are purchased. Through December 31, 1999, 93,000 shares had been issued pursuant to the Purchase Plan.

Warrants. The Company has outstanding warrants to purchase 384,000 shares of Common Stock at an exercise price of $10.50 per share. These warrants generally expire in 2007. At December 31, 1999, all outstanding warrants were exercisable.

The following shares of Common Stock are reserved for future issuance at December 31, 1999 (in thousands):

Stock option plans	3,653
Employee stock purchase plan	32
Warrants	384
Total	4,069

Of the shares available for future issuance under the Plan, 3.2 million are outstanding grants and 495,000 remain available for future grant.

NOTE 8. ACQUIRED IN-PROCESS RESEARCH AND DEVELOPMENT AND LICENSES

Northwest NeuroLogic, Inc.: In May 1998, the Company acquired the assets and liabilities of Northwest NeuroLogic, Inc. ("NNL"), in exchange for the Company's Common Stock and stock options valued at $4.2 million. Since the acquisition, the operations of NNL have been included in the Company's consolidated statements of operations. The acquisition was accounted for as a purchase and, accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed based on the estimated fair market values. Substantially all the purchase

price was allocated to the in-process research and development. The value allocated to the technology was then expensed because it had not reached technological feasibility and had no future alternative uses. The Company performed scientific due diligence related to the acquired projects and because they were based on narrow scientific hypothesis, the Company concluded that neither program had alternative future uses.

The nature and efforts required to develop the acquired in-process research and development into commercially viable products include research to identify a clinical candidate, preclinical development, clinical testing, FDA approval and commercialization. This process may cost in excess of $100 million and can take as long as 10 years to complete. It is also important to note that if a clinical candidate is identified, the further development of that candidate can be halted or abandoned at any time due to a number of factors. These factors include, but are not limited to, funding constraints, safety or a change in market demand.

Because of limited financial resources, the Company's strategy to develop some of its programs is to enter into collaborative agreements with major pharmaceutical companies. Through these collaborations, the Company could partially recover its research costs through contract research and milestone revenues. The collaborators would then be financially responsible for all clinical development and commercialization costs.

In May 1998, when the Company acquired the in-process research and development programs from NNL, it estimated the costs to identify a clinical candidate and provide minimal research support during the clinical development stages for the melanocortin receptor program to be $15.4 million over an 8-year period. Costs to identify a clinical candidate and provide minimal research support during the clinical development stages of the excitatory amino acid transporters program were estimated at $22.4 million. Estimated revenues from the collaborative arrangements were anticipated to reduce the Company's net costs. The clinical development and commercialization costs were to be completely funded by the collaborator.

During fiscal year 2000, the Company anticipates that its gross costs for continued research on these programs will approximate $5 million. The Company cannot be certain that its research efforts will result in clinical candidates for either compound. The Company intends to collaborate on the melanocortin receptor technology. The Company would expect the collaborator to then be responsible for the clinical development, commercialization and funding. The excitatory amino acid transporters program is currently under a collaborative agreement with Wyeth-Ayerst. Consequently, the Company cannot estimate the time or resources Wyeth-Ayerst will commit to the development of this program.

The following are pro forma unaudited results of operations for the year ended December 31, 1998 (in thousands, except per share data) had the purchase of NNL been consummated as of January 1, 1998. This pro forma information is not necessarily indicative of the actual results that would have been achieved nor is it necessarily indicative of future results.

Revenues	$ 16,325
Net loss	(20,013)
Loss per share basic and diluted	$ (1.09)

Other: During 1998, the Company purchased licenses for technologies relating to insomnia and brain cancer in the amount of $710,000. These projects were in the early stages of development, have not reached technological feasibility and have no known alternative uses. Consequently, the costs of these licenses were expensed.

The insomnia and brain cancer compounds are both in the early stages of clinical testing. During 2000, the Company expects to spend approximately $20 million on additional clinical testing of the brain cancer and insomnia compounds. The Company expects the clinical testing of both compounds to continue for at least the next two years, but its efforts may not result in commercially viable products. If the Company's efforts were completely successful and it did not collaborate on these compounds, it is estimated that each compound could cost an additional $50 - $150 million and take up to five years to reach commercial viability.

NOTE 9. COLLABORATIVE RESEARCH AND DEVELOPMENT AGREEMENTS

Taisho. In December 1999, Neurocrine signed an exclusive agreement with Taisho Pharmaceutical Co. LTD ("Taisho") providing Taisho an option to obtain European and Asian commercialization rights for Neurocrine's altered peptide ligand (APL) for diabetes (NBI-6024). Neurocrine would retain all rights in the rest of the world, including North America. The resulting collaboration could be valued at up to $45 million, if a product is commercialized, consisting of: licensing and option fees, payments for certain development and regulatory milestones, and reimbursement of 50% of the worldwide development expenses. In addition, Neurocrine would receive royalties on product sales in Europe and Japan.

Wyeth-Ayerst. In March 1999, the Company entered into an agreement with Wyeth-Ayerst Laboratories, the pharmaceutical division of American Home Products Corporation, on the research, development and commercialization of compounds which modulate excitatory amino acid transporters (EAATs) for the treatment of neurodegenerative and psychiatric diseases. EAATs are part of the family of neurotransmitter transporters and play a key role in regulating the actions of neurotransmitters and brain function.

The agreement, valued at up to $81 million if a product is commercialized, includes: sharing proprietary technologies, funding for research, payments for milestones reached, plus royalties on sales from products resulting from the collaboration. Under the terms of the agreement, Neurocrine expects to receive three to five years of funding for research and development as well as worldwide royalties on commercial sales of products that result from the collaboration. Wyeth-Ayerst will also provide Neurocrine with access to chemical libraries for screening within the collaborative field. As of December 31, 1999, the Company has received $3.0 million in sponsored research payments and $3.0 million for the achievement of four milestones.

Eli Lilly. In October 1996, the Company entered into an agreement with Eli Lilly and Company under which the Company expects to receive $22.0 million in research payments of which $17.7 million have been received as of December 31, 1999. The Company is also entitled to milestone payments for certain development and regulatory accomplishments. The Company will have the option to receive co-promotion rights and share profits from commercial sales of select products, which result from the collaboration in the U.S. or receive royalties on U.S. product sales. The Company will receive royalties on product sales for the rest of the world.

The collaborative research portion of the agreement was completed as scheduled in 1999. The Company will continue to receive milestone payments and royalties upon the successful continuation of the development portion of the agreement, if any.

Janssen. In January 1995, the Company entered into a research and development agreement (the "Janssen Agreement") with Janssen, under which Janssen paid the Company $2.0 million in up-front license fees and $9.7 million in sponsored research payments during the three-year term of the collaborative research portion of the agreement. The research portion of the agreement was completed in 1997.

Under the Janssen Agreement, the Company is entitled to receive up to $10.0 million in milestone payments for the indications of anxiety, depression and substance abuse, and up to $9.0 million in additional milestone payments for other indications. Milestone payments of $3.5 million had been received as of December 31, 1998. There were no additional milestone payments received during 1999. The Company has granted Janssen an exclusive worldwide license to manufacture and market products developed under the Janssen Agreement. The Company is entitled to receive royalties on worldwide product sales and has certain rights to co-promote such products in North America. Janssen is responsible for funding all clinical development and marketing activities, including reimbursement to Neurocrine for its promotional efforts, if any.

The collaborative research portion of the agreement was completed as scheduled in 1997 with the selection of a clinical candidate and the commencement of clinical trials in Europe. The Company will continue to receive milestone payments and royalties upon the successful continuation of the development portion of the agreement. Janssen has the right to terminate the Agreement upon six months notice. However, in the event of termination, other than termination by Janssen for cause or as a result of the acquisition of Neurocrine, all product and technology rights become the exclusive property of Neurocrine.

In September 1999, the Company signed an amendment to its 1995 agreement with Janssen Pharmaceutica, N.V. ("Janssen"). The amendment provides for a new sponsored research period designed to identify new corticotropin-releasing factor ("CRF") receptor antagonists which will be subject to the terms of the original agreement signed in 1995. The term of the amendment is from April 1999 through February 2001. Under the agreement, the Company will receive $5.0 million in sponsored research funding, up to $3.5 million in milestone achievements, $500,000 for research already conducted under this certain technology and reimbursement of all outside and third party costs associated with the project. As of December 31, 1999, the Company has received $1.9 million in sponsored research and the $500,000 payment for prior research.

Novartis. In January 1996, the Company entered into an agreement with Novartis under which Novartis paid the Company $5.0 million in up-front license fees and was obligated to provide Neurocrine with $7.0 million in research and development funding during the first two years of the agreement and up to $15.5 million in further research and development funding thereafter. As of December 31, 1999, the Company has received $18.8 million in sponsored research and development payments and $9.1 million of milestone payments.

On July 7, 1999, Novartis exercised its right to terminate the Development and Commercialization Agreement, effective January 7, 2000. As a result, Neurocrine will reacquire the worldwide rights to its multiple sclerosis compound, MSP771.

NOTE 10. RELATED PARTY TRANSACTIONS

Neuroscience Pharma, Inc. In March 1996, the Company along with a group of Canadian institutional investors (the "Canadian Investors") established Neuroscience Pharma Inc. ("NPI"). The Company's contribution was to license certain technology and Canadian marketing rights to NPI. The Canadian Investors contributed approximately $9.5 million in cash in exchange for the Preferred Stock of NPI, which was convertible into the Company's Common Stock at the option of the Canadian Investors, and warrants exercisable for 383,875 shares of the Company's Common Stock at an exercise price of $10.50 per share. The Canadian Investors are also eligible to receive additional warrants upon the attainment of certain additional funding.

During 1997 and 1998, the Investors converted their Preferred Shares to the Company's Common Stock. As a result, the Company recorded an investment in NPI equal to the market value of Common Stock issued in exchange for the Preferred Shares and has recognized its proportionate share of the NPI net losses in accordance with the equity method of accounting. Equity in NPI losses totaled $764,000, $3.4 million and $1.1 million in 1999, 1998 and 1997, respectively.

The Preferred Shares were redeemable for cash at the Company's option. The redemption feature of the Preferred Shares limits their value to the balance of cash and cash equivalents maintained by NPI. Consequently, the Company reduced the value of its NPI investment by $646,000 during 1999 and $3.8 million during 1998. The balance of the Company's investment in NPI was $0 and $1.4 million at December 31, 1999 and 1998, respectively.

During 1996, the Company entered into a sponsored research agreement with NPI. The terms of the agreement called for NPI to fund additional research efforts on technologies licensed to NPI by the Company. Associated with the costs of research on those certain programs, the Company recognized revenues of $491,000 and $3.6 million during 1999 and 1998 respectively.

During December 1999, the Company sold its investment in NPI in exchange for cash, receivables and potential royalties on worldwide sales resulting from certain of NPI's future products. The Company recorded a gain of $526,000 on the sale of this investment. The gain was calculated using the total consideration of cash and receivables, less the carrying value of the NPI investment. No value was assigned to potential royalties on future product sales due to the uncertainty of this event. This transaction, as well as those discussed above, is included in "Equity in NPI losses and other adjustments, net" reported on the Consolidated Statement of Operations.

NOTE 11. EARNINGS PER SHARE

The following data show the amounts used in computing earnings per share and the effect on income and the weighted-average number of shares of dilutive potential common stock (in thousands except for earning per share data):

	Year Ended December 31,		
	1999	1998	1997
Numerator:			
Net income (loss)	$ (16,822)	$ (19,955)	$ 5,127
Effect of dilutive securities	-	-	-
Numerator for earnings (loss) per share	$ (16,822)	$ (19,955)	$ 5,127
Denominator:			
Denominator for basic earnings (loss) per share	19,072	18,141	16,930
Effect of dilutive securities:			
Employee stock options	**	**	909
Convertible preferred stock	**	**	204
Warrants	**	**	141
Dilutive potential of common shares	**	**	1,254
Denominator for diluted earnings (loss) per share	19,072	18,141	18,184
Basic earnings (loss) per share	$ (0.88)	$ (1.10)	$ 0.30
Diluted earnings (loss) per share	$ (0.88)	$ (1.10)	$ 0.28

**Antidilutive

NOTE 12. INCOME TAXES

At December 31, 1999, the Company had federal and California income tax net operating loss carryforwards of approximately $20.3 million and $5.4 million, respectively. The federal and California tax loss carryforwards will begin to expire in 2010 and 2003, respectively, unless previously utilized. The Company also has federal and California research tax credit carryforwards of approximately $3.5 million and $1.3 million, respectively, which will begin to expire in 2007 and 2012, respectively, unless previously utilized. The Company has federal Alternative Minimum Tax credit carryforwards of approximately $257,000, which will carryforward indefinitely.

Pursuant to Internal Revenue Code Sections 382 and 383, annual use of the Company's net operating loss and credit carryforwards may be limited because of cumulative changes in ownership of more than 50% which occurred during 1992 and 1993. However, the Company does not believe such changes will have a material impact upon the utilization of these carryforwards.

Significant components of the Company's deferred tax assets as of December 31, 1999 and 1998 are shown below. A valuation allowance of $13.5 million and $6.5 million at December 31, 1999 and 1998, respectively, have

been recognized to offset the net deferred tax assets as realization of such assets is uncertain. Amounts are shown in thousands as of December 31, of the respective years:

	1999	1998
Deferred tax assets:		
Net operating loss carryforwards	$ 7,400	$ 3,744
Tax credit carryforwards	4,649	2,069
Capitalized research and development	935	453
Other, net	520	204
Total deferred tax assets	13,504	6,470
Valuation allowance	(13,504)	(6,470)
Net deferred tax assets	$ -	$ -

The provision for income taxes on earnings subject to income taxes differs from the statutory federal rate at December 31, 1999, 1998 and 1997, due to the following:

	1999	1998	1997
Federal income taxes at 34%	$ (5,719)	$ (6,785)	$ 1,816
State income tax, net of federal benefit	-	1	87
Increase in tax credits	(1,981)	-	-
Tax effect on non-deductible expenses	932	4,213	21
Increase in valuation allowance	7,034	2,572	(1,837)
Alternative Minimum Tax	-	-	127
Other	(266)	-	-
	$ -	$ 1	$ 214

EXHIBIT 4.3

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NEUROCRINE BIOSCIENCES, INC.

INFORMATION AND REGISTRATION RIGHTS AGREEMENT

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TABLE OF CONTENTS

INFORMATION AND REGISTRATION RIGHTS AGREEMENT

This INFORMATION AND REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made as of September 25, 1992, by and among Neurocrine Biosciences, Inc., a California corporation (the "Company"), the persons listed on the attached Schedule A who become signatories to this Agreement (collectively, the "Investors"), and the persons listed on the attached Schedule B who become signatories to this Agreement (collectively, the "Founders").

R E C I T A L S

A. The Company and the Investors have entered into agreements for sale by the Company and purchase by the Investors of the Company's securities.

B. In connection with the purchase and sale of the Company's securities, the Company and the Investors desire to provide for (i) the rights of the Investors with respect to information about the Company and registration of the Common Stock issued upon conversion or exercise of the shares of the Company's stock held by the Investors according to the terms of this Agreement, (ii) a right of first refusal for the Investors with respect to certain future stock issuances by the Company, and (iii) certain other provisions as set forth below.

THE PARTIES AGREE AS FOLLOWS:

1. Certain Definitions.

As used in this Agreement, the following terms shall have the following respective meanings:

(a) "Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

(b) "Convertible Securities" shall mean securities of the Company convertible into or exchangeable for Registrable Securities, including the Series A Preferred Stock, and any other securities of the Company convertible into or exchangeable for Registrable Securities included in this Agreement pursuant to Section 12.

(c) "Form S-3" shall mean Form S-3 issued by the Commission or any substantially similar form then in effect.

(d) "Founders' Stock" shall mean all Common Stock of the Company currently held by the Founders and the Investors, any Common Stock subsequently acquired by such persons (other than Common Stock issued or issuable upon conversion of Series A Preferred Stock), and any Common Stock issued or issuable with respect to such Common Stock upon any stock splits, stock dividends or similar distributions.

(e) "Holder" shall mean any holder of outstanding Registrable Securities which have not been sold to the public, but only if such holder is an Investor (or,

solely with regard to Sections 7, 11 and 14, a Founder) or an assignee or transferee of Registration rights as permitted by Section 17.

(f) "Initiating Holders" shall mean Holders who in the aggregate hold at least forty percent (40%) of the Registrable Securities.

(g) "Material Adverse Event" shall mean an occurrence having a consequence that either (a) is materially adverse as to the business, properties, prospects or financial condition of the Company or (b) is reasonably foreseeable, has a reasonable likelihood of occurring, and if it were to occur would materially adversely affect the business, properties, prospects or financial condition of the Company.

(h) The terms "Register", "Registered" and "Registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act ("Registration Statement"), and the declaration or ordering of the effectiveness of such Registration Statement.

(i) "Registrable Securities" shall mean all Common Stock of the Company issued or issuable upon conversion of the Company's Series A Preferred Stock purchased by or issued to the Investors, including Common Stock issued pursuant to stock splits, stock dividends and similar distributions with respect to such shares, and any securities of the Company granted registration rights pursuant to Section 12 of this Agreement, provided that such shares have not previously been sold to the public. For purposes of the registration rights granted to holders of Company securities pursuant to Section 7 hereof and for purposes of the obligations imposed upon holders of Registrable Securities under Sections 11 and 14, but not for the definition of Initiating Holders, "Registrable Securities" shall include Founders' Stock.

(j) "Registration Expenses" shall mean all expenses incurred in complying with Sections 6 or 7 of this Agreement, including, without limitation, all federal and state registration, qualification and filing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses, and the expense of any special audits incident to or required by any such registration, other than Selling Expenses.

(k) "Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

(l) "Selling Expenses" shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to this Agreement, as well as fees and disbursements of legal counsel for the selling Holders.

2. Information Rights.

2.1 Financial Statements. The Company shall deliver to the Investors as soon as practicable after the end of each fiscal year of the Company, and in any event without 120 days thereafter, an audited consolidated balance sheets of the Company as of the end of such year and audited consolidated statements of income, shareholders' equity and cash flows for such year, which year-end financial reports shall be in reasonable detail and shall be prepared in

accordance with generally accepted accounting principles and be accompanied by the opinion of independent public accountants of recognized standing selected by the Board of Directors of the Company.

2.2 Additional Information. As long as an Investor holds not less than 500,000 shares of Convertible Securities and/or Registrable Securities, as adjusted for recapitalizations, stock splits, stock dividends and the like, the Company will deliver to such Investor:

(a) As soon as practicable after the end of each month, and in any event within 30 days thereafter, consolidated balance sheets of the Company and its subsidiaires, if any, as of the end of such month, and consolidated statements of income and cash flow for such month and for the current fiscal year to date, including a comparison between the actual monthly financial statements and the projected figures for such monthly periods.

(b) As soon as practicable following submission to and approval by the Board of Directors of the Company, but in no event later than 30 days prior to the beginning of each fiscal year, an operating budget and plan for the Company respecting the next fiscal year containing a monthly breakdown of income and cash flow.

(c) As soon as practicable after the end of each fiscal quarter, and in any event within 30 days thereafter, a statement of shareholders' equity as of the end of such fiscal quarter and a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the number of shares of Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for shares of Common Stock and the exchange ratio or exercise price applicable thereto, all in sufficient detail as to permit the Investor to calculate its percentage equity ownership in the Company.

3. Inspection.

The Company shall permit each Investor holding the number of shares set forth in Section 2.2 hereof, at such Investor's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by each such Investor; provided, however, that the Company shall not be obligated pursuant to this Section 3 to provide any information which it reasonably considers to be a trade secret or confidential information. The rights of an Investor under this Section 3 may not be assigned as part of such Investor's sale of any of the Registrable Securities or Convertible Securities except with the consent of the Company, which consent shall not be unreasonably withheld.

4. Right of First Refusal.

The Company hereby grants to each Investor the right of first refusal to purchase its Pro Rata Amount (as defined below) of any New Securities (as defined in this Section 4) which the Company may, from time to time, propose to sell and issue. An Investor's Pro Rata Amount, for purposes of this :right of first refusal, shall be the ratio of (i) the number of shares (on an as-converted basis) of Convertible Securities and/or Registrable Securities held by such

Investor to (ii) the total number of shares of Common Stock of the Company outstanding (on an as-converted basis), including all outstanding securities convertible into, exchangeable for or exercisable for Common Stock on an as-converted or exercised basis (including but not limited to the Convertible Securities and outstanding options exercisable for Common Stock). This right of first refusal shall be subject to the following provisions:

(a) "New Securities" shall mean any capital stock of the Company whether or not now authorized, the rights, options or warrants to purchase capital stock and securities of any type whatsoever that are, or may become, convertible into capital stock; provided that the term "New Securities" does not include (i) securities issuable upon exercise or conversion of currently outstanding securities; (ii) the Series A Preferred Stock; (iii) securities issued pursuant to an underwritten public offering pursuant to an effective Registration Statement; (iv) securities issued pursuant to the Company's acquisition of another corporation by merger, purchase of substantially all assets or other reorganization; (v) securities issued to employees, officers, directors, or consultants of the Company pursuant to plans and arrangements approved by the Board of Directors; (vi) securities issued in connection with equipment lease financing arrangements, credit agreements or other commercial transactions approved by the Board of Directors; (vii) securities issued pursuant to a corporate strategic partner transaction involving the license of technology, establishment of a joint venture, research and development agreement, product development or marketing agreement, or other similar arrangement; and (viii) securities issued in connection with any stock split, stock dividend or recapitalization of the Company.

(b) In the event the Company proposes to undertake an issuance of New Securities, it shall live each Investor written notice of its intention, describing the type of New Securities, the price and number of snares and the general terms upon which the Company proposes to issue the same. Each Investor shall have twenty (20) days from the date of receipt of any such notice to agree to purchase up to the amount of New Securities equal to the Investor's Pro Rata Amount of such New Securities for the price and upon the general terms specified in the notice by giving written notice to the Company. Each Investor shall have a right of overallotment such that if any investor fails to exercise its right hereunder to purchase all of such Investor's Pro Rata Amount of New Securities, the Company shall notify the other Investor(s) exercising their rights to purchase their full Pro Rata Amount and such other Investor(s) shall have the right to purchase the non fully-participating investor's unpurchased portion on a pro rata basis (based upon the ratio of the number of shares (on an as-converted basis) of Convertible Securities and/or Registrable Securities held by each such Investor to the total number of shares (on an as-converted basis) of Registrable Securities and/or Convertible Securities held by all fully-participating Investors) by agreeing to purchase such amount of New Securities within ten (10) days from the date such notice shall have been deemed given under Section 18.5.

(c) In the event an Investor fails to exercise in full the right of first refusal within said twenty (20) day period, the Company shall have one hundred twenty (120) days thereafter to sell the New Securities respecting which the Investor's option was not exercised. at the price and upon the terms specified in the Company's notice. In the event the Company has not sold the New Securities within said one hundred and twenty (120) day period, the Company shall not thereafter issue or sell any New Securities, without first offering such securities to the investors in the manner provided above.

5. Termination of Covenants.

Except as otherwise provided herein, the covenants of the Company set forth in Sections 2, 3 and 4 shall be terminated and be of no further force or effect upon the closing of the Company's initial public offering of its Common Stock at a price per share (prior to underwriter commissions and offering expenses) of not less than $1.50 per share (appropriately adjusted for any stock splits, stock dividends, recapitalizations and similar events) and an aggregate offering price to the public of more than $7,500,000 (prior to deduction of underwriter commissions and offering expenses) pursuant to a Registration Statement filed by the Company under the Securities Act ("IPO").

6. Demand Registration.

6.1 Request for Registration on Form Other Than Form S-3. Subject to terms of this Agreement, in the event that the Company shall receive from the Initiating Holders at any time after the earlier of (i) December 31, 1996, or (ii) three months after the effective date of the IPO, a written request that the Company effect any Registration with respect to all or a part of the Registrable Securities on a Form other than Form S-3 for an offering of at least thirty-three percent (33%) of the then outstanding Registrable Securities (or any lesser percent if the reasonably anticipated aggregate offering price to the public would exceed $5,000,000), the Company shall (i) promptly give written notice of the proposed Registration to all other Holders and shall (ii) as soon as practicable, and in any event within ninety (90) days of such request, use its best efforts to effect Registration of the Registrable Securities specified in such request, together with any Registrable Securities of any Holder joining in such request as are specified in a written request given within 20 days after written notice from the Company. The Company shall not be obligated to take any action to effect any such registration pursuant to this Section 6.1 (i) within three (3) months of the effective date of a Registration initiated by the Company or (ii) after the Company has effected two such Registrations pursuant to this Section 6.1 and such Registrations have been declared effective and, if underwritten, have closed.

6.2 Right of Deferral of Registration on Form Other Than Form S-3. If the Company shall furnish to all such Holders who joined in the request a certificate signed by the President of the Company stating that, in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company for any Registration to be effected as requested under Section 6.1, the Company shall have the right, exercisable one time only, to defer the filing of a Registration Statement with respect to such offering for a period of not more than ninety (90) days from delivery of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any 12-month period.

6.3 Request for Registration on Form S-3. Subject to the terms of this Agreement, in the event that the Company receives from Holders a written request that the Company effect any Registration on Form S-3 (or any successor form to Form S-3 regardless of its designation) at a time when the Company is eligible to register securities on Form S-3 (or any successor form to Form S-3 regardless of its designation) for an offering of Registrable Securities the reasonably anticipated aggregate offering price to the public of which would exceed $500,000, the Company will promptly give written notice of the proposed Registration to all the Holders and will as soon as practicable use its best efforts to effect Registration of the

Registrable Securities specified in such request, together with all or such portion of the Registrable Securities of any Holder joining in such request as are specified in a written request delivered to the Company within 30 days after written notice from the Company of the proposed Registration.

6.4 Registration of Other Securities in Demand Registration. Any Registration Statement filed pursuant to the request of the initiating Holders under this Section 6 may, subject to the provisions of Section 6.5, include securities of the Company other than Registrable Securities.

6.5 Underwriting in Demand Registration.

6.5.1 Notice of Underwriting. If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request :made pursuant to this Section 6, and the Company shall include such information in the written notice referred to in Section 6.1 or 6.3. The right of any Holder to Registration pursuant to Section 6.1 shall be conditioned upon such Holders agreement to participate in such underwriting and the inclusion of- such Holders Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder with respect to such participation and inclusion).

6.5.2 Inclusion of Other Holders in Demand Registration. If the Company, officers or directors of the Company holding Common Stock other than Registrable Securities or holders of securities other than Registrable Securities, request inclusion in such Registration, the Initiating Holders, to the extent they deem advisable and consistent with the goals of such Registration and subject to the allocation provisions of Section 6.5.4 below, shall, on behalf of all Holders, offer to any or all of the Company, such officers or directors and such holders of securities other than Registrable Securities that such securities other than Registrable Securities be included in the underwriting and may condition such offer on the acceptance by such persons of the terms of this Section 6.

6.5.3 Selection of Underwriter in Demand Registration. The Company shall (together with all Holders proposing to distribute their securities through such underwriting) enter into and perform its obligations under an underwriting agreement in usual and customary form with the representative ("Underwriter's Representative") of the underwriter or underwriters selected for such underwriting by the Holders of a majority of the Registrable Securities being registered by the Initiating Holders and consented to by the Company (which consent shall not be unreasonably withheld).

6.5.4 Marketing Limitation in Demand Registration. In the event the Underwriter's Representative advises the Initiating Holders in writing that market factors (including, without limitation, the aggregate number of shares of Common Stock requested to be Registered, the general condition of the market, and the status of the persons proposing to sell securities pursuant to the Registration) require a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders, and the number of shares of Registrable Securities that may be included in the Registration and underwriting shall be

allocated among all Holders in proportion, as nearly as practicable, to the number of shares proposed to be included in such Registration by such Holder; provided, however, that the number of shares of Registrable Securities to be included in such underwriting shall not be reduced unless all other securities (including those proposed to be included by the Company) are first entirely excluded from the underwriting. No Registrable Securities or other securities excluded from the underwriting by reason of this Section 6.5.4 shall be included in such Registration Statement:

6.5.5 Right of Withdrawal in Demand Registration. If any

Holder of Registrable Securities, or a holder of other securities entitled (upon request) to be included in such Registration, disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the underwriter and the Initiating Holders delivered at least seven days prior to the effective date of the Registration Statement. The securities so withdrawn shall also be withdrawn from the Registration Statement.

6.6 Blue Sky in Demand Registration. In the event of any Registration

pursuant to Section 6, the Company will exercise its best efforts to Register and qualify the securities covered by the Registration Statement under such other securities or Blue Sky laws of such jurisdictions as the Holders shall reasonably request and as shall be reasonably appropriate for the distribution of such securities; provided, however, that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

7. Piggyback Registration.

7.1 Notice of Piggyback Registration and Inclusion of Registrable

Securities. Subject to the terms of this Agreement, in the event the Company
- ----------
decides to Register any of its Common Stock (either for its own account or the account of a security holder or holders exercising their respective demand registration rights) on a form that would be suitable for a registration involving solely Registrable Securities, the Company will: (i) promptly give each Holder written notice thereof which shall include a list of the jurisdictions in which the Company intends to attempt to qualify such securities under the applicable Blue Sky or other state securities laws) and (ii) include in such Registration and any related qualification under Blue Sky laws or other compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request delivered to the Company by any Holder within twenty (20) days after delivery of such written notice from the Company.

7.2 Underwriting in Piggyback Registration.

7.2.1 Notice of Underwriting in Piggyback Registration. If

the Registration of which the Company gives notice is for a Registered public offering involving an underwriting, :he Company shall so advise the Holders as a part of the written. notice given pursuant to Section 7.1. In such event the right of any Holder to Registration shall be conditioned upon such underwriting and the inclusion of such Holder's Registrable Securities in such underwriting to the extent provided in this Section 7. All Holders proposing to distribute their securities through such underwriting shall (together with the Company and the other holders distributing their securities through such underwriting) enter into an underwriting agreement

with the Underwriter's Representative for such offering. The Holders shall have no right to participate in the selection of the underwriters for an offering pursuant to this Section 7.

7.2.2 Marketing Limitation in Piggyback Registration. In the event the Underwriter's Representative advises the Holders seeking registration of Registrable Securities pursuant to Section 7 in writing that market factors (including, without limitation, the aggregate number of shares of Common Stock requested to be Registered, the general condition of the market, and the status of the persons proposing to sell securities pursuant to the Registration) require a limitation of the number of shares to be underwritten, the Underwriter's Representative may:

(a) in the case of the Company's initial public offering, exclude some or all Registrable Securities from such registration and underwriting; and

(b) in the case of any Registered public offering subsequent to the Company's initial public offering, limit the number of shares of Registrable Securities to be included in such Registration and underwriting to not less than twenty percent (20%) of the total number of shares included in such Registration. In such event, the Underwriters Representative shall so advise all Holders and the number of shares of Registrable Securities that may be included in the Registration and underwriting (if any) shall be allocated as follows: first, among all Holders of Registrable Securities excluding Holders who solely hold Founders' Stock) in proportion, as nearly as practicable, to the respective amounts, of Registrable Securities (excluding Founders' Stock) held by such Holders at the time of filing of the registration statement, and second, among all Holders of Founders' Stock, in proportion, as nearly as practicable, to the respective amounts of Founders' Stock held by such Holders at the time of filing of the registration statement. The number of shares of Registrable Securities to be :included in such underwriting shall not be reduced unless all other securities (other than those to be sold by the Company) are first entirely excluded from the underwriting. No Registrable Securities or other securities excluded from the underwriting by reason of this Section 7.2.2 shall be included in such Registration Statement.

7.2.3 Withdrawal in Piggyback Registration. If any Holder, or a holder of other securities entitled (upon request) to be included in such Registration, disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter delivered at least seven (7) days prior to the effective date of the Registration Statement. Any Registrable Securities or other securities excluded or withdrawn from such underwriting shall be withdrawn from such Registration.

7.3 Blue Sky in Piggyback Registration. In the event of any Registration of Registrable Securities pursuant to Section 7, the Company will exercise its best efforts to Register and qualify the securities covered by the Registration Statement under such other securities or Blue Sky laws of such jurisdictions as the Holders shall reasonably request and as shall be reasonably appropriate for the distribution of such securities; provided, however, that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

8. Expenses of Registration.

All Registration Expenses incurred in connection with two Registrations pursuant to Section 6.1, up to four Registrations on Form S-3 pursuant to Section 6.3, and all Registrations pursuant to Section 7 shall be borne by the Company. All Registration Expenses incurred in connection with any other registration, qualification or compliance shall be apportioned among the Holders and other holders of the securities so registered on the basis of the number of shares so registered. Notwithstanding the above, the Company shall not be required to pay for any expenses of Holders in connection with any registration proceeding begun pursuant to Section 6.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered which Holders shall bear such expenses), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 6.1; provided further, however, that (i) if at the time of such withdrawal, the Holders have learned of a Material Adverse Event with respect to the condition, business or prospects of the Company not known to the Holders at the time of their request or (ii) such withdrawal is made after a deferral of such registration by the Company pursuant to Section 6.2, then the Holders shall not be required to pay any of such expenses and shall retain their rights pursuant to Section 6.1. All Selling Expenses shall be borne by the holders of the securities registered pro rata on the basis of the number of shares registered.

9. Registration Procedures.

The Company will keep each Holder whose Registrable Securities are included in any registration pursuant to this Agreement advised as to the initiation and completion of such Registration. At its expense the Company will: (a) use its best efforts to keep such Registration effective for a period of 180 days or until the Holder or Holders have completed the distribution described in the Registration Statement relating thereto, whichever first occurs; (b) furnish such number of prospectuses (including preliminary prospectuses) and other documents as a Holder from time to time may reasonably request; (c) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement; and (d) notify each Holder of Registrable Securities covered by such Registration Statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

10. Information Furnished by Holder.

It shall be a condition precedent of the Company's obligations under this Agreement that each Holder of Registrable Securities included in any Registration furnish to the Company such information regarding such Holder and the distribution proposed by such Holder or Holders as the Company may reasonably request.

11. Indemnification.

11.1 Company's Indemnification of Holders. To the extent permitted by law, the Company will indemnify each Holder, each of its officers, directors and constituent partners, legal counsel for the Holders, and each person controlling such Holder, with respect to which Registration, qualification or compliance of Registrable Securities has been effected pursuant to this Agreement, and each underwriter, if any, and each person who controls any underwriter against all claims, losses, damages or liabilities (or actions in respect thereof) to the extent such claims, losses, damages or liabilities arise out of or are based upon any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus or other document (including any related Registration Statement) incident to any such Registration, qualification or compliance, or are based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company of the Securities Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), or any state securities law, or any rule or regulation promulgated under the Securities Act, the 1934 Act or any state securities law, applicable to the Company and relating to action or inaction required of the Company in connection with any such Registration, qualification or compliance; and the Company will reimburse each such Holder, each of its officers, directors and constituent partners, and legal counsel, each such underwriter, and each person who controls any such Holder or underwriter, for any legal and any other expenses reasonably incurred, as incurred, in connection with investigating or defending any such claim, loss, damage, liability or action; provided, however, that the indemnity contained in this Section 11.1 shall not apply to amounts paid in settlement of any such claim, loss, damage, liability or action if settlement is effected without the consent of the Company (which consent shall not unreasonably be withheld); and provided, further, that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based upon any untrue statement or omission based upon written information furnished to the Company by such Holder, its officers, directors, constituent partners, or legal counsel, underwriter, or controlling person and stated to be for use in connection with the offering of securities of the Company.

11.2 Holder's Indemnification of Company. To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such Registration, qualification or compliance is being effected pursuant to this Agreement, indemnify the Company, each of its directors and officers, each legal counsel and independent accountant of the Company, each underwriter, if any, of the Company's securities covered by such a Registration Statement, each person who controls the Company or such underwriter within the meaning of the Securities Act, and each other such Holder, each of its officers, directors and constituent partners and each person controlling such other Holder, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based upon any untrue statement (or alleged untrue statement) of a material fact contained in any such Registration Statement, prospectus, offering circular or other document (including any related Registration Statement) incident to any such Registration, qualification or compliance, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by such Holder of the Securities Act, the 1934 Act or any state securities law, or any rule or regulation promulgated under the Securities Act, the 1934 Act or any state securities law, applicable to such Holder and relating to action or inaction required of such Holder in connection with any such Registration, qualification or compliance; and will reimburse the Company, such Holders, such directors,

officers, partners, persons, law and accounting firms, underwriters or control persons for any legal and any other expenses reasonably incurred, as incurred, in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by such Holder and stated to be specifically for use in connection with the offering of securities of the Company, provided, however, that each Holders liability under this Section 11.2 shall not exceed such Holder's proceeds from the offering of securities made in connection with such Registration; and provided, further, that the indemnity contained in this Section 11.2 shall not apply to amounts paid in settlement of any such claim, loss, damage, liability or action if settlement is effected without the consent of the Holder (which consent shall not unreasonably be withheld).

11.3 Indemnification Procedure. Promptly after receipt by an indemnified party under this Section 11 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 11, notify the indemnifying party in writing of the commencement thereof and generally summarize such action. The indemnifying party shall have the right to participate in and to assume the defense of such claim, jointly with any other indemnifying party similarly noticed; provided, however, that the indemnifying party shall be entitled to select counsel for the defense of such claim with the approval of any parties entitled to indemnification, which approval shall not be unreasonably withheld; provided further, however, that if either party reasonably determines that there may be a conflict between the position of the Company and the Investors in conducting the defense of such action, suit or proceeding by reason of recognized claims for indemnity under this Section 11, then counsel for such party shall be entitled to conduct the defense to the extent reasonably determined by such counsel to be necessary to protect the interest of such party. The failure to notify an indemnifying party promptly of the commencement of any such action, if prejudicial to the ability of the indemnifying party to defend such action, shall relieve such indemnifying party, to the extent so prejudiced, of any liability to the indemnified party under this Section 11, but the omission so to notify the indemnifying party will not relieve such party of any liability that such party may have to any indemnified party otherwise other than under this Section 11.

12. Limitations on Registration Rights Granted to Other Securities.

From and after the date of this Agreement, the Company shall not enter into any agreement with any holder or prospective holder of any securities of the Company providing for the granting to such holder of any Registration rights unless such rights are subordinate to the Registration rights set forth herein, except that, with the consent of the Holders of fifty percent (50%) of the aggregate of the Convertible Securities and Registrable Securities then outstanding, additional holders may be added as parties to this Agreement with regard to any or all securities of the Company held by them. Any such additional parties shall execute a counterpart of this Agreement, and upon execution by such additional parties and by the Company, shall be considered an Investor for all purposes of this Agreement. The additional parties and the additional Registrable Securities shall be identified in an amendment to Schedule A hereto.

13. Reports Under Securities Exchange Act of 1934.

With a view to making available to the investors the benefits of Rule 144 and any other rule or regulation of the Commission that may at any time permit an investor to sell securities of the Company to the public without Registration or pursuant to a Registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are defined in Rule 144, at all times after ninety (90) days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public;

(b) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the 1934 Act; and

(c) furnish to any Investor, so long as such Investor owns any Convertible Securities or Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the resorting requirements of Rule 144 at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Securities Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Investor of any rule or regulation of the Commission which permits the selling of any such securities without registration.

14. Market Stand-off.

Each Holder hereby agrees that, if so requested by the Company and the Underwriter's Representative (if any), such Holder shall not sell or otherwise transfer (other than to donees who agree to be similarly bound) any Registrable Securities or other securities of the Company during the 180-day period following the effective date of a Registration Statement of the Company filed under the Securities Act; provided that such restriction shall only apply to the first two Registration Statements of the Company to become effective which include securities to be sold on behalf of the Company to the public in an underwritten offering; and provided, further, that all officers and directors of the Company and all other persons with registration rights (whether or not pursuant to this Agreement) enter into similar agreements.

15. Conversion of Preferred Stock.

The Registration rights of the Holders of the Shares set forth in this Agreement are conditioned upon the conversion of the Shares with respect to which registration is sought into Common Stock prior to the effective date of the Registration Statement.

16. Termination of Registration Rights.

The right to cause the Company to Register securities granted by the Company to the Investors under the Agreement shall terminate five years after the date of the closing of the Company's initial public offering of its securities.

17. Transfer of Rights.

The rights to information under Sections 2 and 3, the right of first refusal set forth in Section 4 and the Registration rights of the Investors set forth in Sections 6, 7, 8 and 9 may be assigned by any Holder to a transferee or assignee of any Convertible Securities or Registrable Securities not sold to the public acquiring at least 500,000 shares of such Holder's Convertible Securities or Registrable Securities (equitably adjusted, for any recapitalizations, stock splits, combinations, and the like) or acquiring all of the Convertible securities and Registrable Securities held by such Holder if transferred to a single entity; provided, however, that (i) the Company must receive written notice prior to the time of said transfer, stating the name and address of said transferee or assignee and identifying the securities with respect to which such information and Registration rights are being assigned, and (ii) the transferee or assignee of such rights must not be a person deemed by the Board of Directors of the Company to be a competitor or potential competitor of the Company. Notwithstanding the limitation set forth in the foregoing sentence respecting the minimum number of shares which must be transferred, any Holder which is a partnership may transfer such Holder's Registration rights to such Holder's constituent partners (or may transfer to their heirs in the. case of individuals) without restriction as to the number or percentage of shares acquired by any such constituent partner (or heirs).

18. Miscellaneous.

18.1 Entire Agreement; Successors and Assigns. This Agreement constitutes the entire contract between the Company, the Investors and the Founders relative to the subject matter hereof. Any previous agreement between the Company and the Investors or the Founders concerning information rights, rights of first refusal or Registration rights is superseded by this Agreement. Subject to the exceptions specifically set forth in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective executors, administrators, heirs, successors and assigns of the parties.

18.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts entered into and wholly to be performed within the State of California by California residents.

18.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18.4 Headings. The headings of the Sections of this Agreement are for convenience and shall not by themselves determine the interpretation of this Agreement.

18.5 Notices. Any notice required or permitted hereunder shall be given in writing and shall be conclusively deemed effectively given upon personal delivery, or five (5) days after deposit in, the United States mail, by first class mail, postage prepaid, or upon sending if sent by commercial overnight deliver, service addressed (i) if to the Company, as set forth below the Company's name on the signature page of this Agreement, and (ii) if to an Investor or a Founder, at such Investor's or Founder's address as set forth on the attached Schedule A or B,

or at such other address as the Company or such Investor or Founder may designate by ten (10) days' advance written notice to the Investors and Founders or to the Company, respectively.

18.6 Amendment of Agreement. Except as otherwise specifically provided herein, any provision of this Agreement :nay be amended by a written instrument signed by the Company and by persons holding more than fifty percent (50%) of the then outstanding Convertible Securities and Registrable Securities (calculated on an as-converted basis); provided, that no amendment to Section 1(d) or Section 7.2.2 which adversely affects the rights of the holders of Founders' Stock shall be enforceable against the holders of Founders' Stock unless approved by persons holding more than fifty percent (50%) of the Founders' Stock.

18.7 Aggregation of Stock. All Convertible Securities and Registrable Securities held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

18.8 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

THE COMPANY: NEUROCRINE BIOSCIENCES, INC.

By:_____
Title:_____
Address: 1020 Prospect Street
Suite 405
La Jolla, California 92037
Attn: President

THE INVESTORS: D. BLECH & COMPANY, INC.

By:_____
Title:_____

AVALON MEDICAL PARTNERS, L.P.

By:_____
General Partner

KLEINER PERKINS CAULFIELD &
BYERS VI
By: Kleiner Perkins Caulfield & Byers VI
Associates

By:_____
General Partner

KLEINER PERKINS CAULFIELD & BYERS
FOUNDERS VI

By: Kleiner Perkins Caulfield & Byers VI
Associates

By:_____
General Partner

_____
DAVID SCHNELL

_____
DR. LAWRENCE STEINMAN

VALE PARTNERS

By:_____
General Partner

THE HIXSON FAMILY TRUST, DATED
AUGUST 25, 1986, HARRY F. HIXSON, JR.
AND GEORGIANA B. HIXSON, TRUSTEES

By:_____
Harry F. Hixon, Jr., Trustee

THE FOUNDERS:

_____

DR. WYLIE W. VALE

_____

ERROL B. DE SOUZA

_____

DAVID BLECH

_____

MARK GERMAIN

SCHEDULE A

Frontier Charitable Remainder Trust
c/o Nicholas Madonia
30 Outwater Lane
Garfield, New Jersey 07026

Avalon Medical Partners, L.P.
1020 Prospect Street, Suite 405
La Jolla, California 92037
Attn: Mr. Lawrence A. Bock

Kleiner Perkins Caufield & Byers VI
Kleiner Perkins Caufield & Byers VI Founders Fund
2200 Geng Road, Suite 205
Two Embarcadero Place
Palo Alto, California 94303
Attn: Mr. Brook H. Byers

The Hixson Family Trust, dated August 25, 1986
Harry F. Hixson, Jr. and
Georgiana B. Hixson, Trustees
8518 Ruette Monte Carlo
La Jolla, California 92037

David Schnell
1020 Prospect Street
Suite 405
La Jolla, California 92037

Dr. Lawrence Steinman
Professor of Neurology
Department of Neurology
Stanford University Medical Center
Stanford, California 94305-5235

Vale Partners
c/o Dr. Wylie W. Vale
Professor and Head
Clayton Foundation Laboratories
for Peptide Biology
The Salk Institute
10010 N. Torrey Pines Road
La Jolla, California 92037-1099

Howard Birndorf
9360 Towne Center Drive
Suite 110B
San Diego, California 92121

SCHEDULE B

Dr. Wylie W. Vale
Professor and Head
Clayton Foundation Laboratories
for Peptide Biology
The Salk Institute
10010 N. Torrey Pine Road
La Jolla, California 92037-1099

Errol B. de Souza
21 Montbard Drive
Chadds Ford, Pennsylvania 19317

David Blech
599 Lexington Avenue
Forty-First Floor
New York, New York 10022

Mark Germain
c/o D. Blech & Company Inc.
599 Lexington Avenue
Forty-First Floor
New York, New York 10022

FIRST AMENDMENT

This Amendment dated as of December 5, 1992 is made between Neurocrine Biosciences, Inc., a California corporation (the "Company"), and the persons identified in Exhibit A hereto (collectively referred to as the "Investors").

RECITALS

1. The Company and the Investors have entered into a Series A Preferred Stock Purchase Agreement dated as of September 25, 1992 (the "Purchase Agreement") providing for the sale of Series A Preferred Stock of the Company (the "Series A Preferred") to the Investors, as provided in the Purchase Agreement.

2. The Company and the Investors have entered into an Information and Registration Rights Agreement dated September 25, 1992 (the "Information and Registration Rights Agreement"), granting the Investors certain information, registration and other rights (the "Rights") in connection with their purchase of shares of Series A Preferred pursuant to the Purchase Agreement.

3. The Company and the Investors now wish to amend the Purchase Agreement to provide for the sale of an additional 166,666 and 666,667 shares of Series A Preferred (the "Additional Shares") to Schroder Ventures U.S. Trust and Schroder Ventures Limited Partnership, respectively, (hereinafter referred to as "Schroder").

4. The Company and the Investors now wish to amend the Information and Registration Rights Agreement to provide Schroder with the same Rights as the Investors.

NOW, THEREFORE, the parties agree as follows:

1. The Company and the Investors holding more than fifty percent (50%) of the outstanding shares of Series A Preferred purchased by all Investors hereby agree, pursuant to Section 10.7 of the Purchase Agreement, that the Purchase Agreement is hereby amended to provide that the Company shall have the right to sell the Additional Shares of Series A Preferred to Schroder at the price and on the terms set forth in the Purchase Agreement. Schroder shall be considered an "Investor" and such Additional Shares of Series A Preferred shall be considered part of the "Shares" for purposes of the Purchase Agreement.

2. The Company and the Investors holding more than fifty percent (50%) of the outstanding shares of Series A Preferred hereby agree, pursuant to Section 18.6 of the Information and Registration Rights Agreement, that the Information and Registration Rights Agreement is hereby amended to add Schroder as a signatory in connection with Schroder's purchase of shares of the Series A Preferred pursuant to the Purchase Agreement, as hereby amended. Schroder shall be considered an "Investor" and "Holder," and shall have the same Rights as the Investors under the Information and Registration Rights Agreement. The Additional Shares shall be considered part of the Series A Preferred Stock under the Information and Registration Rights Agreement.

3. Except as provided herein, the Purchase Agreement and the Information and Registration Rights Agreement shall continue in full force and effect.

4. This Amendment may be executed in any number of counterparts, each of which may be executed by less than all of the Investors, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

This Amendment is hereby executed as of the date first above written.

"COMPANY"

NEUROCRINE BIOSCIENCES, INC.,
a California Corporation

By:_____
Title:_____

"INVESTORS"

FRONTIER CHARITABLE REMAINDER TRUST

By:_____
Name:
Title:

AVALON MEDICAL PARTNERS, L.P.

By:_____
General Partner

KLEINER PERKINS CAUFIELD & BYERS VI
By: Kleiner Perkins Caufield & Byers VI Associates

By:_____
General Partner

KLEINER PERKINS CAUFIELD & BYERS VI
FOUNDERS FUND
By: Kleiner Perkins Caufield & Byers VI Associates

By:_____
General Partner

_____
David Schnell

_____
Dr. Lawrence Steinman

VALE PARTNERS

By:_____
General Partner

THE HIXSON FAMILY TRUST, DATED
AUGUST 25, 1986, HARRY F. HIXSON, JR. AND
GEORGIANNA B. HIXSON, TRUSTEES

By:_____
Harry F. Hixson, Jr., Trustee

_____
HOWARD BIRNDORF

THIRD AMENDMENT

This Amendment dated as of March 15, 1993 is made between Neurocrine Biosciences, Inc., a California corporation (the "Company"), and the persons identified in Exhibit A hereto (collectively referred to as the "Investors").

RECITALS

5. The Company and the Investors have entered into a Series A Preferred Stock Purchase Agreement dated as of September 25, 1992, amended as of December 5, 1992 and January 8, 1993 (the "Purchase Agreement") providing for the sale of Series A Preferred Stock of the Company (Series A Preferred") to the Investors, as provided in the Purchase Agreement.

6. The Company and the Investors have entered into an Information and Registration Rights Agreement dated September 25, 1992, amended as of December 5, 1992 and January 8, 1993 (the "Information and Registration Rights Agreement"), granting the Investors certain information, registration and other rights (the "Rights") in connection with their purchase of shares of Series A Preferred pursuant to the Purchase Agreement.

7. The Company and the Investors now wish to amend the Purchase Agreement to provide for the sale of an additional 50,000 shares of 250,000 shares of Series A Preferred (the "Additional Shares") to Kevin C. Gorman and Gary A. Lyons, respectively, (hereinafter referred to as the "Purchasers").

8. The Company and the Investors now wish to amend the Information and Registration Rights Agreement to provide the Purchasers with the same Rights as the Investors.

NOW, THEREFORE, the parties agree as follows:

5. The Company and the Investors holding more than fifty percent (50%) of the outstanding shares of Series A Preferred hereby agree, pursuant to Section 10.7 of the Purchase Agreement, that the Purchase Agreement is hereby amended to provide that the Company shall have the right to sell the Additional Shares of Series A Preferred to the Purchasers at the price and on the terms set forth in the Purchase Agreement, with such modifications to such terms as are set forth in Paragraph 2 below. The Purchasers shall be considered an "Investor" and such Additional Shares of Series A Preferred shall be considered part of the "Shares" for purposes of the Purchase Agreement.

6. The Purchasers shall pay the purchase price for the Shares to be sold to them as follows: one half in case and one-half by execution of an interest-bearing promissory note payable to the Company amortized over a five-year period.

7. The Company and the Investors holding more than fifty percent (50%) of the outstanding shares of Series A Preferred hereby agree, pursuant to Section 18.6 of the Information and Registration Rights Agreement, that the Information and Registration Rights Agreement is hereby amended to add the Purchasers as a signatory in connection with the

Purchasers' purchase of shares of the Series A Preferred pursuant to the Purchase Agreement, as hereby amended. Each Purchaser shall be considered an "Investor" and "Holder," and shall have the same Rights as the Investors under the Information and Registration Rights Agreement. The Additional Shares shall be considered part of the Series A Preferred Stock under the Information and Registration Rights Agreement.

8. Except as provided herein, the Purchase Agreement and the Information and Registration Rights Agreement shall continue in full force and effect.

9. This Amendment may be executed in any number of counterparts, each of which may be executed by less than all of the Investors, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

This Amendment is hereby executed as of the date first above written.

"COMPANY"

NEUROCRINE BIOSCIENCES, INC.,
a California Corporation

By:_____

Title:_____

"INVESTORS"

AVALON MEDICAL PARTNERS, L.P.

By:_____
General Partner

_____
Howard C. Birndorf

_____
Anna Hung De Souza

_____
Errol B. De Souza

FRONTIER CHARITABLE REMAINDER TRUST

By:_____

Title:_____

THE HIXSON FAMILY TRUST, DATED
AUGUST 25, 1986, HARRY F. HIXSON, JR. AND
GEORGIANNA B. HIXSON, TRUSTEES

By:_____
Harry F. Hixson, Jr., Trustee

KLEINER PERKINS CAUFIELD & BYERS VI

By: Kleiner Perkins Caufield & Byers VI Associates

By:_____
General Partner

KLEINER PERKINS CAUFIELD & BYERS VI
FOUNDERS FUND

By: Kleiner Perkins Caufield & Byers VI Associates

By:_____
General Partner

_____
David Schnell

_____
Lawrence Steinman

VALE PARTNERS

By:_____
General Partner

FOURTH AMENDMENT

This Amendment is made effective as of January 24, 1995 between Neurocrine Biosciences, Inc. (the "Company") and the undersigned holders (the "Holders") of Common Stock of the Company who are parties to, or have been assigned rights under, the Company's Information and Registration Rights Agreement dated September 25, 1992 attached hereto as Exhibit A (the "Rights Agreement") with regard to the issuance by the Company of up to a total of 782,005 shares of the Company's Common Stock (the "Shares") to Johnson & Johnson Development Corporation ("Johnson"). The Company and the Holders agree as follows:

1. The Holders hereby waive the right of first refusal granted to such Holders pursuant to the Rights Agreement and any other similar rights they may have to purchase any of the Shares or to receive notice of the proposed sale of the Shares from the Company.

2. The Holders hereby consent to the inclusion of (i) Johnson as a party to the Rights Agreement, and (ii) the Shares as "Registrable Securities" as defined in Section 1(i) of the Rights Agreement. The Rights Agreement is hereby amended to include Johnson as a "Holder" thereunder and to include the Shares in the definition of "Registrable Securities" thereunder.

3. Section 2 of the Rights Agreement is hereby amended and restated to read as set forth below:

2. Information Rights.

2.1. Financial Information. The Company will provide the

Investors the following reports for so long as the Investor is a holder of a minimum of 100,000 shares of Common Stock (as adjusted for recapitalizations, stock splits, stock dividends, and the like):

(a) As soon as practicable after the end of each fiscal year, and in any event within one hundred twenty (120) days thereafter, consolidated balance sheets of the Company and its subsidiaries, if any, as of the end of such fiscal year, and consolidated statements of income, stockholders' equity and cash flows of the Company and its subsidiaries, if any, for such year, prepared in accordance with generally accepted accounting principles and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and audited by independent auditors of national standing selected by the Company.

(b) As soon as practicable after the end of each fiscal quarter and in any event within forty five (45) days thereafter, a consolidated balance sheet of the Company and its subsidiaries, if any, as of the end of each such quarter, and consolidated statements of income and cash flows of the Company and its subsidiaries for such quarter (set forth on a monthly basis) and for the current fiscal year to date, and setting forth in comparative form the budgeted figures for such quarter and for the current fiscal year to date then reported, prepared in accordance with generally accepted accounting principles (other than for accompanying notes and subject to changes resulting from year-end audit adjustments)."

This Amendment shall be effective with regard to all Holders upon execution by the Company and the Holders who hold more than fifty percent (50%) of the outstanding Registrable Securities as provided in Section 18.6 of the Rights Agreement. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one instrument.

THE COMPANY:

NEUROCRINE BIOSCIENCES, INC.

By:_____

Title:_____

HOLDERS:

ABINGWORTH BIOVENTURES

By:_____

Title:_____

AVALON MEDICAL PARTNERS, L.P.

By:_____
General Partner

_____
HOWARD BIRNDORF

_____
ERROL B. DE SOUZA

_____
MARK S. GERMAIN

THE HIXSON FAMILY TRUST, DATED
AUGUST 25, 1986, HARRY F. HIXSON, JR.
AND GEORGIANA B. HIXSON, TRUSTEES

By:_____
Harry F. Hixson, Jr., Trustee

KLEINER PERKINS CAUFIELD & BYERS VI

By: Kleiner Perkins Caufield & Byers VI Associates

By:_____
General Partner

KLEINER PERKINS CAUFIELD & BYERS
VI FOUNDERS FUND
By: Kleiner Perkins Caufield & Byers VI Associates

By:_____
General Partner

_____
DAVID SCHNELL

SCHRODER VENTURES LIMITED PARTNERSHIP

By:_____

Title:_____

SCHRODERS INCORPORATED

By:_____

Title:_____

SCHRODER VENTURE U.S. TRUST

By:_____

Title:_____

_____
DR. LAWRENCE STEINMAN

VALE PARTNERS

_____
General Partner

_____
DR. WYLIE W. VALE

FIFTH AMENDMENT

This Amendment is made effective as of February 22, 1995 between Neurocrine Biosciences, Inc. (the "Company") and the undersigned holders (the "Holders") of Common Stock of the Company who are parties to, or have been assigned rights under, the Company's Information and Registration Rights Agreement dated September 25, 1992 (as amended on January 24, 1995) attached hereto as Exhibit A (the "Rights Agreement") with regard to the issuance by the Company of up to a total of approximately 215,000 shares of the Company's Common Stock (the "Shares") to Neuroscience Partners Limited Partnership ("MDS"). The Company and the Holders agree as follows:

4. The Holders hereby consent to the changes made to the previously executed Amendment between the Holder and the Company dated January 24, 1995. The revised Amendment dated January 24, 1995 is attached hereto as Exhibit B.

5. The Holders hereby consent to the inclusion of (i) MDS as a party to the Rights Agreement, and (ii) the Shares as "Registrable Securities" as defined in Section 1(i) of the Rights Agreement. The Rights Agreement is hereby amended to include MDS as a "Holder" and an "Investor" for the purposes of Sections 6 through 18 thereunder and to include the Shares in the definition of "Registrable Securities" thereunder.

This Amendment shall be effective with regard to all Holders upon execution by the Company and the Holders who hold more than fifty percent (50%) of the outstanding Registrable Securities as provided in Section 18.6 of the Rights Agreement. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one instrument.

THE COMPANY:

NEUROCRINE BIOSCIENCES, INC.

By:_____

Title:_____

MDS: By its signature below, MDS hereby agrees to become a party to the Rights Agreement as a "Holder" and an "Investor" for the purposes of Sections 6 through 18 thereof and shall be entitled to all of the rights and subject to all of the obligations of a "Holder" and an "Investor" for the purposes of Sections 6 through 18 of the Rights Agreement.

NEUROSCIENCE PARTNERS LIMITED PARTNERSHIP

By:_____

Title:_____

HOLDERS:

ABINGWORTH BIOVENTURES

By:_____

Title:_____

AVALON MEDICAL PARTNERS, L.P.

By:_____
General Partner

_____
HOWARD BIRNDORF

_____
ERROL B. DE SOUZA

_____
MARK S. GERMAIN

THE HIXSON FAMILY TRUST, DATED
AUGUST 25, 1986, HARRY F. HIXSON, JR.
AND GEORGIANA B. HIXSON, TRUSTEES

By:_____
Harry F. Hixson, Jr., Trustee

JOHNSON & JOHNSON DEVELOPMENT CORPORATION

By:_____

Title:_____

KLEINER PERKINS CAUFIELD & BYERS VI

By: Kleiner Perkins Caufield & Byers VI Associates

By:_____
General Partner

KLEINER PERKINS CAUFIELD & BYERS VI FOUNDERS FUND

By: Kleiner Perkins Caufield & Byers VI Associates

By:_____
General Partner

_____
DAVID SCHNELL

SCHRODER VENTURES LIMITED PARTNERSHIP

By:_____

Title:_____

SCHRODERS INCORPORATED

By:_____

Title:_____

SCHRODER VENTURE U.S. TRUST

By:_____

Title:_____

_____
DR. LAWRENCE STEINMAN

VALE PARTNERS

____
General Partner

____
DR. WYLIE W. VALE

SIXTH AMENDMENT

This Amendment is made effective as of January 19, 1996 between Neurocrine Biosciences, Inc. (the "Company") and the undersigned holders (the "Holders") of Common Stock of the Company who are parties to, or have been assigned rights under, the Company's Information and Registration Rights Agreement dated September 25, 1992 attached hereto as Exhibit A (the "Rights Agreement") with regard to the issuance by the Company of up to a total of 645,162 shares of the Company's Common Stock (the "Shares") to Ciba Geigy Limited ("Ciba"). The Company and the Holders agree as follows:

6. The Holders hereby waive the right of first refusal granted to such Holders pursuant to the Rights Agreement and any other similar rights they may have to purchase any of the Shares or to receive notice of the proposed sale of the Shares from the Company.

7. The Holders hereby consent to the inclusion of (i) Ciba as a party to the Rights Agreement, and (ii) the Shares as "Registrable Securities" as defined in Section 1(i) of the Rights Agreement. The Rights Agreement is hereby amended to include Ciba as a "Holder" thereunder and to include the Shares in the definition of "Registrable Securities" thereunder.

This Amendment shall be effective with regard to all Holders upon execution by the Company and the Holders who hold more than fifty percent (50%) of the outstanding Registrable Securities as provided in Section 18.6 of the Rights Agreement. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one instrument.

THE COMPANY:

NEUROCRINE BIOSCIENCES, INC.

By:_____

Title:_____

HOLDERS:

ABINGWORTH BIOVENTURES

By:_____

Title:_____

AVALON MEDICAL PARTNERS, L.P.

By:_____
General Partner

_____
HOWARD BIRNDORF

_____
ERROL B. DE SOUZA

_____
MARK S. GERMAIN

THE HIXSON FAMILY TRUST, DATED
AUGUST 25, 1986, HARRY F. HIXSON, JR.
AND GEORGIANA B. HIXSON, TRUSTEES

By:_____
Harry F. Hixson, Jr., Trustee

JOHNSON & JOHNSON DEVELOPMENT CORPORATION

By:_____

Title:_____

KLEINER PERKINS CAUFIELD & BYERS VI

By: Kleiner Perkins Caufield & Byers VI Associates

By:_____
General Partner

KLEINER PERKINS CAUFIELD & BYERS VI FOUNDERS FUND

By: Kleiner Perkins Caufield & Byers VI Associates

By:_____
General Partner

_____
DAVID SCHNELL

SCHRODER VENTURES LIMITED PARTNERSHIP

By:_____

Title:_____

SCHRODERS INCORPORATED

By:_____

Title:_____

SCHRODER VENTURE U.S. TRUST

By:_____

Title:_____

_____
DR. LAWRENCE STEINMAN

VALE PARTNERS

_____
General Partner

_____
DR. WYLIE W. VALE

EXHIBIT 4.5

NEW REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made as of March 29, 1996, by and among Neurocrine Biosciences, Inc., a California corporation (the "Company") and the persons listed on the attached Schedule 1 who become signatories to this Agreement (collectively, the "Investors" and individually an "Investor").

RECITALS

WHEREAS, in connection with the purchase and sale of shares of Series A Preferred Stock of Neuroscience Pharma (NPI) Inc. ("NPI") an affiliate of the Company (the "NPI Shares") and certain warrants exercisable for shares of the Company's Common Stock (the "Warrants"), the Company and the Investors desire to provide for the rights of the Investors with respect to registration of the Common Stock issued upon exchange of the NPI Shares or exercise of the Warrants held by the Investors according to the terms of this Agreement.

WHEREAS, it is a condition of the closing of the sale of the NPI Shares to the Investors that the Company enter into this Agreement.

NOW THEREFORE, in consideration of the promises set forth above and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

(a) "Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

(b) "Convertible Securities" shall mean securities of NPI or the Company purchased by or issued to the Investors by NPI or the Company which are convertible into or exchangeable or exercisable for Common Stock of the Company, including the NPI Shares and the Warrants.

(c) "Form S-3" shall mean Form S-3 issued by the Commission or any substantially similar form then in effect.

(d) "Holder" shall mean any holder of outstanding Registrable Securities which have not been sold to the public, but only if such holder is an Investor or an assignee or transferee of Registration rights as permitted by Section 11.

(e) "Initiating Holders" shall mean Holders who in the aggregate hold at least forty percent (40%) of the Registrable Securities.

(f) "Material Adverse Event" shall mean an occurrence having a consequence that either (a) is materially adverse as to the business, properties, prospects or financial condition of the Company or (b) is reasonably foreseeable, has a reasonable likelihood of occurring, and if

it were to occur would materially adversely affect the business, properties, prospects or financial condition of the Company.

(g) The terms "Register", "Registered" and "Registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act ("Registration Statement"), and the declaration or ordering of the effectiveness of such Registration Statement.

(h) "Registrable Securities" shall mean all shares of Common Stock of the Company issued or issuable upon exchange or exercise of the Convertible Securities, including Common Stock issued pursuant to stock splits, stock dividends and similar distributions with respect to such shares, provided that such shares (i) are not available for immediate sale in the opinion of counsel to the Company in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act so that all transfer restrictions and restrictive legends with respect thereto are removed upon consummation of such sale pursuant to Regulation S, Rule 144, or otherwise under applicable federal securities laws, or (ii) have not previously been sold to the public.

(i) "Registration Expenses" shall mean all expenses incurred in complying with Section 2 of this Agreement, including, without limitation, all federal and state registration, qualification and filing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses, and the expense of any special audits incident to or required by any such registration, other than Selling Expenses.

(j) "Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

(k) "Selling Expenses" shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to this Agreement, as well as fees and disbursements of legal counsel for the selling Holders.

2. Demand Registration.

2.1 Request for Registration on Form S-3. Subject to the terms of this Agreement, in the event that the Company receives from Initiating Holders at any time after one year after the effective date of the Company's initial Registered public offering of shares of its Common Stock (the "IPO"), a written request that the Company effect any Registration on Form S-3 (or any successor form to Form S-3 regardless of its designation) at a time when the Company is eligible to register securities on Form S-3 (or any successor form to Form S-3 regardless of its designation) for an offering of Registrable Securities, the reasonably anticipated aggregate offering price to the public of which would exceed $500,000 (provided that such Registration is not with respect to all other outstanding Registrable Securities, in which case such $500,000 minimum shall not apply), the Company will promptly give written notice of the proposed Registration to all the Holders and will, as soon as practicable, effect Registration of the Registrable Securities specified in such request, together will all or such portion of the Registrable Securities of any Holder joining in such request as are specified in a written request

delivered to the Company within 20 days after written notice from the Company of the proposed Registration. The Company shall not be obligated to take any action to effect any such registration pursuant to this Section 2.1 after the Company has effected two such Registrations pursuant to this Section 2.1 within the calendar year of such request and such Registrations have been declared effective and, if underwritten, have closed.

2.2 Right of Deferral of Registration. If (i) the Company shall furnish to all such Holders who joined in the request a certificate signed by the President of the Company stating that, in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company for any Registration to be effected as requested under Section 2.1, or (ii) the Company shall have effected a Registration (whether or not pursuant to Section 2.1) within ninety (90) days preceding the date of such request, the Company shall have the right to defer the filing of a Registration Statement with respect to such offering for a period of not more than (i) sixty (60) days from delivery of the request of the Initiating Holders, or (ii) ninety (90) days of the date of filing of such prior Registration respectively; provided, however, that the Company may not utilize this right more than twice in any 12-month period.

2.3 Registration of Other Securities. Any Registration Statement filed pursuant to the request of the Initiating Holders under this Section 2 may, subject to the provisions of Section 2.4, include securities of the Company other than Registrable Securities.

2.4 Underwriting in Demand Registration.

2.4.1 Notice of Underwriting. If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2, and the Company shall include such information in the written notice referred to in Section 2.1. The right of any Holder to Registration pursuant to Section 2.1 shall be conditioned upon such Holder's agreement to participate in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder with respect to such participation and inclusion).

2.4.2 Inclusion of Other Holders in Demand Registration. If the Company, officers or directors of the Company holding Common Stock other than Registrable Securities or holders of securities other than Registrable Securities, request inclusion in such Registration, the Initiating Holders, to the extent they deem advisable and consistent with the goals of such Registration and subject to the allocation provisions of Section 2.4.4 below, shall, on behalf of all Holders, offer to any or all of the Company, such officers or directors and such holders of securities other than Registrable Securities that such securities other than Registrable Securities be included in the underwriting and may condition such offer on the acceptance by such persons of the terms of this Section 2.

2.4.3 Selection of Underwriter in Demand Registration. The Company shall (together with all Holders proposing to distribute their securities through such underwriting) enter into and perform its obligations under an underwriting agreement in usual and customary form with the representative ("Underwriter's Representative") of the underwriter

or underwriters selected for such underwriting by the Holders of a majority of the Registrable Securities being registered by the Initiating Holders and consented to by the Company (which consent shall not be unreasonably withheld).

2.4.4 Marketing Limitation in Demand Registration. In the event the Underwriter's Representative advises the Initiating Holders in writing that market factors (including, without limitation, the aggregate number of shares of Common Stock requested to be Registered, the general condition of the market, and the status of the persons proposing to sell securities pursuant to the Registration) require a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders, and the number of shares of Registrable Securities that may be included in the Registration and underwriting shall be allocated among all Holders in proportion, as nearly as practicable, to the number of shares proposed to be included in such Registration by such Holder; provided, however, that the number of shares of Registrable Securities to be included in such underwriting shall not be reduced unless all other securities (including those proposed to be included by the Company and the officers and directors of the Company) are first entirely excluded from the underwriting. No Registrable Securities or other securities excluded from the underwriting by reason of this Section 2.4.4 shall be included in such Registration Statement.

2.4.5 Right of Withdrawal in Demand Registration. If any Holder of Registrable Securities, or a holder of other securities entitled (upon request) to be included in such Registration, disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the underwriter and the Initiating Holders delivered at least seven days prior to the effective date of the Registration Statement. The securities so withdrawn shall also be withdrawn from the Registration Statement.

2.5 Blue Sky in Demand Registration. In the event of any Registration pursuant to Section 2, the Company will exercise its best efforts to Register and qualify the securities covered by the Registration Statement under such other securities or Blue Sky laws of such jurisdictions as the Holders shall reasonably request and as shall be reasonably appropriate for the distribution of such securities; provided, however, that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

3. Piggyback Registration.

3.1 Notice of Piggyback Registration and Inclusion of Registrable Securities. Subject to the terms of this Agreement, in the event the Company decides to Register any of its Common Stock (either for its own account on a form that would be suitable for a registration involving Registrable Securities, the Company will: (i) promptly give each Holder written notice thereof (which shall include a list of the jurisdictions in which the Company intends to attempt to qualify such securities under the applicable Blue Sky or other state securities laws) and (ii) include in such Registration (and any related qualification under Blue Sky laws or other compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request delivered to the Company by any Holder within twenty (20) days after delivery of such written notice from the Company.

3.2 Underwriting in Piggyback Registration.

3.2.1 Notice of Underwriting in Piggyback Registration. If the Registration of which the Company gives notice is for a Registered public offering involving an underwriting, the Company shall so advise the Holders as a part of the written notice given pursuant to Section 3.1. In such event the right of any Holder to Registration shall be conditioned upon such underwriting and the inclusion of such Holder's Registrable Securities in such underwriting to the extent provided in this Section 3. All Holders proposing to distribute their securities through such underwriting shall (together with the Company and the other holders distributing their securities through such underwriting) enter into an underwriting agreement with the Underwriter's Representative for such offering. The Holders shall have no right to participate in the selection of the underwriters for an offering pursuant to this Section 3.

3.2.2 Marketing Limitation in Piggyback Registration. In the event the Underwriter's Representative advises the Holders seeking registration of Registrable Securities pursuant to Section 3 in writing that market factors (including, without limitation, the aggregate number of shares of Common Stock requested to be Registered, the general condition of the market, and the status of the persons proposing to sell securities pursuant to the Registration) require a limitation of the number of shares to be underwritten, the Underwriter's Representative may exclude some or all Registrable Securities from such registration and underwriting, notwithstanding the fact that other securities (other than those to be sold by the Company) may be included in the underwriting. In the event that the Underwriters shall determine that Registrable Securities may be included in such Registration and underwriting, the Underwriter's Representative shall so advise all Holders and the number of shares of Registrable Securities that may be included in the Registration and underwriting (if any) shall be allocated, among all Holders of Registrable Securities held by such Holders at the time of filing of the registration statement. No Registrable Securities or other securities excluded from the underwriting by reason of this Section 3.2.2 shall be included in such Registration Statement.

3.2.3 Withdrawal in Piggyback Registration. If any Holder, or a holder of other securities entitled (upon request) to be included in such Registration, disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter delivered at least seven (7) days prior to the effective date of the Registration Statement. Any Registrable Securities or other securities excluded or withdrawn from such underwriting shall be withdrawn from such Registration.

3.3 Blue Sky in Piggyback Registration. In the event of any Registration of Registrable Securities pursuant to Section 7, the Company will exercise its best efforts to register and qualify the securities covered by the Registration Statement under such other securities or Blue Sky laws of such jurisdictions as the Holders shall reasonably request and as shall be reasonably appropriate for the distribution of such securities; provided, however, that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

4. Expenses of Registration. All Registration Expenses incurred in connection with all Registrations pursuant to Sections 2.1 and 3.2 shall be borne by the Company. Notwithstanding the above, the Company shall not be required to pay for any expenses of

Holders in connection with any registration proceeding begun pursuant to Section 2.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (which Holders shall bear such expenses), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 2.1; provided further, however, that (i) if at the time of such withdrawal, the Holders have learned of a Material Adverse Event not known to the Holders at the time of their request or (ii) such withdrawal is made after a deferral of such registration by the Company pursuant to Section 2.2, then the Holders shall not be required to pay any of such expenses and shall retain their rights pursuant to Section 2.1. All Selling Expenses shall be borne by the holders of the securities registered pro rata on the basis of the number of shares registered.

5. Registration Procedures. The Company will keep each Holder whose Registrable Securities are included in any registration pursuant to this Agreement advised as to the initiation and completion of such Registration. At its expense the Company will: (a) use its best efforts to keep such Registration effective for a period of sixty (60) days or until the Holder or Holders have completed the distribution described in the Registration Statement relating thereto, whichever first occurs; (b) furnish such number of prospectuses (including preliminary prospectuses) and other documents as a Holder from time to time may reasonably request; (c) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement; and (d) notify each Holder of Registrable Securities covered by such Registration Statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

6. Information Furnished by Holder. It shall be a condition precedent of the Company'' obligations under this Agreement that each Holder of Registrable Securities included in any Registration furnish to the Company such information regarding such Holder and the distribution proposed by such Holder or Holders as the Company may reasonably request.

7. Indemnification.

7.1 Company's Indemnification of Holders. To the extent permitted by law, the Company will indemnify each Holder, each of its officers, directors and constituent partners, legal counsel for the Holders, and each person controlling such Holder, with respect to which Registration, qualification or compliance of Registrable Securities has been effected pursuant to this Agreement, and each underwriter, if any, and each person who controls any underwriter against all claims, losses, damages or liabilities (or actions in respect thereof) to the extent such claims, losses, damages or liabilities arise out of or are based upon any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus or other document (including any related Registration Statement) incident to any such Registration, qualification or compliance, or are based on any omission (or alleged omission) to state therein a material fact

required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company of the Securities Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), or any state securities law, or any rule or regulation promulgated under the Securities Act, the 1934 Act or any state securities law, applicable to the Company and relating to action or inaction required of the Company in connection with any such Registration, qualification or compliance; and the Company will reimburse each such Holder, each of its officers, directors and constituent partners, and legal counsel, each such underwriter, and each person who controls any such Holder or underwriter, for any legal and any other expenses reasonably incurred, as incurred, in connection with investigating or defending any such claim, loss, damage, liability or action; provided, however, that the indemnity contained in this Section 6.1 shall not apply to amounts paid in settlement of any such claim, loss, damage, liability or action if settlement is effected without the consent of the Company (which consent shall not unreasonably be withheld); and provided, further, that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based upon any untrue statement or omission based upon written information furnished to the Company by such Holder, its officers, directors, constituent partners, or legal counsel, underwriter, or controlling person and stated to be for use in connection with the offering of securities of the Company.

7.2 Holder's Indemnification of Company. To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such Registration, qualification or compliance is being effected pursuant to this Agreement, indemnify the Company, each of its directors and officers, each legal counsel and independent accountant of the Company, each underwriter, if any, of the Company's securities covered by such a Registration Statement, each person who controls the Company or such underwriter within the meaning of the Securities Act, and each other such Holder, each of its officers, directors and constituent partners and each person controlling such other Holder, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based upon any untrue statement (or alleged untrue statement) of a material fact contained in any such Registration Statement, prospectus, offering circular or other document (including any related Registration Statement) incident to any such Registration, qualification or compliance, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by such Holder of the Securities Act, the 1934 Act or any state securities law, or any rule or regulation promulgated under the Securities Act, the 1934 Act or any state securities law, applicable to such Holder and relating to action or inaction required of such Holder in connection with any such Registration, qualification or compliance; and will reimburse the Company, such Holders, such directors, officers, partners, persons, law and accounting firms, underwriters or control persons for any legal and any other expenses reasonably incurred, as incurred, in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such Registration Statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by such Holder and stated to be specifically for use in connection with the offering of securities of the Company, provided, however, that each Holders liability under this Section 6.2 shall not exceed such Holder's proceeds from the offering of securities made in connection with such Registration; and provided, further, that the indemnity contained in this Section 6.2 shall not

apply to amounts paid in settlement of any such claim, loss, damage, liability or action if settlement is effected without the consent of the Holder (which consent shall not unreasonably be withheld).

7.3 Indemnification Procedure. Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 6, notify the indemnifying party in writing of the commencement thereof and generally summarize such action. The indemnifying party shall have the right to participate in and to assume the defense of such claim, jointly with any other indemnifying party similarly noticed; provided, however, that the indemnifying party shall be entitled to select counsel for the defense of such claim with the approval of any parties entitled to indemnification, which approval shall not be unreasonably withheld; provided further, however, that if either party reasonably determines that there may be a conflict between the position of the Company and the Investors in conducting the defense of such action, suit or proceeding by reason of recognized claims for indemnity under this Section 6, then counsel for such party shall be entitled to conduct the defense to the extent reasonably determined by such counsel to be necessary to protect the interest of such party. The failure to notify an indemnifying party promptly of the commencement of any such action, if prejudicial to the ability of the indemnifying party to defend such action, shall relieve such indemnifying party, to the extent so prejudiced, of any liability to the indemnified party under this Section 6, but the omission so to notify the indemnifying party will not relieve such party of any liability that such party may have to any indemnified party otherwise other than under this Section 6.

8. Reports Under Securities Exchange Act of 1934. With a view to making available to the Investors the benefits of Rule 144 and any other rule or regulation of the Commission that may at any time permit an Investor to sell securities of the Company to the public without Registration or pursuant to a Registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are defined in Rule 144, at all times after ninety (90) days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public;

(b) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the 1934 Act; and

(c) furnish to any Investor, so long as such Investor owns any Convertible Securities or Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Securities Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Investor of any rule or regulation of the Commission which permits the selling of any such securities without registration.

9. Market Stand-off. Each Holder hereby agrees that, if so requested by the Company and the Underwriter's Representative (if any), such Holder shall not sell or otherwise transfer (other than to donees who agree to be similarly bound) any Registrable Securities or other securities of the Company during the 360-day period following the effective date of a Registration Statement of the Company filed under the Securities Act; provided that such restriction shall only apply to the first Registration Statement of the Company to become effective which include securities to be sold on behalf of the Company to the public in an underwritten offering; and provided, further, that all officers and directors of the Company enter into similar agreements.

10. Conversion or Exercise. The Registration rights of the Holders set forth in this Agreement are conditioned upon the conversion or exercise of the NPI Shares or Warrants with respect to which registration is sought into Common Stock of the Company prior to the effective date of the Registration Statement.

11. Transfer of Rights. The Registration rights of the Investors set forth in Section 2 may be assigned by nay Holder to a transferee or assignee of any Convertible Securities or Registrable Securities not sold to the public acquiring at least 100,000 shares of such Holder's Convertible Securities or Registrable Securities (equitably adjusted for any recapitalizations, stock splits, combinations, and the like) or acquiring all of the Convertible Securities and Registrable Securities held by such Holder if transferred to a single entity; provided, however, that (i) the Company must receive written notice prior to the time of said transfer, stating the name and address of said transferee or assignee and identifying the securities with respect to which such information and Registration rights are being assigned, and (ii) the transferee or assignee of such rights must not be a person deemed in good faith by the Board of Directors of the company to be a competitor or potential competitor of the Company. Notwithstanding the limitation set forth in the foregoing sentence respecting the minimum number of shares which must be transferred, any Holder which is a partnership may transfer such Holder's Registration rights to such Holder's constituent partners (or may transfer to their heirs in the case of individuals) without restriction as to the number or percentage of shares acquired by any such constituent partner (or heirs).

12. Miscellaneous.

12.1 Entire Agreement; Successors and Assigns. This Agreement constitutes the entire contract between the Company and the Investors relative to the subject matter hereof. Subject to the exceptions specifically set forth in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective executors, administrators, heirs, successors and assigns of the parties.

12.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts entered into and wholly to be performed within the State of California by California residents.

12.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.4 Headings. The headings of the Sections of this Agreement are for convenience and shall not by themselves determine the interpretation of this Agreement.

12.5 Notices. Any notice required or permitted hereunder shall be given in writing and shall be conclusively deemed effectively given upon personal delivery, or five (5) days after deposit in the United States mail, by first class mail, postage prepaid, or upon sending if sent by commercial overnight delivery service addressed (i) if to the Company, as set forth below the Company's name on the signature page of this Agreement, and (ii) if to an Investor, at such Investor's address as set forth on the attached Schedule 1, or at such other address as the Company or such Investor may designate by ten (10) days' advance written notice to the Investors or to the Company, respectively.

12.6 Amendment of Agreement. Except as otherwise specifically provided herein, any provision of this Agreement may be amended by a written instrument signed by the Company and by persons holding more than fifty-five percent (55%) of the then outstanding Convertible Securities and Registrable Securities (calculated on an as converted basis).

12.7 Aggregation of Stock. All Convertible Securities and Registrable Securities held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

12.8 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

[This space left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

The Company: NEUROCRINE BIOSCIENCES, INC.

By:_____

Title:_____

Address: 3050 Science Park Rd.
San Diego, CA 92121-1102

The INVESTORS: SOFINOV SOCIETE FINANCIERE D'INNOVATION INC.

By:_____

Title:_____

Address: 1981 McGill College Avenue
9th floor
Montreal, Quebec, Canada
H3A 3C7

NEUROSCIENCE PARTNERS LIMITED PARTNERSHIP

By:_____

Title:_____

Address: 100 International Blvd.
Etobicoke, Ontario
Canada, M9W 6J6

BUSINESS DEVELOPMENT BANK OF CANADA

By:_____

Title:_____

Address: 5 Place Ville Marie, Suite 1250
Montreal, Quebec
Canada, H3B 5E7

CANADIAN MEDICAL DISCOVERIES FUND, INC.

By:_____

Title:_____

Address: 100 International Blvd.
Etobicoke, Ontario
Canada, M9W 6J6

THE HEALTHCARE AND BIOTECHNOLOGY
VENTURE FUND

By:_____

Title:_____

Address: 100 International Blvd.
Etobicoke, Ontario
Canada, M9W 6J6

Exhibit 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements Form S-3 No. 333-95005 and Form S-8 Nos. 333-57875 and 333-87127 of our report dated January 27, 2000, with respect to the consolidated financial statements of Neurocrine Biosciences, Inc. included in its Annual Report on Form 10-K/A (Amendment No. 1) for the year ended December 31, 1999.

/s/ Ernst & Young LLP

San Diego, California
November 29, 2000