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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-22705

NEUROCRINE BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

33-0525145

(IRS Employer Identification No.)

12790 EL CAMINO REAL, SAN DIEGO, CALIFORNIA

(Address of principal executive office)

92130

(Zip Code)

(858) 617-7600

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, 37,989,852 as of July 27, 2007.

NEUROCRINE BIOSCIENCES, INC.
FORM 10-Q INDEX

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEUROCRINE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except for share information)
(unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51,485	\$ 80,981
Short-term investments, available-for-sale	95,812	101,623
Receivables under collaborative agreements	35	7,191
Other current assets	3,263	3,863
Total current assets	150,595	193,658
Property and equipment, net	86,524	91,378
Restricted cash	5,250	5,250
Prepaid royalty	94,000	94,000
Other non-current assets	5,495	5,391
Total assets	<u>\$ 341,864</u>	<u>\$ 389,677</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,663	\$ 15,627
Deferred revenues	9	—
Current portion of long-term debt	3,271	4,489
Total current liabilities	18,943	20,116
Long-term debt	47,933	49,152
Other liabilities	5,939	5,693
Total liabilities	72,815	74,961
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.001 par value; 110,000,000 shares authorized; issued and outstanding shares were 37,989,852 as of June 30, 2007 and 37,905,988 as of December 31, 2006	38	38
Additional paid-in capital	727,812	721,930
Accumulated other comprehensive income	634	99
Accumulated deficit	(459,435)	(407,351)
Total stockholders' equity	269,049	314,716
Total liabilities and stockholders' equity	<u>\$ 341,864</u>	<u>\$ 389,677</u>

See accompanying notes to the condensed consolidated financial statements.

NEUROCRINE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except loss per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues:				
Sponsored research and development	\$ 21	\$ 277	\$ 107	\$ 6,155
License fees and milestones	—	727	—	6,085
Sales force allowance	—	8,240	—	16,480
Grant revenue	27	—	45	—
Total revenues	48	9,244	152	28,720
Operating expenses:				
Research and development	18,789	26,112	37,850	53,847
Sales, general and administrative	8,807	12,396	17,124	31,731
Total operating expenses	27,596	38,508	54,974	85,578
Loss from operations	(27,548)	(29,264)	(54,822)	(56,858)
Other income and (expense):				
Interest income and other income	2,032	2,758	4,456	5,420
Interest expense	(848)	(943)	(1,718)	(1,912)
Total other income, net	1,184	1,815	2,738	3,508
Net loss	\$(26,364)	\$(27,449)	\$(52,084)	\$(53,350)
Net loss per common share:				
Basic and diluted	\$ (0.69)	\$ (0.73)	\$ (1.37)	\$ (1.42)
Shares used in the calculation of net loss per common share:				
Basic and diluted	37,969	37,764	37,938	37,560

See accompanying notes to the condensed consolidated financial statements.

NEUROCRINE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended	
	June 30,	
	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (52,084)	\$ (53,350)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,027	5,356
Deferred revenues	9	(5,084)
Loan forgiveness on notes receivable from stockholder	—	50
Share-based compensation expense	5,203	9,478
Change in operating assets and liabilities:		
Accounts receivable and other current assets	7,756	(66)
Other non-current assets	94	(713)
Accounts payable and accrued liabilities	36	(4,109)
Other non-current liabilities	352	(355)
Net cash used in operating activities	<u>(33,607)</u>	<u>(48,793)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(48,647)	(62,838)
Sales/maturities of short-term investments	54,795	137,947
Purchases of property and equipment	(173)	(2,742)
Net cash provided by investing activities	<u>5,975</u>	<u>72,367</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of common stock	573	15,599
Principal payments on debt	(2,437)	(2,953)
Net cash (used in) provided by financing activities	<u>(1,864)</u>	<u>12,646</u>
Net (decrease) increase in cash and cash equivalents	<u>(29,496)</u>	<u>36,220</u>
Cash and cash equivalents at beginning of the period	80,981	49,948
Cash and cash equivalents at end of the period	<u>\$ 51,485</u>	<u>\$ 86,168</u>

See accompanying notes to the condensed consolidated financial statements.

NEUROCRINE BIOSCIENCES, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements included herein are unaudited. These statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions of the Securities and Exchange Commission (SEC) on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, these financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results of operations for the interim period shown in this report are not necessarily indicative of results expected for the full year. These financial statements should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and the financial statements and notes thereto for the year ended December 31, 2006 and the three months ended March 31, 2007 included in our Annual Report on Form 10-K for the year ended December 31, 2006 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2007, respectively, filed with the SEC.

The terms "Company" and "Neurocrine" are used in this report to refer collectively to Neurocrine Biosciences, Inc. and its subsidiaries.

2. ORGANIZATION AND SUMMARY OF BUSINESS

Neurocrine Biosciences, Inc. discovers, develops and intends to commercialize drugs for the treatment of neurological and endocrine-related diseases and disorders. The Company's product candidates address some of the largest pharmaceutical markets in the world, including insomnia, anxiety, depression, endometriosis, irritable bowel syndrome, pain, diabetes and other neurological and endocrine-related diseases and disorders. The Company currently has ten programs in various stages of research and development, including six programs in clinical development. While the Company independently develops many of its own product candidates, Neurocrine is in a collaboration for one of its programs. The Company's lead clinical development program, indiplon, is a drug candidate for the treatment of insomnia.

On May 15, 2006, the Company received two complete responses from the Food and Drug Administration (FDA) regarding the indiplon capsule and tablet New Drug Applications (NDAs). These responses indicated that indiplon 5 mg and 10 mg capsules were approvable (FDA Approvable Letter) and that the 15 mg tablets were not approvable (FDA Not Approvable Letter).

The FDA Not Approvable Letter requested that Neurocrine reanalyze certain safety and efficacy data and questioned the sufficiency of the objective sleep maintenance clinical data with the 15 mg tablet in view of the fact that the majority of the indiplon tablet studies were conducted with doses higher than 15 mg. Neurocrine held an end-of-review meeting with the FDA related to the FDA Not Approvable Letter in October 2006. This meeting was specifically focused on determining the actions needed to bring indiplon tablets from Not Approvable to Approval in the resubmission of the NDA for indiplon tablets. The FDA has requested additional long-term safety and efficacy data with the 15 mg dose for the adult population and the development of a separate dose for the elderly population. In discussions, Neurocrine and the FDA noted positive efficacy data for sleep maintenance with both indiplon capsules and tablets. On the basis of these discussions, the Company is formulating a strategy to pursue a sleep maintenance claim for indiplon. The evaluation of indiplon for sleep maintenance is ongoing and includes both indiplon capsules and tablets.

The FDA Approvable Letter requested that Neurocrine reanalyze data from certain preclinical and clinical studies to support approval of indiplon 5 mg and 10 mg capsules for sleep initiation and middle of the night dosing. The FDA Approvable Letter also requested reexamination of the safety analyses. The Company held an end-of-review meeting with the FDA related to the FDA Approvable Letter in August 2006. This meeting was specifically focused on determining the actions needed to bring indiplon capsules from Approvable to Approval in the resubmission of the NDA for indiplon capsules. At the meeting the FDA requested that the resubmission include further analyses and modifications of analyses previously submitted to address questions raised by the FDA in the initial review. This reanalysis has been completed. The FDA also requested, and the Company has completed, a supplemental pharmacokinetic/food effect profile of indiplon capsules including several meal types. On June 12, 2007, the Company resubmitted its NDA for indiplon 5 mg and 10 mg capsules. The Company is currently awaiting a formal response from the FDA regarding the acceptance of this resubmission.

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On June 22, 2006, Pfizer Inc. and the Company agreed to terminate their collaboration and license agreements to develop and co-promote indiplon effective December 19, 2006. As a result, Neurocrine reacquired all worldwide rights for indiplon capsules and tablets and is responsible for any costs associated with development, registration, marketing and commercialization of indiplon.

3. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

During the first six months of 2007, the Company adopted the following accounting standard, which did not have a material effect on its consolidated results of operations or financial condition:

FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes, an interpretation of FASB No. 109". FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes", and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. See note 12.

4. SHARE-BASED COMPENSATION

The Company's net loss for the three and six months ended June 30, 2007 and 2006 includes \$2.8 million and \$2.7 million and \$5.2 million and \$9.5 million, respectively, of compensation expense related to the Company's share-based compensation awards. The compensation expense related to the Company's share-based compensation arrangements is recorded as components of sales, general and administrative expense and research and development expense. The following is a summary of the components of the Company's compensation expense related to share-based compensation (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Sales, general and administrative	\$1.5	\$0.8	\$2.8	\$5.6
Research and development	1.3	1.8	2.4	3.9

Cash received from stock option exercises for the six months ended June 30, 2007 and 2006 was \$0.6 million and \$15.1 million, respectively. The Company issued approximately 76,000 shares of common stock related to stock option exercises during the six months ended June 30, 2007.

Stock Option Assumptions

The exercise price of all options granted during the six months ended June 30, 2007 and 2006 was equal to the market value on the date of grant. The estimated fair value of each option award granted was determined on the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions for option grants during the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Risk-free interest rate	4.97%	5.1%	4.82%	4.59%
Expected volatility of common stock	62.91%	64.51%	65.36%	43.64%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected option term	4.75 years	4.75 years	4.75 years	4.75 years

5. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

6. SHORT-TERM INVESTMENTS 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 interest 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 interest income or expense. 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.

7. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," 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 the carrying amount is not recoverable, the Company measures the amount of any 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.

The Company carries as a long-lived asset on its balance sheet, a prepaid royalty arising from its acquisition in February 2004 of Wyeth's financial interest in indiplon. The Company's current and historical operating and cash flow losses and the action letters on indiplon from the FDA are indicators of impairment for the prepaid royalty. However, the Company believes the future cash flows to be realized from the prepaid royalty will exceed the asset's carrying value. The Company intends to pursue approvals of indiplon for both sleep onset and maintenance and to seek a commercialization partner. Accordingly, the Company has not recognized any impairment losses through June 30, 2007. However, events both within and outside of the Company's control, such as competition from other insomnia therapeutic agents, disease prevalence, further FDA actions related to indiplon, the Company's ability to partner indiplon, insomnia market dynamics and general market conditions may have an impact on the Company's ability to recover the carrying value of this asset in the future.

8. LOSS PER COMMON SHARE

The Company computes net loss per share in accordance with SFAS No. 128, "Earnings Per Share." Under the provisions of SFAS No. 128, basic net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and common equivalent shares outstanding during the period. Additionally, potentially dilutive securities, composed of incremental common shares issuable upon the exercise of stock options and warrants, are excluded from historical diluted loss per share because of their anti-dilutive effect. Potentially dilutive securities totaled 1.8 million and 0.8 million for the three months ended June 30, 2007 and 2006, respectively and 1.6 million and 1.5 million for the six months ended June 30, 2007 and 2006, respectively.

9. COMPREHENSIVE LOSS

Comprehensive loss is calculated in accordance with SFAS No. 130, "Comprehensive Income." SFAS No. 130 requires the disclosure of all components of comprehensive loss, including net loss and changes in equity during a period from transactions and other events and circumstances generated from non-owner sources. The Company's components of comprehensive loss consist of the net loss and unrealized gains and losses on short-term investments. For the three months ended June 30, 2007 and 2006, comprehensive loss was \$26.1 million and \$27.6 million, respectively. For the six months ended June 30, 2007 and 2006, comprehensive loss was \$51.5 million and \$53.2 million, respectively.

10. REVENUE RECOGNITION

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. Upfront, nonrefundable payments for license fees, grants, sales force allowance and advance payments for sponsored research revenues received in excess of amounts earned are classified as deferred

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revenue and recognized as income over the contract or development period. Estimating the duration of the development period includes continual assessment of development stages and regulatory requirements. Milestone payments are recognized as revenue upon achievement of pre-defined scientific events, which require substantive effort, and for which achievement of the milestone was not readily assured at the inception of the agreement. Revenue related to the sales force allowance is recognized based on the related costs incurred to operate the sales force.

11. RESEARCH AND DEVELOPMENT

Research and development (R&D) expenses are recognized as incurred and include related salaries, contractor fees, clinical trial costs, facilities costs, administrative expenses and allocations of certain other costs. These expenses result from the Company's independent R&D efforts as well as efforts associated with collaborations and in-licensing arrangements. In addition, the Company funds R&D at other companies and research institutions under agreements, which are generally cancelable. The Company reviews and accrues clinical trial expenses based on work performed, which relies on estimates of total costs incurred based on patient enrollment, completion of patient studies and other events. The Company follows this method because it provides reasonably dependable estimates of the costs applicable to various stages of a research agreement or clinical trial. Accrued clinical costs are subject to revisions as trials progress to completion. Revisions are charged to expense in the period in which the facts that give rise to the revision become known.

12. INCOME TAXES

On July 13, 2006, the FASB issued FIN 48. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006.

The Company adopted the provisions of FIN 48 on January 1, 2007. There were no unrecognized tax benefits as of the date of adoption. As a result of the implementation of FIN 48, the Company did not recognize an increase in the liability for unrecognized tax benefits. There are no unrecognized tax benefits included in the balance sheet that would, if recognized, affect the effective tax rate.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accrual for interest or penalties on the Company's balance sheets at December 31, 2006 and at June 30, 2007, and has not recognized interest and/or penalties in the statement of operations for the first six months of 2007.

The Company is subject to taxation in the United States and various state jurisdictions. The Company's tax years for 1993 and forward are subject to examination by the United States and California tax authorities due to the carryforward of unutilized net operating losses and R&D credits.

The adoption of FIN 48 did not impact the Company's financial condition, results of operations or cash flows. At January 1, 2007, the Company had net deferred tax assets of \$210.6 million. The deferred tax assets are primarily composed of federal and state tax net operating loss carryforwards and federal and state R&D credit carryforwards. Due to uncertainties surrounding the Company's ability to generate future taxable income to realize these assets, a full valuation allowance has been established to offset the Company's net deferred tax assets. Additionally, the future utilization of the Company's net operating loss and R&D credit carryforwards to offset future taxable income may be subject to a substantial annual limitation as a result of ownership changes that may have occurred previously or that could occur in the future. The Company has not yet determined whether such an ownership change has occurred, however, the Company plans to complete a Section 382/383 analysis regarding the limitation of the net operating losses and research and development credits. When this analysis is completed, the Company plans to update its unrecognized tax benefits under FIN 48. Therefore, the Company expects that the unrecognized tax benefits may change within 12 months of this reporting date. At this time, the Company cannot estimate how much the unrecognized tax benefits may change. Any carryforwards that will expire prior to utilization as a result of such limitations will be removed from deferred tax assets with a corresponding reduction of the valuation allowance. Due to the existence of the valuation allowance, future changes in the Company's unrecognized tax benefits will not impact its effective tax rate.

13. LITIGATION

On June 19, 2007, Construction Laborers Pension Trust of Greater St. Louis filed a purported class action lawsuit in the United States District Court for the Southern District of California under the caption Construction Laborers Pension Trust of Greater St. Louis v. Neurocrine Biosciences, Inc. The complaint alleges, among other things, that the Company and certain of its officers and directors violated federal securities laws by making allegedly false and misleading statements regarding the progress toward FDA approval and the potential for market success of indiplon in the 15 mg dosage unit. On June 26, 2007, a second purported class action lawsuit with similar allegations was filed in the same court (Gopal Batra, Ph.D. v. Neurocrine Biosciences, Inc.).

In addition, on June 25, 2007, a shareholder derivative complaint was filed in the Superior Court of the State of California for the County of San Diego by Ralph Lipeles under the caption, Lipeles v. Lyons. The complaint was brought purportedly on behalf of the Company against certain current and former officers and directors and alleges, among other things, that the named officers and directors breached their fiduciary duties by directing the Company to make allegedly false statements about the progress toward FDA approval and the potential for market success of indiplon in the 15 mg dosage unit.

The Company intends to take all appropriate action in responding to all of the complaints. Due to the uncertainty of the ultimate outcome of these matters, the impact on the Company's future financial results, if any, is not subject to reasonable estimate as of June 30, 2007.

ITEM 2: 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. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below in Part II, Item 1A under the caption "Risk Factors." The interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2006 and the three months ended March 31, 2007 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, which are contained in our Annual Report on Form 10-K for the year ended December 31, 2006 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2007, respectively.

OVERVIEW

We discover, develop and intend to commercialize drugs for the treatment of neurological and endocrine-related diseases and disorders. Our product candidates address some of the largest pharmaceutical markets in the world, including insomnia, anxiety, depression, endometriosis, irritable bowel syndrome, pain, diabetes and other neurological and endocrine-related diseases and disorders. We currently have ten programs in various stages of research and development, including six programs in clinical development. While we independently develop many of our product candidates, we are in a collaboration for one of our programs. Our lead clinical development program, indiplon, is a drug candidate for the treatment of insomnia.

On May 15, 2006, we received two complete responses from the Food and Drug Administration (FDA) regarding our indiplon capsule and tablet NDAs. These responses indicated that indiplon 5 mg and 10 mg capsules were approvable (FDA Approvable Letter) and that the 15 mg tablets were not approvable (FDA Not Approvable Letter).

The FDA Not Approvable Letter requested that we reanalyze certain safety and efficacy data and questioned the sufficiency of the objective sleep maintenance clinical data with the 15 mg tablet in view of the fact that the majority of our indiplon tablet studies were conducted with doses higher than 15 mg. We held an end-of-review meeting with the FDA related to the FDA Not Approvable Letter in October 2006. This meeting was specifically focused on determining the actions needed to bring indiplon tablets from Not Approvable to Approval in the resubmission of the NDA for indiplon tablets. The FDA has requested additional long-term safety and efficacy data with the 15 mg dose for the adult population and the development of a separate dose for the elderly population. In discussions, we and the FDA noted positive efficacy data for sleep maintenance with both indiplon capsules and tablets. On the basis

of these discussions, we are formulating a strategy to pursue a sleep maintenance claim for indiplon. The evaluation of indiplon for sleep maintenance is ongoing and includes both indiplon capsules and tablets.

The FDA Approvable Letter requested that we reanalyze data from certain preclinical and clinical studies to support approval of indiplon 5 mg and 10 mg capsules for sleep initiation and middle of the night dosing. The FDA Approvable Letter also requested reexamination of the safety analyses. We held an end-of-review meeting with the FDA related to the FDA Approvable Letter in August 2006. This meeting was specifically focused on determining the actions needed to bring indiplon capsules from Approvable to Approval in the resubmission of the NDA for indiplon capsules. At the meeting, the FDA requested that the resubmission include further analyses and modifications of analyses previously submitted to address questions raised by the FDA in the initial review. This reanalysis has been completed. The FDA also requested, and we have completed, a supplemental pharmacokinetic/food effect profile of indiplon capsules including several meal types. On June 12, 2007, we resubmitted our NDA for indiplon 5 mg and 10 mg capsules. We are currently awaiting a formal response from the FDA regarding the acceptance of this resubmission.

On June 22, 2006, we and Pfizer Inc. (Pfizer) agreed to terminate our collaboration and license agreements to develop and co-promote indiplon effective December 19, 2006. As a result, we reacquired all worldwide rights for indiplon capsules and tablets and are responsible for any costs associated with the development, registration, marketing and commercialization of indiplon.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based upon financial statements that we have prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses, and related disclosures. On an on-going basis, we evaluate these estimates, including those related to revenues under collaborative research agreements and grants, clinical trial accruals (research and development expense), debt, share-based compensation, investments, and fixed assets. Estimates are based on historical experience, information received from third parties and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The items in our financial statements requiring significant estimates and judgments are as follows:

Revenues under collaborative research and development agreements are recognized as 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. Upfront, nonrefundable payments for license fees, grants, sales force allowance and advance payments for sponsored research revenues received in excess of amounts earned are classified as deferred revenue and recognized as income over the contract or development period. Estimating the duration of the development period includes continual assessment of development stages and regulatory requirements. Milestone payments are recognized as revenue upon achievement of pre-defined scientific events, which requires substantive effort, and for which achievement of the milestone was not readily assured at the inception of the agreement.

Research and development (R&D) expenses include related salaries, contractor fees, facilities costs, administrative expenses and allocations of corporate costs. All such costs are charged to R&D expense as incurred. These expenses result from our independent R&D efforts as well as efforts associated with collaborations, grants and in-licensing arrangements. In addition, we fund R&D and clinical trials at other companies and research institutions under agreements, which are generally cancelable. We review and accrue clinical trials expense based on work performed, which relies on estimates of total costs incurred based on patient enrollment, completion of studies and other events. We follow this method to form reasonably dependable estimates of the costs applicable to various stages of a research agreement or clinical trial. Accrued clinical costs are subject to revisions as trials progress to completion. Revisions are charged to expense in the period in which the facts that give rise to the revision become known. Historically, revisions have not resulted in material changes to R&D costs, however a modification in the protocol of a clinical trial or cancellation of a trial could result in a charge to our results of operations.

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In accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets," if indicators of impairment exist, we assess 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, we measure the amount of such impairment by comparing the carrying value of the asset to the estimated fair value of the related asset, which is generally determined based on the present value of the expected future cash flows.

During the second quarter of 2006, we received two letters from the FDA related to our NDA submissions for indiplon. These letters indicated that indiplon capsules were approvable and that indiplon tablets were not approvable. Additionally, on June 22, 2006, we announced that we and Pfizer had agreed to terminate our collaboration and license agreements to develop and co-promote indiplon. These two events are indicators of potential impairment for our prepaid royalty, which is carried as a long-lived asset on our balance sheet. This prepaid royalty arose out of our acquisition, in February 2004, of Wyeth's financial interest in indiplon for approximately \$95.0 million, consisting of \$50.0 million in cash and \$45.0 million in our common stock. This transaction decreased our overall royalty obligation on sales of indiplon from six percent to three and one-half percent. In accordance with SFAS 144 we performed an analysis of the undiscounted cash flows related to this prepaid royalty. Based on our current expectations with respect to FDA approval, commercialization and our plan to partner indiplon, we have determined that the carrying value of this asset is fully recoverable, and we have not recognized any impairment charge to date. However, events both within and outside of our control, such as competition from other insomnia therapeutic agents, disease prevalence, further FDA actions related to indiplon, our ability to partner indiplon, insomnia market dynamics and general market conditions may have an impact on our ability to recover the carrying value of this asset in the future. In the event that either the tablet or capsule or both formulations of indiplon are further delayed, are not eventually approved by the FDA or are approved by the FDA but not successfully commercialized, an impairment charge would likely occur. We will continue to monitor this long-lived asset on a quarterly basis.

We grant stock options to purchase our common stock to our employees and directors under the 2003 Incentive Stock Plan, as amended (the 2003 Plan) and to certain employees pursuant to Employment Commencement Nonstatutory Stock Option Agreements. We also grant certain employees stock bonuses and restricted stock units under the 2003 Plan. Additionally, we have outstanding options that were granted under option plans from which we no longer make grants. The benefits provided under all of these plans are subject to the provisions of revised Statement of Financial Accounting Standards No. 123 (SFAS 123R), "Share-Based Payment," which we adopted effective January 1, 2006. We elected to use the modified prospective application in adopting SFAS 123R and therefore have not restated results for prior periods. The valuation provisions of SFAS 123R apply to new awards and to awards that are outstanding on the adoption date and subsequently modified or cancelled. Our results of operations for the first six months of 2007 and 2006 were impacted by the recognition of non-cash expense related to the fair value of our share-based compensation awards. Share-based compensation expense recognized under SFAS 123R for the three months ended June 30, 2007 and 2006 was \$2.8 million and \$2.7 million, respectively. Share-based compensation expense recognized under SFAS 123R for the six months ended June 30, 2007 and 2006 was \$5.2 million and \$9.5 million, respectively.

Stock option awards and restricted stock units generally vest over a three to four year period and expense is ratably recognized over those same time periods. However, due to certain retirement provisions in our stock plans, share-based compensation expense may be recognized over a shorter period of time, and in some cases the entire share-based compensation expense may be recognized upon grant of the share-based compensation award. Employees who are age 55 or older and have five or more years of service with us are entitled to accelerated vesting of certain unvested share-based compensation awards upon retirement. This retirement provision leads to variability in the quarterly expense amounts recognized under SFAS 123R, and therefore individual share-based compensation awards may impact earnings disproportionately in any individual fiscal quarter.

The determination of fair value of stock-based payment awards on the date of grant using the Black-Scholes model is affected by our stock price, as well as the input of other subjective assumptions. These assumptions include, but are not limited to, the expected term of stock options and our expected stock price volatility over the term of the awards. Our stock options have characteristics significantly different from those of traded options, and changes in the assumptions can materially affect the fair value estimates.

SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. If actual forfeitures vary from our estimates, we will recognize the difference in compensation expense in the period the actual forfeitures occur or when options vest.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2007 AND 2006

Revenues were approximately \$0.1 million for the three months ended June 30, 2007 compared with \$9.2 million for the same period last year. The decrease in revenues for the three months ended June 30, 2007, compared with the same period in 2006, is primarily from revenues recognized in 2006 under the terminated collaboration agreement with Pfizer. During the second quarter of 2006, we recognized \$9.2 million of revenue under the Pfizer collaboration agreement, comprised of \$0.3 million in the form of sponsored development funding, \$0.7 million resulting from amortization of up-front license fees, and \$8.2 million related to the sales force allowance for operating our sales force.

Research and development expenses decreased to \$18.8 million for the second quarter of 2007 compared with \$26.1 million for the respective period in 2006. The \$7.3 million decrease in research and development expenses is primarily due to cost savings related to our restructuring in 2006 and lower external development costs. The decrease in research and development staff levels reduced personnel costs by \$2.7 million, from \$10.9 million in the second quarter of 2006 to \$8.2 million in the second quarter of 2007. External development costs decreased to \$4.4 million in the second quarter of 2007 compared to \$7.9 million in the same period last year. We started a new valnoctamide stereoisomers development program during 2007, which resulted in \$0.8 million in external development costs during the second quarter of 2007. External development costs related to our Urocortin 2 and sNRI programs decreased by \$0.6 million and \$0.7 million, respectively, in the second quarter of 2007 compared to the same period in 2006. We also incurred external development costs of \$3.1 million in the second quarter of 2006 related to the subsequently cancelled APL and H1 programs. We currently have ten programs in various stages of research and development, including six programs in clinical development. Additionally, laboratory costs decreased by \$1.8 million in the second quarter of 2007 compared to the same period in 2006, primarily due to lower headcount. We also recognized \$0.9 million in expense during the quarter related to our in-license of valnoctamide from Yissum Research Development Company of the Hebrew University of Jerusalem.

Sales, general and administrative expenses decreased to \$8.8 million for the second quarter of 2007 compared with \$12.4 million during the same period last year. The \$3.6 million decrease in expenses from 2006 to 2007 is primarily the result of cost savings related to the staff reductions in the third quarter of 2006.

Other income decreased to \$1.2 million for the second quarter of 2007 from \$1.8 million for the second quarter of 2006. The decrease resulted primarily from lower average cash and investment balances as a result of operating losses, offset partially by higher investment returns during the second quarter of 2007.

Net loss for the second quarter of 2007 was \$26.4 million, or \$(0.69) per share, compared to \$27.4 million, or \$(0.73) per share, for the same period in 2006. Revenues during the second quarter of 2007 decreased significantly compared to the same period in 2006 primarily due to the cancellation of our collaboration agreement with Pfizer in 2006. The decrease in revenues during the second quarter of 2007 was mitigated by cost savings from our severance program and other cost saving activities implemented during the third quarter of 2006.

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

Revenues were \$0.2 million for the six months ended June 30, 2007 compared with \$28.7 million for the respective period last year. The decrease in revenues during the first six months of 2007, compared with the respective period in 2006, is primarily from revenues recognized in 2006 under the terminated collaboration agreement with Pfizer. During the first half of 2006, we recognized \$27.7 million in revenue from Pfizer, comprised of \$6.1 million in the form of sponsored development funding, \$5.1 million resulting from amortization of up-front license fees, and \$16.5 million related to the sales force allowance for operating our sales force. Additionally, under our collaboration agreement with GlaxoSmithKline, we recognized \$1.0 million in revenue during the first six months of 2006 for successfully enrolling the first patient in a Phase II clinical trial for our CRF program.

Research and development expenses decreased to \$37.9 million for the first half of 2007 compared with \$53.8 million for the respective period in 2006. This decrease in research and development expenses is primarily due to cost savings related to our restructuring in the third quarter of 2006 and lower external development costs. The decrease in research and development staff levels reduced personnel costs by \$6.9 million, from \$23.6 million in the first half of 2006 to \$16.7 million during the same period in 2007. External development costs decreased by \$5.8 million to \$9.4 million in the first half of 2007 compared to \$15.2 million in the

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same period in 2006. Due to efforts expended in addressing the FDA action letters and resubmitting our NDA for capsules, external development costs for our indiplon clinical program increased to \$1.8 million in the first half of 2007 compared to \$0.4 million during the same period in 2006. We started a new valnoctamide stereoisomers development program during 2007, which resulted in \$1.0 million in external development costs during the first half of 2007. External development costs related to our Urocortin 2 and sNRI programs decreased by \$2.3 million and \$1.0 million, respectively, in the first half of 2007 compared to the same period in 2006. External development costs related to our subsequently cancelled APL and H1 programs included expenses of \$5.1 million during the first half of 2006. Additionally, laboratory costs decreased by \$3.0 million in the first half of 2007 compared to the same period in 2006, primarily due to the staff reductions mentioned above.

Sales, general and administrative expenses decreased to \$17.1 million for the six months ended June 30, 2007 compared with \$31.7 million during the same period last year. The \$14.6 million decrease in expenses from 2006 to 2007 resulted primarily from cost savings related to the staff reductions in the third quarter of 2006.

Other income decreased to \$2.7 million for the first half of 2007 from \$3.5 million during the first half of 2006. The decrease resulted primarily from lower average cash and investment balances as a result of operating losses, offset partially by higher investment returns.

Net loss for the first half of 2007 was \$52.1 million, or \$(1.37) per share, compared to \$53.4 million, or \$(1.42) per share, for the same period in 2006. Revenues during the first half of 2007 have decreased significantly compared to the same period in 2006 primarily due to the cancellation of our collaboration agreement with Pfizer in 2006. Cost savings from our severance program during the third quarter of 2006 and other cost saving activities have offset the loss of revenue under our former Pfizer collaboration during 2007.

To date, our revenues have been derived primarily from funded research and development, achievements of milestones under corporate collaborations, and licensing of product candidates. The nature and amount of these revenues from period to period may lead to substantial fluctuations in the results of quarterly revenues and earnings. Accordingly, results and earnings for one period are not predictive of future periods. Collaborations, including grant revenue, accounted for 100% of our revenue for the six months ended June 30, 2007 and 2006.

We expect to incur operating losses for the foreseeable future because of the expenses we expect to incur related to indiplon as well as costs to progress other programs through our pipeline. Future profitability is dependent upon the approval of our NDAs for indiplon by the FDA and upon acceptance of indiplon by prescribers and consumers.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2007, our cash, cash equivalents, and short-term investments totaled \$147.3 million compared with \$182.6 million at December 31, 2006. The decrease in cash balances at June 30, 2007 resulted primarily from our net loss of \$52.1 million, offset by reduction in accounts receivable of \$7.2 million.

Net cash used in operating activities during the first half of 2007 was \$33.6 million compared with \$48.8 million during the same period last year. The decrease in operating cash used during 2007 is primarily due to our restructuring during the third quarter of 2006, which decreased our personnel costs by \$18.7 million during the first half of 2007 compared to the same period in 2006. Additionally, our accounts receivable decreased by \$7.2 million.

Net cash provided by investing activities during the first half of 2007 was \$6.0 million compared to \$72.4 million for the first half of 2006. The fluctuation in net cash provided by investing activities resulted primarily from the timing differences in investment purchases, sales and maturities, and the fluctuation of our portfolio mix between cash equivalents and short-term investment holdings. In addition, purchases of property and equipment decreased from \$2.7 million during the first half of 2006 to \$0.2 million during the same period in 2007. Capital equipment purchases for the full year 2007 are expected to be approximately \$1.0 million.

Net cash used in financing activities during the first half of 2007 was \$1.9 million compared to net cash provided by financing activities of \$12.6 million for the respective period last year. This fluctuation resulted primarily from cash proceeds from the issuance of common stock upon exercise of options which totaled \$15.1 million for the first half of 2006 compared to \$0.6 million during the same period this year. We expect similar fluctuations to occur throughout the year, as the amount and frequency of stock-related transactions are dependent upon the market performance of our common stock.

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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 guarantee that these capital resources and payments will be sufficient to conduct all of 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, as well as costs associated with litigation matters, product in-licensing and any possible acquisitions, and we may require additional funding to establish manufacturing and marketing capabilities in the future. We intend to seek additional funding through strategic alliances, and may seek additional funding through public or private sales of our securities, including equity securities. In addition, we have financed capital purchases and may continue to pursue opportunities to obtain additional debt financing in the future. However, additional equity or debt financing might not be available on reasonable terms, if at all, and any additional equity financings will be dilutive to our stockholders. 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. 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 be successful in the development of our product candidates, or that, if successful, any products marketed will generate sufficient revenues to enable us to earn a profit.

INTEREST RATE RISK

We are exposed to interest rate risk on our short-term investments. 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 and ensure that the maximum average maturity of our investments does not exceed 36 months. If a 10% change in interest rates were to have occurred on June 30, 2007, 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.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the information incorporated herein by reference contain forward-looking statements that involve a number of risks and uncertainties. Although our forward-looking statements reflect the good faith judgment of our management, these statements can only be based on facts and factors currently known by us. Consequently, these forward-looking statements are inherently subject to risks and uncertainties, and actual results and outcomes may differ materially from results and outcomes discussed in the forward-looking statements.

Forward-looking statements can be identified by the use of forward-looking words such as “believes,” “expects,” “hopes,” “may,” “will,” “plan,” “intends,” “estimates,” “could,” “should,” “would,” “continue,” “seeks,” “proforma,” or “anticipates,” or other similar words (including their use in the negative), or by discussions of future matters such as the development of new products, technology enhancements, possible changes in legislation and other statements that are not historical. These statements include but are not limited to statements under the captions “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as other sections in this report. You should be aware that the occurrence of any of the events discussed under the heading in Part II titled “Item 1A. Risk Factors” and elsewhere in this report could substantially harm our business, results of operations and financial condition and that if any of these events occurs, the trading price of our common stock could decline and you could lose all or a part of the value of your shares of our common stock.

The cautionary statements made in this report are intended to be applicable to all related forward-looking statements wherever they may appear in this report. We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Except as required by law, we assume no obligation to update our forward-looking statements, even if new information becomes available in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A discussion of our exposure to, and management of, market risk appears in Part I, Item 2 of this Quarterly Report on Form 10-Q under the heading “Interest Rate Risk.”

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the timelines specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow a timely decision regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 19, 2007, Construction Laborers Pension Trust of Greater St. Louis filed a purported class action lawsuit in the United States District Court for the Southern District of California under the caption Construction Laborers Pension Trust of Greater St. Louis v. Neurocrine Biosciences, Inc. The complaint alleges, among other things, that we and certain of our officers and directors violated federal securities laws by making allegedly false and misleading statements regarding the progress toward FDA approval and the potential for market success of indiplon in the 15 mg dosage unit. On June 26, 2007, a second purported class action lawsuit with similar allegations was filed in the same court (Gopal Batra, Ph.D. v. Neurocrine Biosciences, Inc.).

In addition, on June 25, 2007, a shareholder derivative complaint was filed in the Superior Court of the State of California for the County of San Diego by Ralph Lipeles under the caption, Lipeles v. Lyons. The complaint was brought purportedly on our behalf against certain current and former officers and directors and alleges, among other things, that the named officers and directors breached their fiduciary duties by directing us to make allegedly false statements about the progress toward FDA approval and the potential for market success of indiplon in the 15 mg dosage unit.

We intend to take all appropriate action in responding to all of the complaints. Due to the uncertainty of the ultimate outcome of these matters, the impact, if any, on our future financial results is not subject to reasonable estimate as of June 30, 2007.

ITEM 1A. RISK FACTORS

The following risk factors do not reflect any material changes to the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, other than the revisions to the risk factors set forth below with an asterisk (*) next to the title. The following information sets forth risk factors that could cause our actual results to differ materially from those contained in forward-looking statements we have made in this Quarterly Report and those we may make from time to time. If any of the following risks actually occur, our business, operating results, prospects or financial condition could be harmed. Additional risks not presently known to us, or that we currently deem immaterial, may also affect our business operations.

Risks Related to Our Company

(*) Our near-term success is dependent on the success of our lead product candidate, indiplon, and we may not receive regulatory approvals for it or our other product candidates or approvals may be delayed.

Based on the results of preclinical studies and Phase I, Phase II and Phase III clinical trials on indiplon, as well as a non-clinical data package related to indiplon manufacturing, formulation and commercial product development, we assembled and filed with the FDA New Drug Applications (NDAs) for both indiplon capsules and indiplon tablets. On May 15, 2006, we received two complete responses from the FDA regarding our indiplon capsule and tablet NDAs. These responses indicated that indiplon 5 mg and 10 mg capsules were approvable (FDA Approvable Letter) and that the 15 mg tablets were not approvable (FDA Not Approvable Letter).

The FDA Not Approvable Letter requested that we reanalyze certain safety and efficacy data and questioned the sufficiency of the objective sleep maintenance clinical data with the 15 mg tablet in view of the fact that the majority of our indiplon tablet studies were conducted with doses higher than 15 mg. We held an end-of-review meeting with the FDA related to the FDA Not Approvable Letter in October 2006. This meeting was specifically focused on determining the actions needed to bring indiplon tablets from Not Approvable to Approval in the resubmission of the NDA for indiplon tablets. The FDA has requested additional long-term safety and efficacy data with the 15 mg dose for the adult population and the development of a separate dose for the elderly population. In discussions, we and the FDA noted positive efficacy data for sleep maintenance with both indiplon capsules and tablets. On the basis of these discussions, we are formulating a strategy to pursue a sleep maintenance claim for indiplon. The evaluation of indiplon for sleep maintenance is ongoing and includes both indiplon capsules and tablets.

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If we are unable to conduct the clinical trials to support a sleep maintenance claim for indiplon or if these clinical trials do not demonstrate the safety and efficacy of indiplon for sleep maintenance, we may not be able to resubmit the NDA for this indication. If we do obtain positive results from these clinical trials, we would then refile the NDA for indiplon for sleep maintenance.

The FDA Approvable Letter requested that we reanalyze data from certain preclinical and clinical studies to support approval of indiplon 5 mg and 10 mg capsules for sleep initiation and middle of the night dosing. The FDA Approvable Letter also requested reexamination of the safety analyses. We held an end-of-review meeting with the FDA related to the FDA Approvable Letter in August 2006. This meeting was specifically focused on determining the actions needed to bring indiplon capsules from Approvable to Approval in the resubmission of the NDA for indiplon capsules. At the meeting the FDA requested that the resubmission include further analyses and modifications of analyses previously submitted to address questions raised by the FDA in the initial review. This reanalysis has been completed. The FDA also requested, and we have completed, a supplemental pharmacokinetic/food effect profile of indiplon capsules including several meal types. On June 12, 2007, we resubmitted our NDA for indiplon 5 mg and 10 mg capsules. We are currently awaiting a formal response from the FDA regarding the acceptance of this resubmission.

The process of preparing and resubmitting the NDA for indiplon tablets will require significant resources and could be time consuming and subject to unanticipated delays and cost. The FDA could again refuse to approve one or both NDAs, or could still require additional data analysis or clinical trials, which would require substantial expenditures by us and could further delay the approval process. Even if our indiplon NDAs are approved, the FDA may determine that our data do not support elements of the labeling we have requested. In such a case, the labeling actually granted by the FDA could limit the commercial success of the product. The FDA could also require Phase IV, or post-marketing, trials to study the long-term effects of indiplon and could withdraw its approval based on the results of those trials. We face the risk that for any of the reasons described above, as well as other reasons set forth herein, indiplon may never be approved by the FDA or commercialized anywhere in the world.

If we are unable to refile our NDA for indiplon tablets, or the FDA refuses to accept or approve the resubmitted capsule or tablet NDAs for any reason, or we experience a significant delay in approval and subsequent commercialization of indiplon, our business and reputation would be harmed and our stock price would decline.

(*) If we cannot raise additional funding, we may be unable to complete development of our product candidates.

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, as well as costs associated with litigation matters, product in-licensing and any possible acquisitions, and we may require additional funding to establish manufacturing and marketing capabilities in the future. We intend to seek additional funding through strategic alliances, and may seek additional funding through public or private sales of our securities, including equity securities. 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, these resources might be insufficient to conduct research and development programs as planned. If we cannot obtain adequate funds, we may be required to curtail significantly one or more of our research and development programs or obtain funds through additional arrangements with corporate collaborators or others that may require us to relinquish rights to some of our technologies or product candidates.

Our future capital requirements will depend on many factors, including:

- continued scientific progress in our research and development programs;
- the magnitude of our research and development programs;
- progress with preclinical testing and clinical trials;
- the time and costs involved in obtaining regulatory approvals;
- the costs involved in filing and pursuing patent applications and enforcing patent claims;

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- the costs associated with litigation matters;
- competing technological and market developments;
- the establishment of additional strategic alliances;
- the cost of commercialization activities and arrangements, including manufacturing of our product candidates; and
- the cost of product in-licensing and any possible acquisitions.

We intend to seek additional funding through strategic alliances, and may seek additional funding through public or private sales of our securities, including equity securities. In addition, we have financed capital purchases and may continue to pursue opportunities to obtain additional debt financing in the future. However, additional equity or debt financing might not be available on reasonable terms, if at all. Any additional equity financings will be dilutive to our stockholders and any additional debt financings may involve operating covenants that restrict our business.

(* Because of the termination of our collaboration with Pfizer to develop and co-promote indiplon, we must identify a new partner and enter into a collaboration agreement with them or develop, commercialize, market and sell indiplon by ourselves.

On June 22, 2006, we announced that we and Pfizer had agreed to terminate our collaboration and license agreements to develop and co-promote indiplon. Under the collaboration, Pfizer had agreed to:

- fund substantially all third-party costs related to future indiplon development, manufacturing and commercialization activities;
- fund a 200-person Neurocrine sales force that would initially promote Zolofit® and, upon approval of the indiplon NDAs, co-promote indiplon in the United States;
- be responsible for obtaining all regulatory approvals outside of the United States and regulatory approvals in the United States after approval of the first indiplon NDA; and
- be responsible for sales and marketing of indiplon worldwide.

As a result of termination of this collaboration, we reacquired all worldwide rights for indiplon capsules and tablets. We received reimbursement of certain indiplon expenses incurred or committed prior to the June 22, 2006 notice date as well as certain ongoing expenses through December 19, 2006, the effective date of termination. We are responsible for any costs associated with additional data or clinical trials that may be required related to the indiplon NDAs.

We will seek another partner or partners, at an appropriate time, to assist us in the worldwide development and commercialization of indiplon or develop, commercialize, market and sell indiplon by ourselves. We face competition in our search for partners with whom we may collaborate. As a result, we may not be successful in finding another collaboration partner on favorable terms, or at all, and any failure to obtain a new partner on favorable terms could adversely affect indiplon development, commercialization and future sales, which would harm our business. Identifying a new partner and entering into a collaboration agreement with them or developing the necessary infrastructure to commercialize, market and sell indiplon ourselves could cause delays in obtaining regulatory approvals and commercialization of indiplon, which would negatively impact our business. If we choose to commercialize, market and sell indiplon ourselves, we will be required to substantially increase our internal sales, distribution and marketing capabilities. The development of the infrastructure necessary to commercialize, market and sell indiplon will require substantial resources and may divert the attention of our management and key personnel and negatively impact our other product development efforts. Moreover, we may not be able to hire a sales force that is sufficient in size or has adequate expertise.

Pursuant to the collaboration agreement with Pfizer, our sales force ceased detailing Pfizer's antidepressant Zolofit® to psychiatrists as of June 30, 2006, the date of expiration of Zolofit® patent exclusivity. Pfizer notified us that as of July 1, 2006, Pfizer will no longer reimburse or support our sales force. Consequently, we terminated the entire sales force in July 2006 and incurred expenses of approximately \$6.0 million in the third quarter of 2006 related to salary continuation, outplacement services, and other costs related to eliminating the sales force. We cannot assure you that we will be able to successfully rebuild the sales force in a timely manner, or at all, should indiplon be approved by the FDA.

(*) Our pending securities class action litigation could divert management's attention and harm our business.

The market price of our common stock declined significantly following our May 16, 2006 announcement of the FDA's action letters with respect to indiplon. In June 2007, two class action lawsuits were filed alleging, among other things, that we and certain of our officers and directors violated federal securities laws by making allegedly false and misleading statements regarding the progress toward FDA approval and the potential for market success of indiplon in the 15 mg dosage unit. Also in June 2007, a shareholder derivative lawsuit was filed alleging, among other things, that certain of our current and former officers and directors breached their fiduciary duties by directing us to make allegedly false statements about such matters. We cannot currently predict the outcome of this litigation, which may be expensive and divert our management's attention and resources from operating the business. Additionally, we may not be successful in having such litigation dismissed or settled within the limits of our insurance.

Even if we ultimately receive an "approval" letter for indiplon or any other product, we may be unable to commercialize such products immediately upon receipt of such letter.

Commercialization of a product for which we have received an "approval" letter from the FDA could be delayed for a number of reasons, some of which are outside of our control, including delays in the FDA's issuance of approvals for our trademarks or delays in the completion of required procedures by agencies other than the FDA, such as the Drug Enforcement Administration (DEA). For example, one of our competitors received an "approval" letter from the FDA for its proprietary product. In connection with the approval, the FDA recommended that the competitor's product be classified as a Schedule IV controlled substance by the DEA. However, because the Federal government's administrative process for formally classifying the product as a Schedule IV controlled substance was not yet complete, the competitor's product launch was delayed several months. Indiplon, like the competitor's product, and like all non-benzodiazepine hypnotics, is expected to be a Schedule IV controlled substance requiring classification by the DEA. There can be no assurance that we will receive DEA scheduling promptly. If we receive an "approval" letter for indiplon and are unable to commercialize indiplon promptly thereafter, our business and financial position may be materially adversely affected due to reduced revenue from product sales during the period that commercialization is delayed. In addition, the exclusivity period, or the time during which the FDA will prevent generic pharmaceuticals from introducing a generic copy of the product, begins to run upon receipt of the "approval" letter from the FDA and, therefore, to the extent we are unable to commercialize a product upon receipt of an "approval" letter, our long-term product sales and revenues could be adversely affected.

Our clinical trials may fail to demonstrate the safety and efficacy of our product candidates, which could prevent or significantly delay their regulatory approval.

Any failure or substantial delay in completing clinical trials for our product candidates may severely harm our business. Before obtaining regulatory approval for the sale of any of our potential products, we must subject these product candidates to extensive preclinical and clinical testing to demonstrate their safety and efficacy for humans. Clinical trials are expensive, time-consuming and may take years to complete.

In connection with the clinical trials of indiplon and our other product candidates, we face the risks that:

- the product may not prove to be effective;
- we may discover that a product candidate may cause harmful side effects;
- the results may not replicate the results of earlier, smaller trials;
- we or the FDA or similar foreign regulatory authorities may suspend the trials;
- the results may not be statistically significant;
- patient recruitment may be slower than expected; and
- patients may drop out of the trials.

Late stage clinical trials are often conducted with patients having the most advanced stages of disease. During the course of treatment, these patients can die or suffer other adverse medical effects for reasons that may not be related to the pharmaceutical agent being tested but which can nevertheless adversely affect clinical trial results.

We have a history of losses and expect to incur losses and negative operating cash flows for the near future, and we may never achieve sustained profitability.

Since our inception, we have incurred significant net losses, including net losses of \$107.2 million and \$22.2 million for the years ended December 31, 2006 and 2005, respectively. As a result of ongoing operating losses, we had an accumulated deficit of \$407.4 million and \$300.1 million as of December 31, 2006 and 2005, respectively. We do not expect to be profitable for the year ended December 31, 2007. Additionally, we will be responsible for any costs associated with additional data or clinical trials that may be required related to the indiplon NDAs.

We have not yet obtained regulatory approvals of any products and, consequently, have not generated revenues from the sale of products. Even if we succeed in developing and commercializing one or more of our drugs, we may not be profitable. We also expect to continue to incur significant operating and capital expenditures as we:

- seek regulatory approvals for our product candidates;
- develop, formulate, manufacture and commercialize our drugs;
- in-license or acquire new product development opportunities;
- implement additional internal systems and infrastructure; and
- hire additional clinical, scientific and marketing personnel.

We also expect to experience negative cash flow for the near future as we fund our operating losses, in-licensing or acquisition opportunities, and capital expenditures. We will need to generate significant revenues to achieve and maintain profitability and positive cash flow. We may not be able to generate these revenues, and we may never achieve profitability in the future. Our failure to achieve or maintain profitability could negatively impact the market price of our common stock. Even if we become profitable, we cannot assure you that we would be able to sustain or increase profitability on a quarterly or annual basis.

Because our operating results may vary significantly in future periods, our stock price may decline.

Our quarterly revenues, expenses and operating results have fluctuated in the past and are likely to fluctuate significantly in the future. Our revenues are unpredictable and may fluctuate, among other reasons, due to our achievement of product development objectives and milestones, clinical trial enrollment and expenses, research and development expenses and the timing and nature of contract manufacturing and contract research payments. High portions of our costs are predetermined on an annual basis, due in part to our significant research and development costs. Thus, small declines in revenue could disproportionately affect operating results in a quarter. Because of these factors, our operating results in one or more future quarters may fail to meet the expectations of securities analysts or investors, which could cause our stock price to decline.

We depend on continuing our current collaboration and developing additional collaborations to develop and commercialize our product candidates.

Our strategy for developing and commercializing our products is dependent upon maintaining our current arrangements and establishing new arrangements with research collaborators, corporate collaborators and others. We have an active collaboration agreement with GlaxoSmithKline and previously have had collaborations with Pfizer, Wyeth, Johnson & Johnson, and Eli Lilly and Company. We historically have been dependent upon these corporate collaborators to provide adequate funding for a number of our programs. Under these arrangements, our corporate collaborators are typically responsible for:

- selecting compounds for subsequent development as drug candidates;
- conducting preclinical studies and clinical trials and obtaining required regulatory approvals for these drug candidates; and

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- manufacturing and commercializing any resulting drugs.

Because we expect to continue to rely heavily on corporate collaborators including for the future worldwide development and commercialization of indiplon, the development of our projects would be substantially delayed if one or more of our current or future collaborators:

- failed to select a compound that we have discovered for subsequent development into marketable products;
- failed to gain the requisite regulatory approvals of these products;
- did not successfully commercialize products that we originate;
- did not conduct its collaborative activities in a timely manner;
- did not devote sufficient time and resources to our partnered programs or potential products;
- terminated its alliance with us;
- developed, either alone or with others, products that may compete with our products;
- disputed our respective allocations of rights to any products or technology developed during our collaborations; or
- merged with a third party that wants to terminate the collaboration.

These issues and possible disagreements with current or future corporate collaborators could lead to delays in the collaborative research, development or commercialization of many of our product candidates. Furthermore, disagreements with these parties could require or result in litigation or arbitration, which would be time-consuming and expensive. If any of these issues arise, it may delay the development and commercialization of drug candidates and, ultimately, our generation of product revenues.

(* We license some of our core technologies and drug candidates from third parties. If we default on any of our obligations under those licenses, we could lose our rights to those technologies and drug candidates.

We are dependent on licenses from third parties for some of our key technologies. These licenses typically subject us to various commercialization, reporting and other obligations. If we fail to comply with these obligations, we could lose important rights. For example, we have licensed indiplon from DOV Pharmaceutical, Inc. In addition, we license some of the core technologies used in our collaborations from third parties, including the CRF receptor we license from The Salk Institute and use in our CRF program, Urocortin 2 which we license from Research Development Foundation, the Adenosine2A receptor antagonist we license from Almirall Prodesfarma, S.A., and valnoctamide and stereoisomers that we license from Yissum Research Development Company of the Hebrew University of Jerusalem. Other in-licensed technologies, such as the GnRH receptor we license from Mount Sinai School of Medicine, will be important for future collaborations for our GnRH program. If we were to default on our obligations under any of our licenses, we could lose some or all of our rights to develop, market and sell products covered by these licenses. Likewise, if we were to lose our rights under a license to use proprietary research tools, it could adversely affect our existing collaborations or adversely affect our ability to form new collaborations. We also face the risk that our licensors could, for a number of reasons, lose patent protection or lose their rights to the technologies we have licensed, thereby impairing or extinguishing our rights under our licenses with them.

Because the development of our product candidates is subject to a substantial degree of technological uncertainty, we may not succeed in developing any of our product candidates.

All of our product candidates are in research, clinical development or in registration with the FDA. Only a small number of research and development programs ultimately result in commercially successful drugs. Potential products that appear to be promising at early stages of development may not reach the market for a number of reasons. These reasons include the possibilities that the potential products may:

- be found ineffective or cause harmful side effects during preclinical studies or clinical trials;

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- fail to receive necessary regulatory approvals on a timely basis or at all;
- be precluded from commercialization by proprietary rights of third parties;
- be difficult to manufacture on a large scale; or
- be uneconomical to commercialize or fail to achieve market acceptance.

If any of our products encounters any of these potential problems, we may never successfully market that product.

Since indiplon is our most advanced product program, our business and reputation would be particularly harmed, and our stock price likely would be harmed, if we fail to receive necessary regulatory approvals on a timely basis or achieve market acceptance.

We have limited marketing experience, sales force or distribution capabilities, and if our products are approved, we may not be able to commercialize them successfully.

Although we do not currently have any marketable products, our ability to produce revenues ultimately depends on our ability to sell our products if and when they are approved by the FDA. We currently have limited experience in marketing and selling pharmaceutical products. If we fail to establish successful marketing and sales capabilities or fail to enter into successful marketing arrangements with third parties, our product revenues will suffer.

The independent clinical investigators and contract research organizations that we rely upon to conduct our clinical trials may not be diligent, careful or timely, and may make mistakes, in the conduct of our trials.

We depend on independent clinical investigators and contract research organizations, or CROs, to conduct our clinical trials under their agreements with us. The investigators are not our employees, and we cannot control the amount or timing of resources that they devote to our programs. If independent investigators fail to devote sufficient time and resources to our drug development programs, or if their performance is substandard, it may delay or prevent the approval of our FDA applications and our introduction of new drugs. The CROs we contract with for execution of our clinical trials play a significant role in the conduct of the trials and the subsequent collection and analysis of data. Failure of the CROs to meet their obligations could adversely affect clinical development of our products. Moreover, these independent investigators and CROs may also have relationships with other commercial entities, some of which may compete with us. If independent investigators and CROs assist our competitors at our expense, it could harm our competitive position.

We have no manufacturing capabilities. If third-party manufacturers of our product candidates fail to devote sufficient time and resources to our concerns, or if their performance is substandard, our clinical trials and product introductions may be delayed and our costs may rise.

We have in the past utilized, and intend to continue to utilize, third-party manufacturers to produce the drug compounds we use in our clinical trials and for the potential commercialization of our future products. We have no experience in manufacturing products for commercial purposes and do not currently have any manufacturing facilities. Consequently, we depend on, and will continue to depend on, several contract manufacturers for all production of products for development and commercial purposes. If we are unable to obtain or retain third-party manufacturers, we will not be able to develop or commercialize our products. The manufacture of our products for clinical trials and commercial purposes is subject to specific FDA regulations. Our third-party manufacturers might not comply with FDA regulations relating to manufacturing our products for clinical trials and commercial purposes or other regulatory requirements now or in the future. Our reliance on contract manufacturers also exposes us to the following risks:

- contract manufacturers may encounter difficulties in achieving volume production, quality control and quality assurance, and also may experience shortages in qualified personnel. As a result, our contract manufacturers might not be able to meet our clinical schedules or adequately manufacture our products in commercial quantities when required;
- switching manufacturers may be difficult because the number of potential manufacturers is limited. It may be difficult or impossible for us to find a replacement manufacturer quickly on acceptable terms, or at all;

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- our contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to successfully produce, store or distribute our products; and
- drug manufacturers are subject to ongoing periodic unannounced inspection by the FDA, the DEA, and corresponding state agencies to ensure strict compliance with good manufacturing practices and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards.

Our current dependence upon third parties for the manufacture of our products may harm our profit margin, if any, on the sale of our future products and our ability to develop and deliver products on a timely and competitive basis.

Potential future impairments under SFAS 144 could adversely affect our future results of operations and financial position.

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," we assess our long-lived assets for impairment quarterly or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment exist, we assess 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 the carrying amount is not recoverable, we measure the amount of any impairment by comparing the carrying value of the asset to the present value of the expected future cash flows (fair value) associated with the use of the asset. If the carrying amount of the asset were determined to be impaired, an impairment loss to write-down the carrying value of the asset to fair value would be required.

For example, our June 30, 2007 balance sheet reflects \$94.0 million of prepaid royalties related to our acquisition in February 2004 of Wyeth's financial interest in indiplon for approximately \$95.0 million, consisting of \$50.0 million in cash and \$45.0 million in our common stock. This transaction decreased our overall royalty obligation on sales of indiplon from six percent to three and one-half percent.

This transaction has been recorded as a long-term asset and will be amortized over the commercialization period of indiplon, based primarily upon indiplon sales. Given the FDA letters we received on our NDA submissions for indiplon and the subsequent cancellation of the collaboration agreement with Pfizer, we determined that indicators of potential impairment existed. We performed the undiscounted cash flow analysis and determined that the carrying value of the prepaid royalty was recoverable as of June 30, 2007. However, events both within and outside of our control, such as competition from other insomnia therapeutic agents, disease prevalence, further FDA actions related to indiplon, our ability to partner indiplon, insomnia market dynamics and general market conditions may have an impact on our ability to recover the carrying value of this asset in the future.

If we determine that the sum of the expected future undiscounted cash flows relating to this prepaid royalty is less than the carrying amount of the asset, the asset would be impaired, and we would be required to record a non-cash impairment loss to write-down the carrying value of the asset to fair value. A material reduction in earnings resulting from such a charge could cause us to fail to be profitable in the period in which the charge is taken or otherwise to fail to meet the expectations of investors and securities analysts, which could cause the price of our stock to decline.

If we are unable to retain and recruit qualified scientists or if any of our key senior executives discontinues his or her employment with us, it may delay our development efforts.

We are highly dependent on the principal members of our management and scientific staff. The loss of any of these people could impede the achievement of our development objectives. Furthermore, recruiting and retaining qualified scientific personnel to perform research and development work in the future is critical to our success. We may be unable to attract and retain personnel on acceptable terms given the competition among biotechnology, pharmaceutical and health care companies, universities and non-profit research institutions for experienced scientists. In addition, we rely on a significant number of consultants to assist us in formulating our research and development strategy. All of our consultants are employed by employers other than us. They may have commitments to, or advisory or consulting agreements with, other entities that may limit their availability to us.

We may be subject to claims that we or our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

As is commonplace in the biotechnology industry, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Governmental and third-party payors may impose sales and pharmaceutical pricing controls on our products that could limit our product revenues and delay profitability.

The continuing efforts of government and third-party payors to contain or reduce the costs of health care through various means may reduce our potential revenues. These payors' efforts could decrease the price that we receive for any products we may develop and sell in the future. In addition, third-party insurance coverage may not be available to patients for any products we develop. If government and third-party payors do not provide adequate coverage and reimbursement levels for our products, or if price controls are enacted, our product revenues will suffer.

If physicians and patients do not accept our products, we may not recover our investment.

The commercial success of our products, if they are approved for marketing, will depend upon the acceptance of our products as safe and effective by the medical community and patients.

The market acceptance of our products could be affected by a number of factors, including:

- the timing of receipt of marketing approvals;
- the safety and efficacy of the products;
- the success of existing products addressing our target markets or the emergence of equivalent or superior products; and
- the cost-effectiveness of the products.

In addition, market acceptance depends on the effectiveness of our marketing strategy, and, to date, we have very limited sales and marketing experience or capabilities. If the medical community and patients do not ultimately accept our products as being safe, effective, superior and/or cost-effective, we may not recover our investment.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and Nasdaq rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and management time related to compliance activities. In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our independent registered public accounting firm's audit of that assessment requires the commitment of significant financial and managerial resources. We expect these efforts to require the continued commitment of significant resources. If we fail to comply with new or changed laws, regulations and standards, our reputation may be harmed and we might be subject to sanctions or investigation by regulatory authorities, such as the Securities and Exchange Commission. Any such action could adversely affect our financial results and the market price of our common stock.

(*) The price of our common stock is volatile.

The market prices for securities of biotechnology and pharmaceutical companies historically have been highly volatile, and the market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. Over the course of the last 12 months, the price of our common stock has ranged from approximately \$8 per share to approximately \$15 per share. The market price of our common stock may fluctuate in response to many factors, including:

- developments related to the FDA approval process for indiplon;
- the results of our clinical trials;
- developments concerning our strategic alliance agreements;
- announcements of technological innovations or new therapeutic products by us or others;
- developments in patent or other proprietary rights;
- developments related to litigation matters;
- future sales of our common stock by existing stockholders;
- comments by securities analysts;
- general market conditions;
- fluctuations in our operating results;
- government regulation;
- health care reimbursement;
- failure of any of our product candidates, if approved, to achieve commercial success; and
- public concern as to the safety of our drugs.

Risks Related to Our Industry

We may not receive regulatory approvals for our product candidates or approvals may be delayed.

Regulation by government authorities in the United States and foreign countries is a significant factor in the development, manufacturing and marketing of our proposed products and in our ongoing research and product development activities. Any failure to receive the regulatory approvals necessary to commercialize our product candidates would harm our business. The process of obtaining these approvals and the subsequent compliance with federal and state statutes and regulations require spending substantial time and financial resources. If we fail or our collaborators or licensees fail to obtain or maintain, or encounter delays in obtaining or maintaining, regulatory approvals, it could adversely affect the marketing of any products we develop, our ability to receive product or royalty revenues, our recovery of prepaid royalties, and our liquidity and capital resources. All of our products are in research and development, and we have not yet received regulatory approval to commercialize any product from the FDA or any other regulatory body. In addition, we have limited experience in filing and pursuing applications necessary to gain regulatory approvals, which may impede our ability to obtain such approvals.

In particular, human therapeutic products are subject to rigorous preclinical testing and clinical trials and other approval procedures of the FDA and similar regulatory authorities in foreign countries. The FDA regulates, among other things, the development, testing, manufacturing, safety, efficacy, record keeping, labeling, storage, approval, advertising, promotion, sale and distribution of biopharmaceutical products. Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each indication to establish the product candidate's safety and efficacy. The approval

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process may take many years to complete and may involve ongoing requirements for post-marketing studies. Any FDA or other regulatory approval of our product candidates, once obtained, may be withdrawn. If our potential products are marketed abroad, they will also be subject to extensive regulation by foreign governments.

We face intense competition, and if we are unable to compete effectively, the demand for our products, if any, may be reduced.

The biotechnology and pharmaceutical industries are subject to rapid and intense technological change. We face, and will continue to face, competition in the development and marketing of our product candidates from academic institutions, government agencies, research institutions and biotechnology and pharmaceutical companies.

Competition may also arise from, among other things:

- other drug development technologies;
- methods of preventing or reducing the incidence of disease, including vaccines; and
- new small molecule or other classes of therapeutic agents.

Developments by others may render our product candidates or technologies obsolete or noncompetitive.

We are performing research on or developing products for the treatment of several disorders including insomnia, anxiety, depression, endometriosis, irritable bowel syndrome, pain, Parkinson's Disease, and other neuro-endocrine related diseases and disorders, and there are a number of competitors to products in our research pipeline. If one or more of our competitors' products or programs are successful, the market for our products may be reduced or eliminated.

Compared to us, many of our competitors and potential competitors have substantially greater:

- capital resources;
- research and development resources, including personnel and technology;
- regulatory experience;
- preclinical study and clinical testing experience;
- manufacturing and marketing experience; and
- production facilities.

If we are unable to protect our intellectual property, our competitors could develop and market products based on our discoveries, which may reduce demand for our products.

Our success will depend on our ability to, among other things:

- obtain patent protection for our products;
- preserve our trade secrets;
- prevent third parties from infringing upon our proprietary rights; and
- operate without infringing upon the proprietary rights of others, both in the United States and internationally.

Because of the substantial length of time and expense associated with bringing new products through the development and regulatory approval processes in order to reach the marketplace, the pharmaceutical industry places considerable importance on obtaining patent and trade secret protection for new technologies, products and processes. Accordingly, we intend to seek patent

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protection for our proprietary technology and compounds. However, we face the risk that we may not obtain any of these patents and that the breadth of claims we obtain, if any, may not provide adequate protection of our proprietary technology or compounds.

We also rely upon unpatented trade secrets and improvements, unpatented know-how and continuing technological innovation to develop and maintain our competitive position, which we seek to protect, in part, through confidentiality agreements with our commercial collaborators, employees and consultants. We also have invention or patent assignment agreements with our employees and some, but not all, of our commercial collaborators and consultants. However, if our employees, commercial collaborators or consultants breach these agreements, we may not have adequate remedies for any such breach, and our trade secrets may otherwise become known or independently discovered by our competitors.

In addition, although we own a number of patents, the issuance of a patent is not conclusive as to its validity or enforceability, and third parties may challenge the validity or enforceability of our patents. We cannot assure you how much protection, if any, will be given to our patents if we attempt to enforce them and they are challenged in court or in other proceedings. It is possible that a competitor may successfully challenge our patents or that challenges will result in limitations of their coverage. Moreover, competitors may infringe our patents or successfully avoid them through design innovation. To prevent infringement or unauthorized use, we may need to file infringement claims, which are expensive and time-consuming. In addition, in an infringement proceeding a court may decide that a patent of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover its technology. Interference proceedings declared by the United States Patent and Trademark Office (USPTO) may be necessary to determine the priority of inventions with respect to our patent applications or those of our licensors. Litigation or interference proceedings may fail and, even if successful, may result in substantial costs and be a distraction to management. We cannot assure you that we will be able to prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States.

(* The technologies we use in our research as well as the drug targets we select may infringe the patents or violate the proprietary rights of third parties.

We cannot assure you that third parties will not assert patent or other intellectual property infringement claims against us or our collaborators with respect to technologies used in potential products. If a patent infringement suit were brought against us or our collaborators, we or our collaborators could be forced to stop or delay developing, manufacturing or selling potential products that are claimed to infringe a third party's intellectual property unless that party grants us or our collaborators rights to use its intellectual property. In such cases, we could be required to obtain licenses to patents or proprietary rights of others in order to continue to commercialize our products. However, we may not be able to obtain any licenses required under any patents or proprietary rights of third parties on acceptable terms, or at all. Even if our collaborators or we were able to obtain rights to the third party's intellectual property, these rights may be non-exclusive, thereby giving our competitors access to the same intellectual property. Ultimately, we may be unable to commercialize some of our potential products or may have to cease some of our business operations as a result of patent infringement claims, which could severely harm our business.

We face potential product liability exposure far in excess of our limited insurance coverage.

The use of any of our potential products in clinical trials, and the sale of any approved products, may expose us to liability claims. These claims might be made directly by consumers, health care providers, pharmaceutical companies or others selling our products. We have obtained limited product liability insurance coverage for our clinical trials in the amount of \$10 million per occurrence and \$10 million in the aggregate. However, our insurance may not reimburse us or may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive, and we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval for product candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. On occasion, juries have awarded large judgments in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or series of claims brought against us would decrease our cash reserves and could cause our stock price to fall.

Our activities involve hazardous materials, and we may be liable for any resulting contamination or injuries.

Our research activities involve the controlled use of hazardous materials. We cannot eliminate the risk of accidental contamination or injury from these materials. If an accident occurs, a court may hold us liable for any resulting damages, which may harm our results of operations and cause us to use a substantial portion of our cash reserves, which would force us to seek additional financing.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Incorporated by reference to Item 8.01 of our Current Report on Form 8-K filed on June 6, 2007.

ITEM 5. OTHER INFORMATION

On August 1, 2007, we entered into amended and restated employment agreements with Gary A. Lyons, our President and Chief Executive Officer and a member of our Board of Directors; Timothy P. Coughlin, our Vice President and Chief Financial Officer; Margaret E. Valeur-Jensen, Ph.D., our Executive Vice President, General Counsel and Secretary; Richard Ranieri, our Senior Vice President, Human Resources; and Kevin C. Gorman, Ph.D., our Executive Vice President and Chief Operating Officer. Copies of the amended and restated employment agreements are attached as Exhibits 10.1 through 10.5 to this Quarterly Report on Form 10-Q and are incorporated herein by reference.

On August 1, 2007, our Board of Directors approved the following Board compensation plan based upon a comparative market analysis. Directors who are not our employees or consultants will receive a \$30,000 annual cash retainer and the Chairman of the Board will receive an annual cash retainer of \$50,000. The Chairman of the Audit Committee will also receive a \$19,000 annual cash retainer, the Chairman of the Compensation Committee will also receive a \$12,000 annual cash retainer, and the Chairman of the Nominating/Corporate Governance Committee will also receive a \$9,000 annual cash retainer. Additionally, each other member of the Audit Committee will receive an annual cash retainer of \$12,000, each other member of the Compensation Committee will receive an annual cash retainer of \$7,000, and each other member of the Nominating/Corporate Governance Committee will receive an annual cash retainer of \$5,000. Additionally, all directors who are not our employees or consultants will receive \$2,000 for each regular meeting of the Board of Directors.

Each non-employee director will receive a grant of a nonstatutory option to purchase 15,000 shares of our common stock (or 20,000 shares in the case of the Chairman of the Board) at each Annual Meeting of Stockholders, provided that such non-employee director has been a non-employee director for at least six months prior to the date of such Annual Meeting. Each new non-employee director will automatically be granted a nonstatutory stock option to purchase 30,000 shares of our common stock upon the date such person joins the Board of Directors. All options granted to non-employee directors vest monthly over the one-year period following the date of grant and have exercise prices equal to the fair market value of our common stock on the date of grant.

All of our non-employee directors will continue to be reimbursed for expenses incurred in connection with performing their duties as directors.

ITEM 6. EXHIBITS

- 3.1 Restated Certificate of Incorporation (1)
- 3.2 Certificate of Amendment to Certificate of Incorporation (2)
- 3.3 Bylaws (1)
- 3.4 Certificate of Amendment of Bylaws (3)
- 3.5 Certificate of Amendment of Bylaws (4)
- 10.1 Employment Agreement dated August 1, 2007 between the Company and Gary A. Lyons
- 10.2 Employment Agreement dated August 1, 2007 between the Company and Margaret E. Valeur-Jensen, Ph.D.
- 10.3 Employment Agreement dated August 1, 2007 between the Company and Kevin C. Gorman, Ph.D.
- 10.4 Employment Agreement dated August 1, 2007 between the Company and Richard Ranieri
- 10.5 Employment Agreement dated August 1, 2007 between the Company and Timothy P. Coughlin
- 10.6 Neurocrine Biosciences, Inc. 2003 Incentive Stock Plan, as amended and form of stock option agreement and restricted stock unit agreement
- 10.7 Neurocrine Biosciences, Inc. Nonqualified Deferred Compensation Plan, as amended
- 31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934
- 31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934
- 32* Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(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 Quarterly Report on Form 10-Q filed on August 9, 2006

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(3) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 filed on April 10, 1998

(4) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 9, 2004

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18. U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of Neurocrine Biosciences, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 2, 2007

/s/ Timothy P. Coughlin

Timothy P. Coughlin
Vice President and Chief Financial Officer
(Duly authorized officer and Principal Financial Officer)

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, effective as of the last date signed by the parties hereto (the “Effective Date”), supersedes and replaces the Employment Agreement dated May 24, 2000 by and between **NEUROCRINE BIOSCIENCES, INC.**, 12790 El Camino Real, San Diego, California 92130 (hereinafter the “Company”), and **Gary A. Lyons** (hereinafter “Executive”) (the “Original Employment Agreement”). Once this Agreement is effective, the Original Employment Agreement shall have no further force or effect.

RECITALS

WHEREAS, the Company and Executive wish to set forth in this Agreement the terms and conditions under which Executive is to be employed by the Company on and after the Effective Date hereof;

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises set forth herein, agree as follows:

ARTICLE 1

NATURE OF EMPLOYMENT

1.1 Commencement Date. Executive’s full-time employment with the Company under this Agreement shall be deemed to have commenced as of August 1, 2007 (“Commencement Date”) and this Agreement shall continue from the Effective Date until it is terminated by either the Company or Executive pursuant to the terms set forth in Article 6.

1.2 At-Will Employment. Executive shall be employed at-will by the Company and therefore either Executive or the Company may terminate the employment relationship and this Agreement at any time, with or without Cause (as defined herein) and with or without advance notice, subject to the provisions of Article 6.

ARTICLE 2

EMPLOYMENT DUTIES

2.1 Title/Responsibilities. Executive hereby accepts employment with the Company pursuant to the terms and conditions hereof. Executive agrees to serve the Company in the position of President and Chief Executive Officer. Executive shall have the powers and duties commensurate with such position, including but not limited to hiring personnel necessary to carry out the responsibilities for such position as set forth in the annual business plan approved by the Board of Directors.

2.2 Full Time Attention. Executive shall devote his best efforts and his full business time and attention to the performance of the services customarily incident to such office and to such other services as the Board may reasonably request.

2.3 Other Activities. Except upon the prior written consent of the President & Chief Executive Officer, Executive shall not during the period of employment engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place him in a competing position to that of the Company or any other corporation or entity that directly or indirectly controls, is controlled by, or is under common control with the Company (an "Affiliated Company"), provided that Executive may own less than two percent (2%) of the outstanding securities of any such publicly traded competing corporation.

ARTICLE 3

COMPENSATION

3.1 Base Salary. Executive shall receive a Base Salary at an annual rate of six hundred thousand dollars (\$600,000.00), payable semi-monthly in equal installments in accordance with the Company's normal payroll practices. The Chief Executive Officer shall provide Executive with annual performance reviews, and, thereafter, Executive shall be entitled to such increase in Base Salary as the Board of Directors may from time to time establish in their sole discretion.

3.2 Incentive Bonus. In addition to any other bonus Executive shall be awarded by the Company's Board of Directors, Executive shall be eligible to receive an annual incentive bonus as determined by the Company's Board of Directors based upon both the achievement of Executive in meeting annual personal goals established by the Board of Directors and the achievement by the Company of annual corporate goals established by the Board of Directors. Executive's target annual incentive bonus will be as set forth in the Company's annual bonus plan (the "Target Annual Bonus"). Executive's annual personal goals and the Company's annual corporate goals will be set forth in writing by the Board of Directors within ninety (90) days after the start of the Company's fiscal year. The Board of Directors shall, in its sole discretion, determine whether Executive's annual personal goals have been attained. The Board of Directors shall, in its sole discretion, determine whether the annual corporate goals have been attained. Any annual incentive bonus shall be considered earned only if Executive is employed by the Company both on the date that the determination is made as to whether annual personal goals have been met, and on the date that the determination is made as to whether annual corporate goals have been met. These determinations generally will be made within the first quarter following the end of the Company's fiscal year. Except as provided in Article 6 herein, no pro-rata bonus will be considered earned if Executive leaves the Company for any reason prior to the foregoing determination dates. Any annual incentive bonus that is earned shall be paid no later than the fifteenth day of the third month following the end of the Company's fiscal year for which such bonus was earned.

3.3 Equity. Except as provided in Article 6 in the case of certain terminations of employment, this Agreement shall not affect any Stock Awards (as such term is defined below) previously granted by the Company to Executive. Subject to approval by the Company's Board of Directors, Executive shall be eligible to receive additional Stock Awards on terms to be set forth by the Company at the time of any such grant. For purposes of this Agreement, "Stock Awards" shall mean any rights granted by the Company to Executive with respect to the common stock of the Company, including, without limitation, stock options, stock appreciation rights, restricted stock, stock bonuses and restricted stock units.

3.4 Withholdings. All compensation and benefits payable to Executive under this Agreement shall be subject to all federal, state, local taxes and other withholdings and similar taxes and payments required by applicable law.

ARTICLE 4

EXPENSE ALLOWANCES AND FRINGE BENEFITS

4.1 Vacation. Executive shall be entitled to participate in the Company's vacation plan pursuant to the terms of that plan.

4.2 Benefits. During Executive's employment hereunder, the Company shall also provide Executive with the health insurance benefits it generally provides to its other senior management employees. As Executive becomes eligible in accordance with criteria to be adopted by the Company, the Company shall provide Executive with the right to participate in and to receive benefit from life, accident, disability, medical, and savings plans and similar benefits made available generally to employees of the Company as such plans and benefits may be adopted by the Company. With respect to long-term disability insurance coverage, the Executive will pay all premiums for such coverage with after-tax dollars, and the Company will reimburse the Executive for the premium costs so paid by the Executive and make an additional tax gross-up payment to Executive in an amount that shall fully fund the payment by Executive of any income and employment taxes on such reimbursement payment and tax gross-up payment. The amount and extent of benefits to which Executive is entitled shall be governed by the specific benefit plan as it may be amended from time to time.

4.3 Business Expense Reimbursement. During the term of this Agreement, Executive shall be entitled to receive proper reimbursement for all reasonable out-of-pocket expenses incurred by him (in accordance with the policies and procedures established by the Company for its senior executive officers) in performing services hereunder. Executive agrees to furnish to the Company adequate records and other documentary evidence of such expense for which Executive seeks reimbursement. Such expenses shall be reimbursed and accounted for under the policies and procedures established by the Company, and such reimbursement shall be made promptly, but in no event later than December 31 of the calendar year following the year in which such expenses were incurred by Executive.

ARTICLE 5

CONFIDENTIALITY

5.1 Proprietary Information. Executive represents and warrants that he has previously executed and delivered to the Company the Company's standard Proprietary Information and Inventions Agreement.

5.2 Return of Property. All documents, records, apparatus, equipment and other physical property which is furnished to or obtained by Executive in the course of his employment with the Company shall be and remain the sole property of the Company. Executive agrees that, upon the termination of his employment, he shall return all such property (whether or not it pertains to Proprietary Information as defined in the Proprietary Information and Inventions Agreement), and agrees not to make or retain copies, reproductions or summaries of any such property.

5.3 No Use of Prior Confidential Information. Executive will not intentionally disclose to the Company or use on its behalf any confidential information belonging to any of his former employers or any other third party.

ARTICLE 6

TERMINATION

6.1 General. As set forth in Section 1.2 herein, Executive shall be employed on an at-will basis by the Company. Notwithstanding the foregoing, Executive's employment and this Agreement may be terminated in one of six ways as set forth in this Article 6: (a) Executive's Death (Section 6.2); (b) Executive's Disability (Section 6.3); (c) Termination by the Company for Cause (Section 6.4); (d) Termination by the Company without Cause (Section 6.5); (e) Termination by Executive due to a Constructive Termination (Section 6.6); or (f) Voluntary Resignation (Section 6.7).

6.2 By Death. Executive's employment and this Agreement shall terminate automatically upon the death of Executive. In such event:

(a) Stock Awards. The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares that would have been vested if Executive had continued to render services to the Company for 24 continuous months after the date of Executive's termination of employment. All Stock Awards held by Executive that are vested at the time of termination (including any accelerated Stock Awards) will be exercisable in accordance with their terms for a period of one year after the termination date.

(b) Bonus. The Company shall pay to Executive's beneficiaries or his estate, as the case may be, a lump sum amount equal to Executive's Target Annual Bonus (as defined in Section 3.2) for the Company's fiscal year in which Executive's death occurs multiplied by a fraction, the numerator of which is the number of full months of employment by Executive in

such fiscal year and the denominator of which is 12. Such amount shall be paid as soon as administratively practicable, but in no event later than March 15 following the year in which Executive's death occurred.

(c) Accrued Compensation. The Company shall pay to Executive's beneficiaries or his estate, as the case may be, any accrued Base Salary, any vested deferred compensation (other than pension plan or profit-sharing plan benefits that will be paid in accordance with the applicable plan), any benefits under any plans of the Company (other than pension and profit-sharing plans) in which Executive is a participant to the full extent of Executive's rights under such plans, any accrued vacation pay and any appropriate business expenses incurred by Executive in connection with his duties hereunder, all to the date of termination (collectively "Accrued Compensation").

(d) No Severance Compensation. The compensation and benefits set forth in Sections 6.2(a) through (c) herein shall be the only compensation and benefits provided by the Company in the event of Executive's death and no other severance compensation or benefits shall be provided.

6.3 By Disability. If Executive is prevented from performing his duties hereunder by reason of any physical or mental incapacity that results in Executive's satisfaction of all requirements necessary to receive benefits under the Company's long-term disability plan due to a total disability, then, to the extent permitted by law, the Company may terminate the employment of Executive and this Agreement at or after such time. In such event, and if Executive signs the General Release set forth as **Exhibit A** or such other form of release as the Company may require (the "Release") on or within the time period set forth therein, but in no event later than forty-five (45) days after the termination date and allows such Release to become effective, then:

(a) Accrued Compensation. The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(b) Base Salary Continuation. The Company shall continue to pay Executive's Base Salary, less required withholdings, for a period of 24 months (the "Disability Base Salary Payments"); provided that the Disability Base Salary Payments shall be reduced by any insurance or other payments to Executive under policies and plans sponsored by the Company, even if premiums are paid by Executive. Subject to the provisions of Section 6.11, the Disability Base Salary Payments shall be paid in accordance with the Company's standard payroll practices commencing with the first payroll period following the effectiveness of the Release.

(c) Bonus. The Company shall pay a lump sum amount equal to Executive's Target Annual Bonus (as defined in Section 3.2) for the Company's then-current fiscal year multiplied by a fraction, the numerator of which is the number of full months of employment by Executive in the current fiscal year and the denominator of which is 12. Such payment shall be made within ten (10) days following the Effective Date of the Release.

(d) Stock Awards. The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares which would have been vested if Executive had continued to render services to the Company for 24 continuous months after the date of Executive's termination of employment.

(e) Health Insurance Benefits. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 24 months after the date of Executive's termination of employment; *provided, however*, that any such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

(f) Disability Plans. Nothing in this Section 6.3 shall affect Executive's rights under any disability plan in which Executive is a participant.

6.4 Termination by the Company for Cause.

(a) No Liability. The Company may terminate Executive's employment and this Agreement for Cause (as defined below) without liability at any time. In such event, the Company shall pay Executive all Accrued Compensation (as defined in Section 6.2(c) herein), but no other compensation or reimbursement of any kind, including without limitation, any severance compensation or benefits shall be paid, and thereafter the Company's obligations hereunder shall terminate.

(b) Definition of "Cause." For purposes of this Agreement, "Cause" shall mean one or more of the following:

(i) Executive's intentional commission of an act, or intentional failure to act, that materially injures the business of the Company; *provided, however*, that in no event shall any business judgment made in good faith by Executive and within Executive's defined scope of authority constitute a basis for termination for Cause under this Agreement;

(ii) Executive's intentional refusal or intentional failure to act in accordance with any lawful and proper direction or order of the Board of Directors, the Chief Executive Officer, or the individual to whom Executive reports.

(iii) Executive's material breach of Executive's fiduciary, statutory, contractual, or common law duties to the Company (including any material breach of this Agreement, the Proprietary Information and Inventions Agreement, or the Company's written policies);

(iv) Executive's indictment for or conviction of any felony or any crime involving dishonesty; or

(v) Executive's participation in any fraud or other act of willful misconduct against the Company;

provided, however, that in the event that any of the foregoing events is reasonably capable of being cured, the Company shall provide written notice to Executive describing the nature of such event and Executive shall thereafter have ten (10) business days to cure such event.

6.5 Termination by the Company without Cause.

(a) **The Company's Right.** The Company may terminate Executive's employment and this Agreement without Cause (as defined in Section 6.4(b) herein) at any time by giving thirty (30) days advance written notice to Executive.

(b) **Severance Benefits.** If the Company terminates Executive's employment without Cause, and if Executive signs the Release on or within the time period set forth therein (but in no event later than forty-five (45) days after the termination date) and allows such Release to become effective, then:

(i) **Accrued Compensation.** The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(ii) **Cash Compensation Amount Payments.** The Company shall pay Executive an amount calculated as follows: [Executive's annual Base Salary + Executive's Target Annual Bonus (as defined in Section 3.2 herein)] multiplied by 2.0 (the "Cash Compensation Amount"). Subject to the provisions of Section 6.11, the Cash Compensation Amount will be paid in equal installments on the Company's standard payroll dates over a period of 24 months commencing with the first payroll period following the effectiveness of the Release.

(iii) **Stock Awards.** The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares which would have been vested if Executive had continued to render services to the Company for 24 continuous months after the date of Executive's termination of employment.

(iv) **Health Insurance Benefits.** To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 24 months after the date of Executive's termination of employment; *provided, however*, that any

such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

6.6 Termination by Executive due to a Constructive Termination.

(a) Executive's Right. Executive may resign his employment and terminate this Agreement at any time as a result of a Constructive Termination (as defined in Section 6.6(c) herein).

(b) Severance Benefits. If Executive resigns his employment and terminates this Agreement as a result of a Constructive Termination, and if Executive signs the Release on or within the time period set forth therein (but in no event later than forty-five (45) days after the termination date) and allows such Release to become effective, then Executive shall receive all of the severance benefits set forth in Section 6.5(b) herein.

(c) Definition of "Constructive Termination." For purposes of this Agreement, "Constructive Termination" shall mean a resignation of employment and termination of this Agreement by Executive for one or more of the following reasons:

(i) Assignment to, or withdrawal from, Executive of any duties or responsibilities that results in a material diminution in such Executive's authority, duties or responsibilities as in effect immediately prior to such change;

(ii) A material diminution in the authority, duties or responsibilities of the supervisor to whom Executive is required to report, including (if applicable) a requirement that Executive report to a corporate officer or employee instead of reporting directly to the board of directors;

(iii) A material reduction by the Company of Executive's annual Base Salary;

(iv) A relocation of Executive or the Company's principal executive offices if Executive's principal office is at such offices, to a location more than forty (40) miles from the location at which Executive is then performing his duties, except for an opportunity to relocate which is accepted by Executive in writing; or

(v) A material breach by the Company of any provision of this Agreement or any other enforceable written agreement between Executive and the Company; *provided; however,* that Executive must first provide the Company with written notice specifying the condition giving rise to a Constructive Termination within ninety (90) days following the initial existence of such condition; and Executive's notice must specify that Executive intends to terminate his employment no earlier than thirty (30) days after providing such notice, and the Company must be given an opportunity to cure such condition within thirty (30) days following its receipt of such notice and avoid paying benefits.

6.7 Voluntary Resignation. Executive may resign his or her employment and terminate this Agreement at any time for any reason other than due to a Constructive Termination (as defined in Section 6.6(c) herein). In such event, the Company shall pay Executive all Accrued Compensation (as defined in Section 6.2(c) herein), but no other compensation or reimbursement of any kind, including without limitation, any severance compensation or benefits shall be paid, and thereafter the Company's obligations hereunder shall terminate.

6.8 Change In Control.

(a) Severance Benefits. If (i) within six months after the consummation of a Change in Control (as defined in Section 6.8(b) herein), (1) the Company terminates Executive's employment and this Agreement without Cause pursuant to Section 6.5 herein or (2) Executive resigns his employment and terminates this Agreement as a result of a Constructive Termination pursuant to Section 6.6 herein, and (ii) in either event (1) or (2), Executive signs the Release on or within the time period set forth therein, but in no event later than forty-five (45) days after the termination date and allows such Release to become effective, then Executive shall receive the following severance benefits in lieu of any severance benefits set forth in Section 6.5(b) or Section 6.6(b) herein:

(i) Accrued Compensation. The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(ii) CIC Cash Compensation Amount Payment. The Company shall pay Executive an amount calculated as follows: [Executive's annual Base Salary + Executive's Target Annual Bonus (as defined in Section 3.2 herein)] multiplied by 2.5 (collectively, the "CIC Cash Compensation Amount"). The CIC Cash Compensation Amount will be paid in one lump sum within ten (10) days following the Effective Date of the Release.

(iii) Cash Payment for Stock Awards. Within ten (10) days following the Effective Date of the Release, the Company shall pay Executive a cash amount equal to the value, as of the date of the consummation of the Change in Control, of (1) all Stock Awards that are unvested at the time of termination of employment, and (2) all Stock Awards that are vested at the time of termination of employment and for which the shares subject to such Stock Awards have not yet been issued, including, without limitation, any unexercised stock options, unexercised stock appreciation rights, and unissued shares subject to a restricted stock unit award, provided, in either case, that such Stock Awards were held by Executive as of the date of consummation of the Change in Control, and all rights of Executive in such Stock Awards and any unvested shares of stock that previously may have been issued thereunder shall be extinguished as a result of such payment, with the result that such Stock Awards shall automatically terminate unexercised and unvested shares of stock previously issued shall automatically be reacquired by the Company or its successor. For purposes of the foregoing cash payment, (1) stock options and stock appreciation rights shall be valued on the basis of the difference between the value of the subject stock for purposes of the transaction constituting the Change of Control and the exercise or base price of the award, and (2) restricted stock, restricted

stock units or other full value awards and shares of stock acquired under Stock Awards shall be valued on the basis of the value of the subject stock for purposes of the transaction constituting the Change in Control.

(iv) Health Insurance Benefits. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 30 months after the date of Executive's termination of employment; *provided, however*, that any such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

(b) Definition of "Change in Control." For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during Executive's employment hereunder, any of the following events shall occur:

(i) The Company is merged, or consolidated, or reorganized into or with another corporation or other legal person, and as a result of such merger, consolidation or reorganization less than 50% of the combined voting power of the then-outstanding securities of such corporation or person immediately after such transaction are held in the aggregate by the holders of voting securities of the Company immediately prior to such transaction;

(ii) The Company sells all or substantially all of its assets or any other corporation or other legal person and thereafter, less than 50% of the combined voting power of the then-outstanding voting securities of the acquiring or consolidated entity are held in the aggregate by the holders of voting securities of the Company immediately prior to such sale;

(iii) There is a report filed after the date of this Agreement on Schedule 13 D or schedule 14 D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term beneficial owner is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) representing 50% or more of the combined voting power of the then-outstanding voting securities of the Company;

(iv) The Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to item 1 of Form 8-X thereunder or Item 5(f) of Schedule 14 A thereunder (or any successor schedule, form or report or item therein) that the change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction; or

(v) During any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to constitute at least a majority thereof unless the election to the nomination for election by the Company's shareholders of each director of the Company first elected during such period was approved by a vote of at least two-thirds of the directors of the Company then still in office who were directors of the Company at the beginning of such period.

(c) Parachute Payments.

(i) If any payment or benefit (including payments or benefits pursuant to this Agreement) that Executive would receive in connection with a Change in Control or otherwise (a "Payment") (1) would constitute a "parachute payment" within the meaning of Section 280G of the Code, and (2) but for this sentence, would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company shall cause to be determined, before any amount of the Payment is paid to Executive, whether the total payments exceed 2.99 times Executive's "base amount" within the meaning of Section 280G of the Code (the "Base Amount") by 15% or less, in which case such Payment shall be reduced to an amount that results in no portion of the Payment being subject to the Excise Tax (the "Reduced Payment").

(ii) If a Reduced Payment is made, (x) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (y) reduction in payments and/or benefits shall occur in the following order unless Executive elects in writing a different order (*provided, however*, that such election shall be subject to Company approval if made on or after the date on which the event that triggers the Payment occurs): (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits paid to Executive. In the event that acceleration of compensation from Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant unless Executive elects in writing a different order for cancellation.

(iii) If it is determined that the Payment exceeds 2.99 times Executive's Base Amount by more than 15%, the Company shall pay the full amount of the Payment and Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") from the Company in an amount that after the payment of all taxes (including, without limitation, (1) any income or employment taxes, (2) any interest or penalties imposed with respect to such taxes, and (3) any additional Excise Tax on the Gross-Up Payment, Executive shall retain an amount equal to the full Excise Tax. The Gross-Up Payment shall be paid as soon as practicable following the date the Payment is made, but in no event later than the end of the Executive's taxable year following the taxable year in which Executive has remitted (by withholding or otherwise) the Excise Tax.

(iv) For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to have: (x) paid federal income taxes at the highest marginal rate of federal income and employment taxation for the calendar year in which the Gross-Up Payment is

to be made, and (y) paid applicable state and local income taxes at the highest rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(v) Except as otherwise provided herein, Executive shall not be entitled to any additional payments or other indemnity arrangements in connection with the Payment or the Gross-Up Payment.

6.9 Mitigation. Except as otherwise specifically provided herein, Executive shall not be required to mitigate the amount of any payment provided under this Agreement by seeking other employment or self-employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or through self-employment or by retirement benefits after the date of Executive's termination of employment from the Company, except as provided herein.

6.10 Coordination. If upon termination of employment, Executive becomes entitled to rights under other plans, contracts or arrangements entered into by the Company, this Agreement shall be coordinated with such other arrangements so that Executive's rights under this Agreement are not reduced, and that any payments under this Agreement offset the same types of payments otherwise provided under such other arrangements, but do not otherwise reduce any payments or benefits under such other arrangements to which Executive becomes entitled.

6.11 Application of Section 409A. If Executive is a "specified employee" within the meaning of 409A(a)(2)(B)(i) of the Code, any installment payments of Disability Base Salary Payments pursuant to Section 6.3(b) or Cash Compensation Amounts pursuant to Section 6.5(b) or 6.6(b) that are triggered by a separation from service shall be accelerated to the minimum extent necessary so that (a) the lesser of (y) the total cash severance payment amount, or (z) six (6) months of such installment payments are paid no later than March 15 of the calendar year following such termination, and (b) all amounts paid pursuant to the foregoing clause (a) will constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations and thus will be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations. It is intended that if Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code at the time of such separation from service the foregoing provision shall result in compliance with the requirements of Section 409A(a)(2)(B)(i) of the Code since payments to Executive will either be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations or will not be paid until at least 6 months after separation from service.

ARTICLE 7

GENERAL PROVISIONS

7.1 Governing Law. The validity, interpretation, construction and performance of this Agreement and the rights of the parties thereunder shall be interpreted and enforced under

California law without reference to principles of conflicts of laws. The parties expressly agree that inasmuch as the Company's headquarters and principal place of business are located in California, it is appropriate that California law govern this Agreement.

7.2 Assignment; Successors Binding Agreement.

(a) **No Assignment.** Executive may not assign, pledge or encumber his interest in this Agreement or any part thereof.

(b) **Assumption by Successor.** The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by operation of law or by agreement in form and substance reasonably satisfactory to Executive, to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(c) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributee, devisees and legatees. If Executive should die while any amount is at such time payable to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legates or other designee or, if there be no such designee, to his estate.

7.3 Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

To the Company:

Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130
Attn.: General Counsel

To Executive:

Gary A. Lyons

7.4 Modification; Waiver; Entire Agreement. This Agreement constitutes the complete, final and exclusive embodiment of the entire agreement between Executive and the Company with regard to this subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations, including, without limitation, the Original Employment Agreement which shall have no further force or effect. No provisions of this

Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and such officer as may be specifically designated by the Board of the Company. No waiver by either party hereto at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

7.5 Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

7.6 Controlling Document. Except to the extent described in Section 6.10, in case of conflict between any of the terms and condition of this Agreement and the document herein referred to, the terms and conditions of this Agreement shall control.

7.7 Executive Acknowledgment. Executive acknowledges (a) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

7.8 Dispute Resolution. To ensure the rapid and economical resolution of disputes that may arise in connection with Executive's employment, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, execution, or interpretation of this Agreement, Executive's employment, or the termination of that employment, shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Diego, California conducted before a single arbitrator by Judicial Arbitration and Mediation Services, Inc. ("JAMS") or its successor, under the then applicable JAMS rules. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or by administrative proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The Company shall pay all of JAMS' arbitration fees. Nothing in this letter agreement shall prevent either Executive or the Company from obtaining injunctive relief in court if necessary to prevent irreparable harm pending the conclusion of any arbitration. The parties agree that the arbitrator shall award reasonable attorneys fees, costs, and all other related expenses to the prevailing party in any action brought hereunder, and the arbitrator shall have discretion to determine the prevailing party in an arbitration where multiple claims may be at issue.

7.9 Remedies.

(a) Injunctive Relief. The parties agree that the services to be rendered by Executive hereunder are of a unique nature and that in the event of any breach or threatened breach of any of the covenants contained herein, the damage or imminent damage to the value and the goodwill of the Company's business will be irreparable and extremely difficult to

estimate, making any remedy at law or in damages inadequate. Accordingly, the parties agree that the Company shall be entitled to injunctive relief against Executive in the event of any breach or threatened breach of any such provisions by Executive, in addition to any other relief (including damage) available to the Company under this Agreement or under law.

(b) Exclusive. Both parties agree that the remedy specified in Section 7.9(a) above is not exclusive of any other remedy for the breach by Executive of the terms hereof.

7.10 Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same Agreement. Executed by the parties as follows:

EXECUTIVE

NEUROCRINE BIOSCIENCES, INC

By: /s/ Gary A. Lyons

By: /s/ Joseph A. Mollica

Date: August 1, 2007

Date: August 1, 2007

EXHIBIT A
GENERAL RELEASE

Pursuant to the terms of the Employment Agreement between Neurocrine Biosciences, Inc. (the "Company") and Gary A. Lyons ("Executive") dated August 1, 2007 (the "Agreement"), the parties hereby enter into the following General Release (the "Release"):

1. Accrued Salary and Vacation. Executive understands that, on the last date of Executive's employment with the Company, the Company will pay Executive any accrued salary and accrued and unused vacation to which Executive is entitled by law, regardless of whether Executive signs this Release.

2. General Release. Executive hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively the "Released Parties") of and from any and all claims, liabilities and obligations, both known and unknown, arising out of or in any way related to events, acts, conduct, or omissions occurring at any time prior to or at the time that Executive signs this Release.\

3. Scope of Release. This general release includes, but is not limited to: (1) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (2) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing (including claims based on or arising under the Agreement); (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act (as amended) ("ADEA"), the federal Family and Medical Leave Act, the California Labor Code (as amended), the California Family Rights Act, and the California Fair Employment and Housing Act (as amended).

4. ADEA Waiver. Executive acknowledges that Executive is knowingly and voluntarily waiving and releasing any rights Executive may have under the ADEA, and that the consideration given for the waiver and release in the preceding paragraph is in addition to anything of value to which Executive is already entitled. Executive further acknowledges that Executive has been advised by this writing that: (1) Executive's waiver and release do not apply to any rights or claims that may arise after the date Executive signs this Release; (2) Executive should consult with an attorney prior to signing this Release (although Executive may choose voluntarily not to do so); (3) Executive has twenty-one (21) days to consider this Release (although Executive may choose voluntarily to sign it earlier); (4) Executive has seven (7) days following the date Executive signs this Release to revoke it by providing written notice of

revocation to the Company's General Counsel; and (5) this Release will not be effective until the date upon which the revocation period has expired, which will be the eighth calendar day after the date Executive signs it provided that Executive does not revoke it (the "Effective Date").

5. Section 1542 Waiver. EXECUTIVE UNDERSTANDS THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. Executive acknowledges that Executive has read and understands Section 1542 of the California Civil Code which reads as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor." Executive hereby expressly waives and relinquishes all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to Executive's respective release of claims herein, including but not limited to Executive's release of unknown and unsuspected claims.

6. Excluded Claims. Executive understands that notwithstanding the foregoing, the following are not included in the Released Claims (the "Excluded Claims"): (i) any rights or claims for indemnification Executive may have pursuant to any written indemnification agreement to which he is a party, the charter, bylaws, or operating agreements of any of the Released Parties, or under applicable law; or (ii) any rights which are not waivable as a matter of law. In addition, Executive understands that nothing in this release prevents Executive from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that Executive acknowledges and agrees that Executive shall not recover any monetary benefits in connection with any such claim, charge or proceeding with regard to any claim released herein. Executive hereby represents and warrants that, other than the Excluded Claims, Executive is not aware of any claims he has or might have against any of the Released Parties that are not included in the Released Claims.

7. Executive Representations. Executive hereby represents that Executive has been paid all compensation owed and for all hours worked; Executive has received all the leave and leave benefits and protections for which Executive is eligible, pursuant to the Family and Medical Leave Act, the California Family Rights Act, or otherwise; and Executive has not suffered any on-the-job injury for which Executive has not already filed a workers' compensation claim.

8. Nondisparagement. Executive agrees not to disparage the Company, its parent, or its or their officers, directors, employees, shareholders, affiliates and agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation (although Executive may respond accurately and fully to any question, inquiry or request for information as required by legal process).

9. Cooperation. Executive agrees not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the other party, or against the Company's parent or subsidiary entities, affiliates, officers, directors, employees or agents.

Executive further agrees to reasonably cooperate with the other party, by voluntarily (without legal compulsion) providing accurate and complete information, in connection with such other party's actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or failures to act that occurred during the period of Executive's employment by the Company.

10. No Admission of Liability. The parties agree that this Release, and performance of the acts required by it, does not constitute an admission of liability, culpability, negligence or wrongdoing on the part of anyone, and will not be construed for any purpose as an admission of liability, culpability, negligence or wrongdoing by any party and/or by any party's current, former or future parents, subsidiaries, related entities, predecessors, successors, officers, directors, shareholders, agents, employees and assigns. The parties specifically acknowledge and agree that this Release is a compromise of disputed claims and that the Company denies any liability for any matter released herein.

NEUROCRINE BIOSCIENCES, INC.:

EXECUTIVE:

By: _____

By: _____

Date: _____

Date: _____

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, effective as of the last date signed by the parties hereto (the “Effective Date”), supersedes and replaces the Employment Agreement dated May 24, 2000 by and between **NEUROCRINE BIOSCIENCES, INC.**, 12790 El Camino Real, San Diego, California 92130 (hereinafter the “Company”), and **Margaret E. Valeur-Jensen** (hereinafter “Executive”) (the “Original Employment Agreement”). Once this Agreement is effective, the Original Employment Agreement shall have no further force or effect.

RECITALS

WHEREAS, the Company and Executive wish to set forth in this Agreement the terms and conditions under which Executive is to be employed by the Company on and after the Effective Date hereof;

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises set forth herein, agree as follows:

ARTICLE 1

NATURE OF EMPLOYMENT

1.1 Commencement Date. Executive’s full-time employment with the Company under this Agreement shall be deemed to have commenced as of August 1, 2007 (“Commencement Date”) and this Agreement shall continue from the Effective Date until it is terminated by either the Company or Executive pursuant to the terms set forth in Article 6.

1.2 At-Will Employment. Executive shall be employed at-will by the Company and therefore either Executive or the Company may terminate the employment relationship and this Agreement at any time, with or without Cause (as defined herein) and with or without advance notice, subject to the provisions of Article 6.

ARTICLE 2

EMPLOYMENT DUTIES

2.1 Title/Responsibilities. Executive hereby accepts employment with the Company pursuant to the terms and conditions hereof. Executive agrees to serve the Company in the position of Executive Vice President, General Counsel and Corporate Secretary. Executive shall have the powers and duties commensurate with such position, including but not limited to hiring personnel necessary to carry out the responsibilities for such position as set forth in the annual business plan approved by the Board of Directors.

2.2 Full Time Attention. Executive shall devote his best efforts and his full business time and attention to the performance of the services customarily incident to such office and to such other services as the President and Chief Executive Officer or Board may reasonably request.

2.3 Other Activities. Except upon the prior written consent of the President & Chief Executive Officer, Executive shall not during the period of employment engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place him in a competing position to that of the Company or any other corporation or entity that directly or indirectly controls, is controlled by, or is under common control with the Company (an "Affiliated Company"), provided that Executive may own less than two percent (2%) of the outstanding securities of any such publicly traded competing corporation.

ARTICLE 3

COMPENSATION

3.1 Base Salary. Executive shall receive a Base Salary at an annual rate of three hundred eighty thousand dollars (\$380,000.00), payable semi-monthly in equal installments in accordance with the Company's normal payroll practices. The Chief Executive Officer shall provide Executive with annual performance reviews, and, thereafter, Executive shall be entitled to such increase in Base Salary as the Chief Executive Officer and Board of Directors may from time to time establish in their sole discretion.

3.2 Incentive Bonus. In addition to any other bonus Executive shall be awarded by the Company's Board of Directors, Executive shall be eligible to receive an annual incentive bonus as determined by the Company's Board of Directors and Chief Executive Officer based upon both the achievement of Executive in meeting annual personal goals established by the Chief Executive Officer / Board of Directors and the achievement by the Company of annual corporate goals established by the Board of Directors. Executive's target annual incentive bonus will be as set forth in the Company's annual bonus plan (the "Target Annual Bonus"). Executive's annual personal goals and the Company's annual corporate goals will be set forth in writing by the Chief Executive Officer and the Board of Directors within ninety (90) days after the start of the Company's fiscal year. The Board of Directors and the Chief Executive Officer shall, in their sole discretion, determine whether Executive's annual personal goals have been attained. The Board of Directors shall, in its sole discretion, determine whether the annual corporate goals have been attained. Any annual incentive bonus shall be considered earned only if Executive is employed by the Company both on the date that the determination is made as to whether annual personal goals have been met, and on the date that the determination is made as to whether annual corporate goals have been met. These determinations generally will be made within the first quarter following the end of the Company's fiscal year. Except as provided in Article 6 herein, no pro-rata bonus will be considered earned if Executive leaves the Company for any reason prior to the foregoing determination dates. Any annual incentive bonus that is earned shall be paid no later than the fifteenth day of the third month following the end of the Company's fiscal year for which such bonus was earned.

3.3 Equity. Except as provided in Article 6 in the case of certain terminations of employment, this Agreement shall not affect any Stock Awards (as such term is defined below) previously granted by the Company to Executive. Subject to approval by the Company's Board of Directors, Executive shall be eligible to receive additional Stock Awards on terms to be set forth by the Company at the time of any such grant. For purposes of this Agreement, "Stock Awards" shall mean any rights granted by the Company to Executive with respect to the common stock of the Company, including, without limitation, stock options, stock appreciation rights, restricted stock, stock bonuses and restricted stock units.

3.4 Withholdings. All compensation and benefits payable to Executive under this Agreement shall be subject to all federal, state, local taxes and other withholdings and similar taxes and payments required by applicable law.

ARTICLE 4

EXPENSE ALLOWANCES AND FRINGE BENEFITS

4.1 Vacation. Executive shall be entitled to participate in the Company's vacation plan pursuant to the terms of that plan.

4.2 Benefits. During Executive's employment hereunder, the Company shall also provide Executive with the health insurance benefits it generally provides to its other senior management employees. As Executive becomes eligible in accordance with criteria to be adopted by the Company, the Company shall provide Executive with the right to participate in and to receive benefit from life, accident, disability, medical, and savings plans and similar benefits made available generally to employees of the Company as such plans and benefits may be adopted by the Company. With respect to long-term disability insurance coverage, the Executive will pay all premiums for such coverage with after-tax dollars, and the Company will reimburse the Executive for the premium costs so paid by the Executive and make an additional tax gross-up payment to Executive in an amount that shall fully fund the payment by Executive of any income and employment taxes on such reimbursement payment and tax gross-up payment. The amount and extent of benefits to which Executive is entitled shall be governed by the specific benefit plan as it may be amended from time to time.

4.3 Business Expense Reimbursement. During the term of this Agreement, Executive shall be entitled to receive proper reimbursement for all reasonable out-of-pocket expenses incurred by him (in accordance with the policies and procedures established by the Company for its senior executive officers) in performing services hereunder. Executive agrees to furnish to the Company adequate records and other documentary evidence of such expense for which Executive seeks reimbursement. Such expenses shall be reimbursed and accounted for under the policies and procedures established by the Company, and such reimbursement shall be made promptly, but in no event later than December 31 of the calendar year following the year in which such expenses were incurred by Executive.

ARTICLE 5

CONFIDENTIALITY

5.1 Proprietary Information. Executive represents and warrants that he has previously executed and delivered to the Company the Company's standard Proprietary Information and Inventions Agreement.

5.2 Return of Property. All documents, records, apparatus, equipment and other physical property which is furnished to or obtained by Executive in the course of his employment with the Company shall be and remain the sole property of the Company. Executive agrees that, upon the termination of his employment, he shall return all such property (whether or not it pertains to Proprietary Information as defined in the Proprietary Information and Inventions Agreement), and agrees not to make or retain copies, reproductions or summaries of any such property.

5.3 No Use of Prior Confidential Information. Executive will not intentionally disclose to the Company or use on its behalf any confidential information belonging to any of his former employers or any other third party.

ARTICLE 6

TERMINATION

6.1 General. As set forth in Section 1.2 herein, Executive shall be employed on an at-will basis by the Company. Notwithstanding the foregoing, Executive's employment and this Agreement may be terminated in one of six ways as set forth in this Article 6: (a) Executive's Death (Section 6.2); (b) Executive's Disability (Section 6.3); (c) Termination by the Company for Cause (Section 6.4); (d) Termination by the Company without Cause (Section 6.5); (e) Termination by Executive due to a Constructive Termination (Section 6.6); or (f) Voluntary Resignation (Section 6.7).

6.2 By Death. Executive's employment and this Agreement shall terminate automatically upon the death of Executive. In such event:

(a) Stock Awards. The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares that would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment. All Stock Awards held by Executive that are vested at the time of termination (including any accelerated Stock Awards) will be exercisable in accordance with their terms for a period of one year after the termination date.

(b) Bonus. The Company shall pay to Executive's beneficiaries or his estate, as the case may be, a lump sum amount equal to Executive's Target Annual Bonus (as defined in Section 3.2) for the Company's fiscal year in which Executive's death occurs multiplied by a fraction, the numerator of which is the number of full months of employment by Executive in

such fiscal year and the denominator of which is 12. Such amount shall be paid as soon as administratively practicable, but in no event later than March 15 following the year in which Executive's death occurred.

(c) Accrued Compensation. The Company shall pay to Executive's beneficiaries or his estate, as the case may be, any accrued Base Salary, any vested deferred compensation (other than pension plan or profit-sharing plan benefits that will be paid in accordance with the applicable plan), any benefits under any plans of the Company (other than pension and profit-sharing plans) in which Executive is a participant to the full extent of Executive's rights under such plans, any accrued vacation pay and any appropriate business expenses incurred by Executive in connection with his duties hereunder, all to the date of termination (collectively "Accrued Compensation").

(d) No Severance Compensation. The compensation and benefits set forth in Sections 6.2(a) through (c) herein shall be the only compensation and benefits provided by the Company in the event of Executive's death and no other severance compensation or benefits shall be provided.

6.3 By Disability. If Executive is prevented from performing his duties hereunder by reason of any physical or mental incapacity that results in Executive's satisfaction of all requirements necessary to receive benefits under the Company's long-term disability plan due to a total disability, then, to the extent permitted by law, the Company may terminate the employment of Executive and this Agreement at or after such time. In such event, and if Executive signs the General Release set forth as **Exhibit A** or such other form of release as the Company may require (the "Release") on or within the time period set forth therein, but in no event later than forty-five (45) days after the termination date and allows such Release to become effective, then:

(a) Accrued Compensation. The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(b) Base Salary Continuation. The Company shall continue to pay Executive's Base Salary, less required withholdings, for a period of 15 months (the "Disability Base Salary Payments"); provided that the Disability Base Salary Payments shall be reduced by any insurance or other payments to Executive under policies and plans sponsored by the Company, even if premiums are paid by Executive. Subject to the provisions of Section 6.11, the Disability Base Salary Payments shall be paid in accordance with the Company's standard payroll practices commencing with the first payroll period following the effectiveness of the Release.

(c) Bonus. The Company shall pay a lump sum amount equal to Executive's Target Annual Bonus (as defined in Section 3.2) for the Company's then-current fiscal year multiplied by a fraction, the numerator of which is the number of full months of employment by Executive in the current fiscal year and the denominator of which is 12. Such payment shall be made within ten (10) days following the Effective Date of the Release.

(d) Stock Awards. The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares which would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment.

(e) Health Insurance Benefits. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 15 months after the date of Executive's termination of employment; *provided, however*, that any such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

(f) Disability Plans. Nothing in this Section 6.3 shall affect Executive's rights under any disability plan in which Executive is a participant.

6.4 Termination by the Company for Cause.

(a) No Liability. The Company may terminate Executive's employment and this Agreement for Cause (as defined below) without liability at any time. In such event, the Company shall pay Executive all Accrued Compensation (as defined in Section 6.2(c) herein), but no other compensation or reimbursement of any kind, including without limitation, any severance compensation or benefits shall be paid, and thereafter the Company's obligations hereunder shall terminate.

(b) Definition of "Cause." For purposes of this Agreement, "Cause" shall mean one or more of the following:

(i) Executive's intentional commission of an act, or intentional failure to act, that materially injures the business of the Company; *provided, however*, that in no event shall any business judgment made in good faith by Executive and within Executive's defined scope of authority constitute a basis for termination for Cause under this Agreement;

(ii) Executive's intentional refusal or intentional failure to act in accordance with any lawful and proper direction or order of the Board of Directors, the Chief Executive Officer, or the individual to whom Executive reports.

(iii) Executive's material breach of Executive's fiduciary, statutory, contractual, or common law duties to the Company (including any material breach of this Agreement, the Proprietary Information and Inventions Agreement, or the Company's written policies);

(iv) Executive's indictment for or conviction of any felony or any crime involving dishonesty; or

(v) Executive's participation in any fraud or other act of willful misconduct against the Company;

provided, however, that in the event that any of the foregoing events is reasonably capable of being cured, the Company shall provide written notice to Executive describing the nature of such event and Executive shall thereafter have ten (10) business days to cure such event.

6.5 Termination by the Company without Cause.

(a) **The Company's Right.** The Company may terminate Executive's employment and this Agreement without Cause (as defined in Section 6.4(b) herein) at any time by giving thirty (30) days advance written notice to Executive.

(b) **Severance Benefits.** If the Company terminates Executive's employment without Cause, and if Executive signs the Release on or within the time period set forth therein (but in no event later than forty-five (45) days after the termination date) and allows such Release to become effective, then:

(i) **Accrued Compensation.** The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(ii) **Cash Compensation Amount Payments.** The Company shall pay Executive an amount calculated as follows: [Executive's annual Base Salary + Executive's Target Annual Bonus (as defined in Section 3.2 herein)] multiplied by 1.25 (the "Cash Compensation Amount"). Subject to the provisions of Section 6.11, the Cash Compensation Amount will be paid in equal installments on the Company's standard payroll dates over a period of 15 months commencing with the first payroll period following the effectiveness of the Release.

(iii) **Stock Awards.** The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares which would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment.

(iv) **Health Insurance Benefits.** To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 15 months after the date of Executive's termination of employment; *provided, however*, that any

such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

6.6 Termination by Executive due to a Constructive Termination.

(a) Executive's Right. Executive may resign his employment and terminate this Agreement at any time as a result of a Constructive Termination (as defined in Section 6.6(c) herein).

(b) Severance Benefits. If Executive resigns his employment and terminates this Agreement as a result of a Constructive Termination, and if Executive signs the Release on or within the time period set forth therein (but in no event later than forty-five (45) days after the termination date) and allows such Release to become effective, then Executive shall receive all of the severance benefits set forth in Section 6.5(b) herein.

(c) Definition of "Constructive Termination." For purposes of this Agreement, "Constructive Termination" shall mean a resignation of employment and termination of this Agreement by Executive for one or more of the following reasons:

(i) Assignment to, or withdrawal from, Executive of any duties or responsibilities that results in a material diminution in such Executive's authority, duties or responsibilities as in effect immediately prior to such change;

(ii) A material diminution in the authority, duties or responsibilities of the supervisor to whom Executive is required to report,

(iii) A material reduction by the Company of Executive's annual Base Salary;

(iv) A relocation of Executive or the Company's principal executive offices if Executive's principal office is at such offices, to a location more than forty (40) miles from the location at which Executive is then performing his duties, except for an opportunity to relocate which is accepted by Executive in writing; or

(v) A material breach by the Company of any provision of this Agreement or any other enforceable written agreement between Executive and the Company; *provided; however,* that Executive must first provide the Company with written notice specifying the condition giving rise to a Constructive Termination within ninety (90) days following the initial existence of such condition; and Executive's notice must specify that Executive intends to terminate his employment no earlier than thirty (30) days after providing such notice, and the Company must be given an opportunity to cure such condition within thirty (30) days following its receipt of such notice and avoid paying benefits.

6.7 Voluntary Resignation. Executive may resign his or her employment and terminate this Agreement at any time for any reason other than due to a Constructive Termination (as defined in Section 6.6(c) herein). In such event, the Company shall pay Executive all Accrued Compensation (as defined in Section 6.2(c) herein), but no other

compensation or reimbursement of any kind, including without limitation, any severance compensation or benefits shall be paid, and thereafter the Company's obligations hereunder shall terminate.

6.8 Change In Control.

(a) Severance Benefits. If (i) within six months after the consummation of a Change in Control (as defined in Section 6.8(b) herein), (1) the Company terminates Executive's employment and this Agreement without Cause pursuant to Section 6.5 herein or (2) Executive resigns his employment and terminates this Agreement as a result of a Constructive Termination pursuant to Section 6.6 herein, and (ii) in either event (1) or (2), Executive signs the Release on or within the time period set forth therein, but in no event later than forty-five (45) days after the termination date and allows such Release to become effective, then Executive shall receive the following severance benefits in lieu of any severance benefits set forth in Section 6.5(b) or Section 6.6(b) herein:

(i) Accrued Compensation. The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(ii) CIC Cash Compensation Amount Payment. The Company shall pay Executive an amount calculated as follows: [Executive's annual Base Salary + Executive's Target Annual Bonus (as defined in Section 3.2 herein)] multiplied by 2.0 (collectively, the "CIC Cash Compensation Amount"). The CIC Cash Compensation Amount will be paid in one lump sum within ten (10) days following the Effective Date of the Release.

(iii) Cash Payment for Stock Awards. Within ten (10) days following the Effective Date of the Release, the Company shall pay Executive a cash amount equal to the value, as of the date of the consummation of the Change in Control, of (1) all Stock Awards that are unvested at the time of termination of employment, and (2) all Stock Awards that are vested at the time of termination of employment and for which the shares subject to such Stock Awards have not yet been issued, including, without limitation, any unexercised stock options, unexercised stock appreciation rights, and unissued shares subject to a restricted stock unit award, provided, in either case, that such Stock Awards were held by Executive as of the date of consummation of the Change in Control, and all rights of Executive in such Stock Awards and any unvested shares of stock that previously may have been issued thereunder shall be extinguished as a result of such payment, with the result that such Stock Awards shall automatically terminate unexercised and unvested shares of stock previously issued shall automatically be reacquired by the Company or its successor. For purposes of the foregoing cash payment, (1) stock options and stock appreciation rights shall be valued on the basis of the difference between the value of the subject stock for purposes of the transaction constituting the Change of Control and the exercise or base price of the award, and (2) restricted stock, restricted stock units or other full value awards and shares of stock acquired under Stock Awards shall be valued on the basis of the value of the subject stock for purposes of the transaction constituting the Change in Control.

(iv) Health Insurance Benefits. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 24 months after the date of Executive's termination of employment; *provided, however,* that any such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

(b) Definition of "Change in Control." For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during Executive's employment hereunder, any of the following events shall occur:

(i) The Company is merged, or consolidated, or reorganized into or with another corporation or other legal person, and as a result of such merger, consolidation or reorganization less than 50% of the combined voting power of the then-outstanding securities of such corporation or person immediately after such transaction are held in the aggregate by the holders of voting securities of the Company immediately prior to such transaction;

(ii) The Company sells all or substantially all of its assets or any other corporation or other legal person and thereafter, less than 50% of the combined voting power of the then-outstanding voting securities of the acquiring or consolidated entity are held in the aggregate by the holders of voting securities of the Company immediately prior to such sale;

(iii) There is a report filed after the date of this Agreement on Schedule 13 D or schedule 14 D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term beneficial owner is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) representing 50% or more of the combined voting power of the then-outstanding voting securities of the Company;

(iv) The Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to item 1 of Form 8-X thereunder or Item 5(f) of Schedule 14 A thereunder (or any successor schedule, form or report or item therein) that the change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction; or

(v) During any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to

constitute at least a majority thereof unless the election to the nomination for election by the Company's shareholders of each director of the Company first elected during such period was approved by a vote of at least two-thirds of the directors of the Company then still in office who were directors of the Company at the beginning of such period.

(c) Parachute Payments.

(i) If any payment or benefit (including payments or benefits pursuant to this Agreement) that Executive would receive in connection with a Change in Control or otherwise (a "Payment") (1) would constitute a "parachute payment" within the meaning of Section 280G of the Code, and (2) but for this sentence, would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company shall cause to be determined, before any amount of the Payment is paid to Executive, whether the total payments exceed 2.99 times Executive's "base amount" within the meaning of Section 280G of the Code (the "Base Amount") by 15% or less, in which case such Payment shall be reduced to an amount that results in no portion of the Payment being subject to the Excise Tax (the "Reduced Payment").

(ii) If a Reduced Payment is made, (x) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (y) reduction in payments and/or benefits shall occur in the following order unless Executive elects in writing a different order (*provided, however*, that such election shall be subject to Company approval if made on or after the date on which the event that triggers the Payment occurs): (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits paid to Executive. In the event that acceleration of compensation from Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant unless Executive elects in writing a different order for cancellation.

(iii) If it is determined that the Payment exceeds 2.99 times Executive's Base Amount by more than 15%, the Company shall pay the full amount of the Payment and Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") from the Company in an amount that after the payment of all taxes (including, without limitation, (1) any income or employment taxes, (2) any interest or penalties imposed with respect to such taxes, and (3) any additional Excise Tax on the Gross-Up Payment, Executive shall retain an amount equal to the full Excise Tax. The Gross-Up Payment shall be paid as soon as practicable following the date the Payment is made, but in no event later than the end of the Executive's taxable year following the taxable year in which Executive has remitted (by withholding or otherwise) the Excise Tax.

(iv) For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to have: (x) paid federal income taxes at the highest marginal rate of federal income and employment taxation for the calendar year in which the Gross-Up Payment is to be made, and (y) paid applicable state and local income taxes at the highest rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(v) Except as otherwise provided herein, Executive shall not be entitled to any additional payments or other indemnity arrangements in connection with the Payment or the Gross-Up Payment.

6.9 Mitigation. Except as otherwise specifically provided herein, Executive shall not be required to mitigate the amount of any payment provided under this Agreement by seeking other employment or self-employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or through self-employment or by retirement benefits after the date of Executive's termination of employment from the Company, except as provided herein.

6.10 Coordination. If upon termination of employment, Executive becomes entitled to rights under other plans, contracts or arrangements entered into by the Company, this Agreement shall be coordinated with such other arrangements so that Executive's rights under this Agreement are not reduced, and that any payments under this Agreement offset the same types of payments otherwise provided under such other arrangements, but do not otherwise reduce any payments or benefits under such other arrangements to which Executive becomes entitled.

6.11 Application of Section 409A. If Executive is a "specified employee" within the meaning of 409A(a)(2)(B)(i) of the Code, any installment payments of Disability Base Salary Payments pursuant to Section 6.3(b) or Cash Compensation Amounts pursuant to Section 6.5(b) or 6.6(b) that are triggered by a separation from service shall be accelerated to the minimum extent necessary so that (a) the lesser of (y) the total cash severance payment amount, or (z) six (6) months of such installment payments are paid no later than March 15 of the calendar year following such termination, and (b) all amounts paid pursuant to the foregoing clause (a) will constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations and thus will be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations. It is intended that if Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code at the time of such separation from service the foregoing provision shall result in compliance with the requirements of Section 409A(a)(2)(B)(i) of the Code since payments to Executive will either be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations or will not be paid until at least 6 months after separation from service.

ARTICLE 7

GENERAL PROVISIONS

7.1 Governing Law. The validity, interpretation, construction and performance of this Agreement and the rights of the parties thereunder shall be interpreted and enforced under California law without reference to principles of conflicts of laws. The parties expressly agree that inasmuch as the Company's headquarters and principal place of business are located in California, it is appropriate that California law govern this Agreement.

7.2 Assignment; Successors Binding Agreement.

(a) No Assignment. Executive may not assign, pledge or encumber his interest in this Agreement or any part thereof.

(b) Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by operation of law or by agreement in form and substance reasonably satisfactory to Executive, to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(c) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributee, devisees and legatees. If Executive should die while any amount is at such time payable to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legates or other designee or, if there be no such designee, to his estate.

7.3 Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

To the Company:

Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130
Attn.: President & Chief Executive Officer

To Executive:

Margaret E. Valeur-Jensen, Ph.D., J.D.

7.4 Modification; Waiver; Entire Agreement. This Agreement constitutes the complete, final and exclusive embodiment of the entire agreement between Executive and the Company with regard to this subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations, including, without limitation, the Original Employment Agreement which shall have no further force or effect. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and such officer as may be specifically designated by the Board of the Company. No waiver by either party hereto at any time of any

breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

7.5 Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

7.6 Controlling Document. Except to the extent described in Section 6.10, in case of conflict between any of the terms and condition of this Agreement and the document herein referred to, the terms and conditions of this Agreement shall control.

7.7 Executive Acknowledgment. Executive acknowledges (a) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

7.8 Dispute Resolution. To ensure the rapid and economical resolution of disputes that may arise in connection with Executive's employment, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, execution, or interpretation of this Agreement, Executive's employment, or the termination of that employment, shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Diego, California conducted before a single arbitrator by Judicial Arbitration and Mediation Services, Inc. ("JAMS") or its successor, under the then applicable JAMS rules. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or by administrative proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The Company shall pay all of JAMS' arbitration fees. Nothing in this letter agreement shall prevent either Executive or the Company from obtaining injunctive relief in court if necessary to prevent irreparable harm pending the conclusion of any arbitration. The parties agree that the arbitrator shall award reasonable attorneys fees, costs, and all other related expenses to the prevailing party in any action brought hereunder, and the arbitrator shall have discretion to determine the prevailing party in an arbitration where multiple claims may be at issue.

7.9 Remedies.

(a) Injunctive Relief. The parties agree that the services to be rendered by Executive hereunder are of a unique nature and that in the event of any breach or threatened breach of any of the covenants contained herein, the damage or imminent damage to the value and the goodwill of the Company's business will be irreparable and extremely difficult to estimate, making any remedy at law or in damages inadequate. Accordingly, the parties agree that the Company shall be entitled to injunctive relief against Executive in the event of any

breach or threatened breach of any such provisions by Executive, in addition to any other relief (including damage) available to the Company under this Agreement or under law.

(b) Exclusive. Both parties agree that the remedy specified in Section 7.9(a) above is not exclusive of any other remedy for the breach by Executive of the terms hereof.

7.10 Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same Agreement. Executed by the parties as follows:

EXECUTIVE

NEUROCRINE BIOSCIENCES, INC

By: /s/ Margaret E. Valeur-Jensen

By: /s/ Gary A. Lyons

Date: August 1, 2007

Date: August 1, 2007

EXHIBIT A
GENERAL RELEASE

Pursuant to the terms of the Employment Agreement between Neurocrine Biosciences, Inc. (the "Company") and Margaret E. Valeur-Jensen ("Executive") dated August 1, 2007 (the "Agreement"), the parties hereby enter into the following General Release (the "Release"):

1. Accrued Salary and Vacation. Executive understands that, on the last date of Executive's employment with the Company, the Company will pay Executive any accrued salary and accrued and unused vacation to which Executive is entitled by law, regardless of whether Executive signs this Release.

2. General Release. Executive hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively the "Released Parties") of and from any and all claims, liabilities and obligations, both known and unknown, arising out of or in any way related to events, acts, conduct, or omissions occurring at any time prior to or at the time that Executive signs this Release.\

3. Scope of Release. This general release includes, but is not limited to: (1) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (2) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing (including claims based on or arising under the Agreement); (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act (as amended) ("ADEA"), the federal Family and Medical Leave Act, the California Labor Code (as amended), the California Family Rights Act, and the California Fair Employment and Housing Act (as amended).

4. ADEA Waiver. Executive acknowledges that Executive is knowingly and voluntarily waiving and releasing any rights Executive may have under the ADEA, and that the consideration given for the waiver and release in the preceding paragraph is in addition to anything of value to which Executive is already entitled. Executive further acknowledges that Executive has been advised by this writing that: (1) Executive's waiver and release do not apply to any rights or claims that may arise after the date Executive signs this Release; (2) Executive should consult with an attorney prior to signing this Release (although Executive may choose voluntarily not to do so); (3) Executive has twenty-one (21) days to consider this Release (although Executive may choose voluntarily to sign it earlier); (4) Executive has seven (7) days following the date Executive signs this Release to revoke it by providing written notice of

revocation to the Company's Chief Executive Officer; and (5) this Release will not be effective until the date upon which the revocation period has expired, which will be the eighth calendar day after the date Executive signs it provided that Executive does not revoke it (the "Effective Date").

5. Section 1542 Waiver. EXECUTIVE UNDERSTANDS THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. Executive acknowledges that Executive has read and understands Section 1542 of the California Civil Code which reads as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor." Executive hereby expressly waives and relinquishes all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to Executive's respective release of claims herein, including but not limited to Executive's release of unknown and unsuspected claims.

6. Excluded Claims. Executive understands that notwithstanding the foregoing, the following are not included in the Released Claims (the "Excluded Claims"): (i) any rights or claims for indemnification Executive may have pursuant to any written indemnification agreement to which he is a party, the charter, bylaws, or operating agreements of any of the Released Parties, or under applicable law; or (ii) any rights which are not waivable as a matter of law. In addition, Executive understands that nothing in this release prevents Executive from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that Executive acknowledges and agrees that Executive shall not recover any monetary benefits in connection with any such claim, charge or proceeding with regard to any claim released herein. Executive hereby represents and warrants that, other than the Excluded Claims, Executive is not aware of any claims he has or might have against any of the Released Parties that are not included in the Released Claims.

7. Executive Representations. Executive hereby represents that Executive has been paid all compensation owed and for all hours worked; Executive has received all the leave and leave benefits and protections for which Executive is eligible, pursuant to the Family and Medical Leave Act, the California Family Rights Act, or otherwise; and Executive has not suffered any on-the-job injury for which Executive has not already filed a workers' compensation claim.

8. Nondisparagement. Executive agrees not to disparage the Company, its parent, or its or their officers, directors, employees, shareholders, affiliates and agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation (although Executive may respond accurately and fully to any question, inquiry or request for information as required by legal process).

9. Cooperation. Executive agrees not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the other party, or against the

Company's parent or subsidiary entities, affiliates, officers, directors, employees or agents. Executive further agrees to reasonably cooperate with the other party, by voluntarily (without legal compulsion) providing accurate and complete information, in connection with such other party's actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or failures to act that occurred during the period of Executive's employment by the Company.

10. No Admission of Liability. The parties agree that this Release, and performance of the acts required by it, does not constitute an admission of liability, culpability, negligence or wrongdoing on the part of anyone, and will not be construed for any purpose as an admission of liability, culpability, negligence or wrongdoing by any party and/or by any party's current, former or future parents, subsidiaries, related entities, predecessors, successors, officers, directors, shareholders, agents, employees and assigns. The parties specifically acknowledge and agree that this Release is a compromise of disputed claims and that the Company denies any liability for any matter released herein.

NEUROCRINE BIOSCIENCES, INC.:

EXECUTIVE:

By: _____

By: _____

Date: _____

Date: _____

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, effective as of the last date signed by the parties hereto (the “Effective Date”), supersedes and replaces the Employment Agreement dated October 27, 2003 by and between **NEUROCRINE BIOSCIENCES, INC.**, 12790 El Camino Real, San Diego, California 92130 (hereinafter the “Company”), and **Kevin C. Gorman** (hereinafter “Executive”) (the “Original Employment Agreement”). Once this Agreement is effective, the Original Employment Agreement shall have no further force or effect.

RECITALS

WHEREAS, the Company and Executive wish to set forth in this Agreement the terms and conditions under which Executive is to be employed by the Company on and after the Effective Date hereof;

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises set forth herein, agree as follows:

ARTICLE 1

NATURE OF EMPLOYMENT

1.1 Commencement Date. Executive’s full-time employment with the Company under this Agreement shall be deemed to have commenced as of August 1, 2007 (“Commencement Date”) and this Agreement shall continue from the Effective Date until it is terminated by either the Company or Executive pursuant to the terms set forth in Article 6.

1.2 At-Will Employment. Executive shall be employed at-will by the Company and therefore either Executive or the Company may terminate the employment relationship and this Agreement at any time, with or without Cause (as defined herein) and with or without advance notice, subject to the provisions of Article 6.

ARTICLE 2

EMPLOYMENT DUTIES

2.1 Title/Responsibilities. Executive hereby accepts employment with the Company pursuant to the terms and conditions hereof. Executive agrees to serve the Company in the position of Executive Vice President and Chief Operating Officer. Executive shall have the powers and duties commensurate with such position, including but not limited to hiring personnel necessary to carry out the responsibilities for such position as set forth in the annual business plan approved by the Board of Directors.

2.2 Full Time Attention. Executive shall devote his best efforts and his full business time and attention to the performance of the services customarily incident to such office and to such other services as the President and Chief Executive Officer or Board may reasonably request.

2.3 Other Activities. Except upon the prior written consent of the President & Chief Executive Officer, Executive shall not during the period of employment engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place him in a competing position to that of the Company or any other corporation or entity that directly or indirectly controls, is controlled by, or is under common control with the Company (an "Affiliated Company"), provided that Executive may own less than two percent (2%) of the outstanding securities of any such publicly traded competing corporation.

ARTICLE 3

COMPENSATION

3.1 Base Salary. Executive shall receive a Base Salary at an annual rate of four hundred thousand dollars (\$400,000.00), payable semi-monthly in equal installments in accordance with the Company's normal payroll practices. The Chief Executive Officer shall provide Executive with annual performance reviews, and, thereafter, Executive shall be entitled to such increase in Base Salary as the Chief Executive Officer and Board of Directors may from time to time establish in their sole discretion.

3.2 Incentive Bonus. In addition to any other bonus Executive shall be awarded by the Company's Board of Directors, Executive shall be eligible to receive an annual incentive bonus as determined by the Company's Board of Directors and Chief Executive Officer based upon both the achievement of Executive in meeting annual personal goals established by the Chief Executive Officer / Board of Directors and the achievement by the Company of annual corporate goals established by the Board of Directors. Executive's target annual incentive bonus will be as set forth in the Company's annual bonus plan (the "Target Annual Bonus"). Executive's annual personal goals and the Company's annual corporate goals will be set forth in writing by the Chief Executive Officer and the Board of Directors within ninety (90) days after the start of the Company's fiscal year. The Board of Directors and the Chief Executive Officer shall, in their sole discretion, determine whether Executive's annual personal goals have been attained. The Board of Directors shall, in its sole discretion, determine whether the annual corporate goals have been attained. Any annual incentive bonus shall be considered earned only if Executive is employed by the Company both on the date that the determination is made as to whether annual personal goals have been met, and on the date that the determination is made as to whether annual corporate goals have been met. These determinations generally will be made within the first quarter following the end of the Company's fiscal year. Except as provided in Article 6 herein, no pro-rata bonus will be considered earned if Executive leaves the Company for any reason prior to the foregoing determination dates. Any annual incentive bonus that is earned shall be paid no later than the fifteenth day of the third month following the end of the Company's fiscal year for which such bonus was earned.

3.3 Equity. Except as provided in Article 6 in the case of certain terminations of employment, this Agreement shall not affect any Stock Awards (as such term is defined below) previously granted by the Company to Executive. Subject to approval by the Company's Board of Directors, Executive shall be eligible to receive additional Stock Awards on terms to be set forth by the Company at the time of any such grant. For purposes of this Agreement, "Stock Awards" shall mean any rights granted by the Company to Executive with respect to the common stock of the Company, including, without limitation, stock options, stock appreciation rights, restricted stock, stock bonuses and restricted stock units.

3.4 Withholdings. All compensation and benefits payable to Executive under this Agreement shall be subject to all federal, state, local taxes and other withholdings and similar taxes and payments required by applicable law.

ARTICLE 4

EXPENSE ALLOWANCES AND FRINGE BENEFITS

4.1 Vacation. Executive shall be entitled to participate in the Company's vacation plan pursuant to the terms of that plan.

4.2 Benefits. During Executive's employment hereunder, the Company shall also provide Executive with the health insurance benefits it generally provides to its other senior management employees. As Executive becomes eligible in accordance with criteria to be adopted by the Company, the Company shall provide Executive with the right to participate in and to receive benefit from life, accident, disability, medical, and savings plans and similar benefits made available generally to employees of the Company as such plans and benefits may be adopted by the Company. With respect to long-term disability insurance coverage, the Executive will pay all premiums for such coverage with after-tax dollars, and the Company will reimburse the Executive for the premium costs so paid by the Executive and make an additional tax gross-up payment to Executive in an amount that shall fully fund the payment by Executive of any income and employment taxes on such reimbursement payment and tax gross-up payment. The amount and extent of benefits to which Executive is entitled shall be governed by the specific benefit plan as it may be amended from time to time.

4.3 Business Expense Reimbursement. During the term of this Agreement, Executive shall be entitled to receive proper reimbursement for all reasonable out-of-pocket expenses incurred by him (in accordance with the policies and procedures established by the Company for its senior executive officers) in performing services hereunder. Executive agrees to furnish to the Company adequate records and other documentary evidence of such expense for which Executive seeks reimbursement. Such expenses shall be reimbursed and accounted for under the policies and procedures established by the Company, and such reimbursement shall be made promptly, but in no event later than December 31 of the calendar year following the year in which such expenses were incurred by Executive.

ARTICLE 5

CONFIDENTIALITY

5.1 Proprietary Information. Executive represents and warrants that he has previously executed and delivered to the Company the Company's standard Proprietary Information and Inventions Agreement.

5.2 Return of Property. All documents, records, apparatus, equipment and other physical property which is furnished to or obtained by Executive in the course of his employment with the Company shall be and remain the sole property of the Company. Executive agrees that, upon the termination of his employment, he shall return all such property (whether or not it pertains to Proprietary Information as defined in the Proprietary Information and Inventions Agreement), and agrees not to make or retain copies, reproductions or summaries of any such property.

5.3 No Use of Prior Confidential Information. Executive will not intentionally disclose to the Company or use on its behalf any confidential information belonging to any of his former employers or any other third party.

ARTICLE 6

TERMINATION

6.1 General. As set forth in Section 1.2 herein, Executive shall be employed on an at-will basis by the Company. Notwithstanding the foregoing, Executive's employment and this Agreement may be terminated in one of six ways as set forth in this Article 6: (a) Executive's Death (Section 6.2); (b) Executive's Disability (Section 6.3); (c) Termination by the Company for Cause (Section 6.4); (d) Termination by the Company without Cause (Section 6.5); (e) Termination by Executive due to a Constructive Termination (Section 6.6); or (f) Voluntary Resignation (Section 6.7).

6.2 By Death. Executive's employment and this Agreement shall terminate automatically upon the death of Executive. In such event:

(a) Stock Awards. The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares that would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment. All Stock Awards held by Executive that are vested at the time of termination (including any accelerated Stock Awards) will be exercisable in accordance with their terms for a period of one year after the termination date.

(b) Bonus. The Company shall pay to Executive's beneficiaries or his estate, as the case may be, a lump sum amount equal to Executive's Target Annual Bonus (as defined in Section 3.2) for the Company's fiscal year in which Executive's death occurs multiplied by a fraction, the numerator of which is the number of full months of employment by Executive in

such fiscal year and the denominator of which is 12. Such amount shall be paid as soon as administratively practicable, but in no event later than March 15 following the year in which Executive's death occurred.

(c) Accrued Compensation. The Company shall pay to Executive's beneficiaries or his estate, as the case may be, any accrued Base Salary, any vested deferred compensation (other than pension plan or profit-sharing plan benefits that will be paid in accordance with the applicable plan), any benefits under any plans of the Company (other than pension and profit-sharing plans) in which Executive is a participant to the full extent of Executive's rights under such plans, any accrued vacation pay and any appropriate business expenses incurred by Executive in connection with his duties hereunder, all to the date of termination (collectively "Accrued Compensation").

(d) No Severance Compensation. The compensation and benefits set forth in Sections 6.2(a) through (c) herein shall be the only compensation and benefits provided by the Company in the event of Executive's death and no other severance compensation or benefits shall be provided.

6.3 By Disability. If Executive is prevented from performing his duties hereunder by reason of any physical or mental incapacity that results in Executive's satisfaction of all requirements necessary to receive benefits under the Company's long-term disability plan due to a total disability, then, to the extent permitted by law, the Company may terminate the employment of Executive and this Agreement at or after such time. In such event, and if Executive signs the General Release set forth as **Exhibit A** or such other form of release as the Company may require (the "Release") on or within the time period set forth therein, but in no event later than forty-five (45) days after the termination date and allows such Release to become effective, then:

(a) Accrued Compensation. The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(b) Base Salary Continuation. The Company shall continue to pay Executive's Base Salary, less required withholdings, for a period of 15 months (the "Disability Base Salary Payments"); provided that the Disability Base Salary Payments shall be reduced by any insurance or other payments to Executive under policies and plans sponsored by the Company, even if premiums are paid by Executive. Subject to the provisions of Section 6.11, the Disability Base Salary Payments shall be paid in accordance with the Company's standard payroll practices commencing with the first payroll period following the effectiveness of the Release.

(c) Bonus. The Company shall pay a lump sum amount equal to Executive's Target Annual Bonus (as defined in Section 3.2) for the Company's then-current fiscal year multiplied by a fraction, the numerator of which is the number of full months of employment by Executive in the current fiscal year and the denominator of which is 12. Such payment shall be made within ten (10) days following the Effective Date of the Release.

(d) Stock Awards. The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares which would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment.

(e) Health Insurance Benefits. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 15 months after the date of Executive's termination of employment; *provided, however*, that any such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

(f) Disability Plans. Nothing in this Section 6.3 shall affect Executive's rights under any disability plan in which Executive is a participant.

6.4 Termination by the Company for Cause.

(a) No Liability. The Company may terminate Executive's employment and this Agreement for Cause (as defined below) without liability at any time. In such event, the Company shall pay Executive all Accrued Compensation (as defined in Section 6.2(c) herein), but no other compensation or reimbursement of any kind, including without limitation, any severance compensation or benefits shall be paid, and thereafter the Company's obligations hereunder shall terminate.

(b) Definition of "Cause." For purposes of this Agreement, "Cause" shall mean one or more of the following:

(i) Executive's intentional commission of an act, or intentional failure to act, that materially injures the business of the Company; *provided, however*, that in no event shall any business judgment made in good faith by Executive and within Executive's defined scope of authority constitute a basis for termination for Cause under this Agreement;

(ii) Executive's intentional refusal or intentional failure to act in accordance with any lawful and proper direction or order of the Board of Directors, the Chief Executive Officer, or the individual to whom Executive reports.

(iii) Executive's material breach of Executive's fiduciary, statutory, contractual, or common law duties to the Company (including any material breach of this Agreement, the Proprietary Information and Inventions Agreement, or the Company's written policies);

(iv) Executive's indictment for or conviction of any felony or any crime involving dishonesty; or

(v) Executive's participation in any fraud or other act of willful misconduct against the Company;

provided, however, that in the event that any of the foregoing events is reasonably capable of being cured, the Company shall provide written notice to Executive describing the nature of such event and Executive shall thereafter have ten (10) business days to cure such event.

6.5 Termination by the Company without Cause.

(a) **The Company's Right.** The Company may terminate Executive's employment and this Agreement without Cause (as defined in Section 6.4(b) herein) at any time by giving thirty (30) days advance written notice to Executive.

(b) **Severance Benefits.** If the Company terminates Executive's employment without Cause, and if Executive signs the Release on or within the time period set forth therein (but in no event later than forty-five (45) days after the termination date) and allows such Release to become effective, then:

(i) **Accrued Compensation.** The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(ii) **Cash Compensation Amount Payments.** The Company shall pay Executive an amount calculated as follows: [Executive's annual Base Salary + Executive's Target Annual Bonus (as defined in Section 3.2 herein)] multiplied by 1.25 (the "Cash Compensation Amount"). Subject to the provisions of Section 6.11, the Cash Compensation Amount will be paid in equal installments on the Company's standard payroll dates over a period of 15 months commencing with the first payroll period following the effectiveness of the Release.

(iii) **Stock Awards.** The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares which would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment.

(iv) **Health Insurance Benefits.** To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 15 months after the date of Executive's termination of employment; *provided, however*, that any

such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

6.6 Termination by Executive due to a Constructive Termination.

(a) Executive's Right. Executive may resign his employment and terminate this Agreement at any time as a result of a Constructive Termination (as defined in Section 6.6(c) herein).

(b) Severance Benefits. If Executive resigns his employment and terminates this Agreement as a result of a Constructive Termination, and if Executive signs the Release on or within the time period set forth therein (but in no event later than forty-five (45) days after the termination date) and allows such Release to become effective, then Executive shall receive all of the severance benefits set forth in Section 6.5(b) herein.

(c) Definition of "Constructive Termination." For purposes of this Agreement, "Constructive Termination" shall mean a resignation of employment and termination of this Agreement by Executive for one or more of the following reasons:

(i) Assignment to, or withdrawal from, Executive of any duties or responsibilities that results in a material diminution in such Executive's authority, duties or responsibilities as in effect immediately prior to such change;

(ii) A material diminution in the authority, duties or responsibilities of the supervisor to whom Executive is required to report,

(iii) A material reduction by the Company of Executive's annual Base Salary;

(iv) A relocation of Executive or the Company's principal executive offices if Executive's principal office is at such offices, to a location more than forty (40) miles from the location at which Executive is then performing his duties, except for an opportunity to relocate which is accepted by Executive in writing; or

(v) A material breach by the Company of any provision of this Agreement or any other enforceable written agreement between Executive and the Company; *provided; however,* that Executive must first provide the Company with written notice specifying the condition giving rise to a Constructive Termination within ninety (90) days following the initial existence of such condition; and Executive's notice must specify that Executive intends to terminate his employment no earlier than thirty (30) days after providing such notice, and the Company must be given an opportunity to cure such condition within thirty (30) days following its receipt of such notice and avoid paying benefits.

6.7 Voluntary Resignation. Executive may resign his or her employment and terminate this Agreement at any time for any reason other than due to a Constructive Termination (as defined in Section 6.6(c) herein). In such event, the Company shall pay Executive all Accrued Compensation (as defined in Section 6.2(c) herein), but no other

compensation or reimbursement of any kind, including without limitation, any severance compensation or benefits shall be paid, and thereafter the Company's obligations hereunder shall terminate.

6.8 Change In Control.

(a) Severance Benefits. If (i) within six months after the consummation of a Change in Control (as defined in Section 6.8(b) herein), (1) the Company terminates Executive's employment and this Agreement without Cause pursuant to Section 6.5 herein or (2) Executive resigns his employment and terminates this Agreement as a result of a Constructive Termination pursuant to Section 6.6 herein, and (ii) in either event (1) or (2), Executive signs the Release on or within the time period set forth therein, but in no event later than forty-five (45) days after the termination date and allows such Release to become effective, then Executive shall receive the following severance benefits in lieu of any severance benefits set forth in Section 6.5(b) or Section 6.6(b) herein:

(i) Accrued Compensation. The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(ii) CIC Cash Compensation Amount Payment. The Company shall pay Executive an amount calculated as follows: [Executive's annual Base Salary + Executive's Target Annual Bonus (as defined in Section 3.2 herein)] multiplied by 2.0 (collectively, the "CIC Cash Compensation Amount"). The CIC Cash Compensation Amount will be paid in one lump sum within ten (10) days following the Effective Date of the Release.

(iii) Cash Payment for Stock Awards. Within ten (10) days following the Effective Date of the Release, the Company shall pay Executive a cash amount equal to the value, as of the date of the consummation of the Change in Control, of (1) all Stock Awards that are unvested at the time of termination of employment, and (2) all Stock Awards that are vested at the time of termination of employment and for which the shares subject to such Stock Awards have not yet been issued, including, without limitation, any unexercised stock options, unexercised stock appreciation rights, and unissued shares subject to a restricted stock unit award, provided, in either case, that such Stock Awards were held by Executive as of the date of consummation of the Change in Control, and all rights of Executive in such Stock Awards and any unvested shares of stock that previously may have been issued thereunder shall be extinguished as a result of such payment, with the result that such Stock Awards shall automatically terminate unexercised and unvested shares of stock previously issued shall automatically be reacquired by the Company or its successor. For purposes of the foregoing cash payment, (1) stock options and stock appreciation rights shall be valued on the basis of the difference between the value of the subject stock for purposes of the transaction constituting the Change of Control and the exercise or base price of the award, and (2) restricted stock, restricted stock units or other full value awards and shares of stock acquired under Stock Awards shall be valued on the basis of the value of the subject stock for purposes of the transaction constituting the Change in Control.

(iv) Health Insurance Benefits. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 24 months after the date of Executive's termination of employment; *provided, however,* that any such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

(b) Definition of "Change in Control." For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during Executive's employment hereunder, any of the following events shall occur:

(i) The Company is merged, or consolidated, or reorganized into or with another corporation or other legal person, and as a result of such merger, consolidation or reorganization less than 50% of the combined voting power of the then-outstanding securities of such corporation or person immediately after such transaction are held in the aggregate by the holders of voting securities of the Company immediately prior to such transaction;

(ii) The Company sells all or substantially all of its assets or any other corporation or other legal person and thereafter, less than 50% of the combined voting power of the then-outstanding voting securities of the acquiring or consolidated entity are held in the aggregate by the holders of voting securities of the Company immediately prior to such sale;

(iii) There is a report filed after the date of this Agreement on Schedule 13 D or schedule 14 D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term beneficial owner is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) representing 50% or more of the combined voting power of the then-outstanding voting securities of the Company;

(iv) The Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to item 1 of Form 8-X thereunder or Item 5(f) of Schedule 14 A thereunder (or any successor schedule, form or report or item therein) that the change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction; or

(v) During any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to

constitute at least a majority thereof unless the election to the nomination for election by the Company's shareholders of each director of the Company first elected during such period was approved by a vote of at least two-thirds of the directors of the Company then still in office who were directors of the Company at the beginning of such period.

(c) Parachute Payments.

(i) If any payment or benefit (including payments or benefits pursuant to this Agreement) that Executive would receive in connection with a Change in Control or otherwise (a "Payment") (1) would constitute a "parachute payment" within the meaning of Section 280G of the Code, and (2) but for this sentence, would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company shall cause to be determined, before any amount of the Payment is paid to Executive, whether the total payments exceed 2.99 times Executive's "base amount" within the meaning of Section 280G of the Code (the "Base Amount") by 15% or less, in which case such Payment shall be reduced to an amount that results in no portion of the Payment being subject to the Excise Tax (the "Reduced Payment").

(ii) If a Reduced Payment is made, (x) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (y) reduction in payments and/or benefits shall occur in the following order unless Executive elects in writing a different order (*provided, however*, that such election shall be subject to Company approval if made on or after the date on which the event that triggers the Payment occurs): (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits paid to Executive. In the event that acceleration of compensation from Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant unless Executive elects in writing a different order for cancellation.

(iii) If it is determined that the Payment exceeds 2.99 times Executive's Base Amount by more than 15%, the Company shall pay the full amount of the Payment and Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") from the Company in an amount that after the payment of all taxes (including, without limitation, (1) any income or employment taxes, (2) any interest or penalties imposed with respect to such taxes, and (3) any additional Excise Tax on the Gross-Up Payment, Executive shall retain an amount equal to the full Excise Tax. The Gross-Up Payment shall be paid as soon as practicable following the date the Payment is made, but in no event later than the end of the Executive's taxable year following the taxable year in which Executive has remitted (by withholding or otherwise) the Excise Tax.

(iv) For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to have: (x) paid federal income taxes at the highest marginal rate of federal income and employment taxation for the calendar year in which the Gross-Up Payment is to be made, and (y) paid applicable state and local income taxes at the highest rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(v) Except as otherwise provided herein, Executive shall not be entitled to any additional payments or other indemnity arrangements in connection with the Payment or the Gross-Up Payment.

6.9 Mitigation. Except as otherwise specifically provided herein, Executive shall not be required to mitigate the amount of any payment provided under this Agreement by seeking other employment or self-employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or through self-employment or by retirement benefits after the date of Executive's termination of employment from the Company, except as provided herein.

6.10 Coordination. If upon termination of employment, Executive becomes entitled to rights under other plans, contracts or arrangements entered into by the Company, this Agreement shall be coordinated with such other arrangements so that Executive's rights under this Agreement are not reduced, and that any payments under this Agreement offset the same types of payments otherwise provided under such other arrangements, but do not otherwise reduce any payments or benefits under such other arrangements to which Executive becomes entitled.

6.11 Application of Section 409A. If Executive is a "specified employee" within the meaning of 409A(a)(2)(B)(i) of the Code, any installment payments of Disability Base Salary Payments pursuant to Section 6.3(b) or Cash Compensation Amounts pursuant to Section 6.5(b) or 6.6(b) that are triggered by a separation from service shall be accelerated to the minimum extent necessary so that (a) the lesser of (y) the total cash severance payment amount, or (z) six (6) months of such installment payments are paid no later than March 15 of the calendar year following such termination, and (b) all amounts paid pursuant to the foregoing clause (a) will constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations and thus will be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations. It is intended that if Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code at the time of such separation from service the foregoing provision shall result in compliance with the requirements of Section 409A(a)(2)(B)(i) of the Code since payments to Executive will either be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations or will not be paid until at least 6 months after separation from service.

ARTICLE 7

GENERAL PROVISIONS

7.1 Governing Law. The validity, interpretation, construction and performance of this Agreement and the rights of the parties thereunder shall be interpreted and enforced under California law without reference to principles of conflicts of laws. The parties expressly agree that inasmuch as the Company's headquarters and principal place of business are located in California, it is appropriate that California law govern this Agreement.

7.2 Assignment; Successors Binding Agreement.

(a) No Assignment. Executive may not assign, pledge or encumber his interest in this Agreement or any part thereof.

(b) Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by operation of law or by agreement in form and substance reasonably satisfactory to Executive, to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(c) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributee, devisees and legatees. If Executive should die while any amount is at such time payable to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legates or other designee or, if there be no such designee, to his estate.

7.3 Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

To the Company:

Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130
Attn.: President & Chief Executive Officer

To Executive:

Kevin C. Gorman

7.4 Modification; Waiver; Entire Agreement. This Agreement constitutes the complete, final and exclusive embodiment of the entire agreement between Executive and the Company with regard to this subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations, including, without limitation, the Original Employment Agreement which shall have no further force or effect. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and such officer as may be specifically designated by the Board of the Company. No waiver by either party hereto at any time of any

breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

7.5 Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

7.6 Controlling Document. Except to the extent described in Section 6.10, in case of conflict between any of the terms and condition of this Agreement and the document herein referred to, the terms and conditions of this Agreement shall control.

7.7 Executive Acknowledgment. Executive acknowledges (a) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

7.8 Dispute Resolution. To ensure the rapid and economical resolution of disputes that may arise in connection with Executive's employment, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, execution, or interpretation of this Agreement, Executive's employment, or the termination of that employment, shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Diego, California conducted before a single arbitrator by Judicial Arbitration and Mediation Services, Inc. ("JAMS") or its successor, under the then applicable JAMS rules. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or by administrative proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The Company shall pay all of JAMS' arbitration fees. Nothing in this letter agreement shall prevent either Executive or the Company from obtaining injunctive relief in court if necessary to prevent irreparable harm pending the conclusion of any arbitration. The parties agree that the arbitrator shall award reasonable attorneys fees, costs, and all other related expenses to the prevailing party in any action brought hereunder, and the arbitrator shall have discretion to determine the prevailing party in an arbitration where multiple claims may be at issue.

7.9 Remedies.

(a) Injunctive Relief. The parties agree that the services to be rendered by Executive hereunder are of a unique nature and that in the event of any breach or threatened breach of any of the covenants contained herein, the damage or imminent damage to the value and the goodwill of the Company's business will be irreparable and extremely difficult to estimate, making any remedy at law or in damages inadequate. Accordingly, the parties agree that the Company shall be entitled to injunctive relief against Executive in the event of any

breach or threatened breach of any such provisions by Executive, in addition to any other relief (including damage) available to the Company under this Agreement or under law.

(b) Exclusive. Both parties agree that the remedy specified in Section 7.9(a) above is not exclusive of any other remedy for the breach by Executive of the terms hereof.

7.10 Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same Agreement. Executed by the parties as follows:

EXECUTIVE

NEUROCRINE BIOSCIENCES, INC

By: /s/ Kevin C. Gorman

By: /s/ Gary A. Lyons

Date: August 1, 2007

Date: August 1, 2007

EXHIBIT A
GENERAL RELEASE

Pursuant to the terms of the Employment Agreement between Neurocrine Biosciences, Inc. (the "Company") and Kevin C. Gorman ("Executive") dated August 1, 2007 (the "Agreement"), the parties hereby enter into the following General Release (the "Release"):

1. Accrued Salary and Vacation. Executive understands that, on the last date of Executive's employment with the Company, the Company will pay Executive any accrued salary and accrued and unused vacation to which Executive is entitled by law, regardless of whether Executive signs this Release.

2. General Release. Executive hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively the "Released Parties") of and from any and all claims, liabilities and obligations, both known and unknown, arising out of or in any way related to events, acts, conduct, or omissions occurring at any time prior to or at the time that Executive signs this Release.\

3. Scope of Release. This general release includes, but is not limited to: (1) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (2) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing (including claims based on or arising under the Agreement); (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act (as amended) ("ADEA"), the federal Family and Medical Leave Act, the California Labor Code (as amended), the California Family Rights Act, and the California Fair Employment and Housing Act (as amended).

4. ADEA Waiver. Executive acknowledges that Executive is knowingly and voluntarily waiving and releasing any rights Executive may have under the ADEA, and that the consideration given for the waiver and release in the preceding paragraph is in addition to anything of value to which Executive is already entitled. Executive further acknowledges that Executive has been advised by this writing that: (1) Executive's waiver and release do not apply to any rights or claims that may arise after the date Executive signs this Release; (2) Executive should consult with an attorney prior to signing this Release (although Executive may choose voluntarily not to do so); (3) Executive has twenty-one (21) days to consider this Release (although Executive may choose voluntarily to sign it earlier); (4) Executive has seven (7) days following the date Executive signs this Release to revoke it by providing written notice of

revocation to the Company's Chief Executive Officer; and (5) this Release will not be effective until the date upon which the revocation period has expired, which will be the eighth calendar day after the date Executive signs it provided that Executive does not revoke it (the "Effective Date").

5. Section 1542 Waiver. EXECUTIVE UNDERSTANDS THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. Executive acknowledges that Executive has read and understands Section 1542 of the California Civil Code which reads as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor." Executive hereby expressly waives and relinquishes all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to Executive's respective release of claims herein, including but not limited to Executive's release of unknown and unsuspected claims.

6. Excluded Claims. Executive understands that notwithstanding the foregoing, the following are not included in the Released Claims (the "Excluded Claims"): (i) any rights or claims for indemnification Executive may have pursuant to any written indemnification agreement to which he is a party, the charter, bylaws, or operating agreements of any of the Released Parties, or under applicable law; or (ii) any rights which are not waivable as a matter of law. In addition, Executive understands that nothing in this release prevents Executive from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that Executive acknowledges and agrees that Executive shall not recover any monetary benefits in connection with any such claim, charge or proceeding with regard to any claim released herein. Executive hereby represents and warrants that, other than the Excluded Claims, Executive is not aware of any claims he has or might have against any of the Released Parties that are not included in the Released Claims.

7. Executive Representations. Executive hereby represents that Executive has been paid all compensation owed and for all hours worked; Executive has received all the leave and leave benefits and protections for which Executive is eligible, pursuant to the Family and Medical Leave Act, the California Family Rights Act, or otherwise; and Executive has not suffered any on-the-job injury for which Executive has not already filed a workers' compensation claim.

8. Nondisparagement. Executive agrees not to disparage the Company, its parent, or its or their officers, directors, employees, shareholders, affiliates and agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation (although Executive may respond accurately and fully to any question, inquiry or request for information as required by legal process).

9. Cooperation. Executive agrees not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the other party, or against the

Company's parent or subsidiary entities, affiliates, officers, directors, employees or agents. Executive further agrees to reasonably cooperate with the other party, by voluntarily (without legal compulsion) providing accurate and complete information, in connection with such other party's actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or failures to act that occurred during the period of Executive's employment by the Company.

10. No Admission of Liability. The parties agree that this Release, and performance of the acts required by it, does not constitute an admission of liability, culpability, negligence or wrongdoing on the part of anyone, and will not be construed for any purpose as an admission of liability, culpability, negligence or wrongdoing by any party and/or by any party's current, former or future parents, subsidiaries, related entities, predecessors, successors, officers, directors, shareholders, agents, employees and assigns. The parties specifically acknowledge and agree that this Release is a compromise of disputed claims and that the Company denies any liability for any matter released herein.

NEUROCRINE BIOSCIENCES, INC.:

By: _____

Date: _____

EXECUTIVE:

By: _____

Date: _____

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, effective as of the last date signed by the parties hereto (the “Effective Date”), supersedes and replaces the Employment Agreement dated June 20, 2005 by and between **NEUROCRINE BIOSCIENCES, INC.**, 12790 El Camino Real, San Diego, California 92130 (hereinafter the “Company”), and **Richard Ranieri** (hereinafter “Executive”) (the “Original Employment Agreement”). Once this Agreement is effective, the Original Employment Agreement shall have no further force or effect.

RECITALS

WHEREAS, the Company and Executive wish to set forth in this Agreement the terms and conditions under which Executive is to be employed by the Company on and after the Effective Date hereof;

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises set forth herein, agree as follows:

ARTICLE 1

NATURE OF EMPLOYMENT

1.1 Commencement Date. Executive’s full-time employment with the Company under this Agreement shall be deemed to have commenced as of August 1, 2007 (“Commencement Date”) and this Agreement shall continue from the Effective Date until it is terminated by either the Company or Executive pursuant to the terms set forth in Article 6.

1.2 At-Will Employment. Executive shall be employed at-will by the Company and therefore either Executive or the Company may terminate the employment relationship and this Agreement at any time, with or without Cause (as defined herein) and with or without advance notice, subject to the provisions of Article 6.

ARTICLE 2

EMPLOYMENT DUTIES

2.1 Title/Responsibilities. Executive hereby accepts employment with the Company pursuant to the terms and conditions hereof. Executive agrees to serve the Company in the position of Senior Vice President, Human Resources. Executive shall have the powers and duties commensurate with such position, including but not limited to hiring personnel necessary to carry out the responsibilities for such position as set forth in the annual business plan approved by the Board of Directors.

2.2 Full Time Attention. Executive shall devote his best efforts and his full business time and attention to the performance of the services customarily incident to such office and to such other services as the President and Chief Executive Officer or Board may reasonably request.

2.3 Other Activities. Except upon the prior written consent of the President & Chief Executive Officer, Executive shall not during the period of employment engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place him in a competing position to that of the Company or any other corporation or entity that directly or indirectly controls, is controlled by, or is under common control with the Company (an "Affiliated Company"), provided that Executive may own less than two percent (2%) of the outstanding securities of any such publicly traded competing corporation.

ARTICLE 3

COMPENSATION

3.1 Base Salary. Executive shall receive a Base Salary at an annual rate of three hundred thousand dollars (\$300,000.00), payable semi-monthly in equal installments in accordance with the Company's normal payroll practices. The Chief Executive Officer shall provide Executive with annual performance reviews, and, thereafter, Executive shall be entitled to such increase in Base Salary as the Chief Executive Officer and Board of Directors may from time to time establish in their sole discretion.

3.2 Incentive Bonus. In addition to any other bonus Executive shall be awarded by the Company's Board of Directors, Executive shall be eligible to receive an annual incentive bonus as determined by the Company's Board of Directors and Chief Executive Officer based upon both the achievement of Executive in meeting annual personal goals established by the Chief Executive Officer / Board of Directors and the achievement by the Company of annual corporate goals established by the Board of Directors. Executive's target annual incentive bonus will be as set forth in the Company's annual bonus plan (the "Target Annual Bonus"). Executive's annual personal goals and the Company's annual corporate goals will be set forth in writing by the Chief Executive Officer and the Board of Directors within ninety (90) days after the start of the Company's fiscal year. The Board of Directors and the Chief Executive Officer shall, in their sole discretion, determine whether Executive's annual personal goals have been attained. The Board of Directors shall, in its sole discretion, determine whether the annual corporate goals have been attained. Any annual incentive bonus shall be considered earned only if Executive is employed by the Company both on the date that the determination is made as to whether annual personal goals have been met, and on the date that the determination is made as to whether annual corporate goals have been met. These determinations generally will be made within the first quarter following the end of the Company's fiscal year. Except as provided in Article 6 herein, no pro-rata bonus will be considered earned if Executive leaves the Company for any reason prior to the foregoing determination dates. Any annual incentive bonus that is earned shall be paid no later than the fifteenth day of the third month following the end of the Company's fiscal year for which such bonus was earned.

3.3 Equity. Except as provided in Article 6 in the case of certain terminations of employment, this Agreement shall not affect any Stock Awards (as such term is defined below) previously granted by the Company to Executive. Subject to approval by the Company's Board of Directors, Executive shall be eligible to receive additional Stock Awards on terms to be set forth by the Company at the time of any such grant. For purposes of this Agreement, "Stock Awards" shall mean any rights granted by the Company to Executive with respect to the common stock of the Company, including, without limitation, stock options, stock appreciation rights, restricted stock, stock bonuses and restricted stock units.

3.4 Withholdings. All compensation and benefits payable to Executive under this Agreement shall be subject to all federal, state, local taxes and other withholdings and similar taxes and payments required by applicable law.

ARTICLE 4

EXPENSE ALLOWANCES AND FRINGE BENEFITS

4.1 Vacation. Executive shall be entitled to participate in the Company's vacation plan pursuant to the terms of that plan.

4.2 Benefits. During Executive's employment hereunder, the Company shall also provide Executive with the health insurance benefits it generally provides to its other senior management employees. As Executive becomes eligible in accordance with criteria to be adopted by the Company, the Company shall provide Executive with the right to participate in and to receive benefit from life, accident, disability, medical, and savings plans and similar benefits made available generally to employees of the Company as such plans and benefits may be adopted by the Company. With respect to long-term disability insurance coverage, the Executive will pay all premiums for such coverage with after-tax dollars, and the Company will reimburse the Executive for the premium costs so paid by the Executive and make an additional tax gross-up payment to Executive in an amount that shall fully fund the payment by Executive of any income and employment taxes on such reimbursement payment and tax gross-up payment. The amount and extent of benefits to which Executive is entitled shall be governed by the specific benefit plan as it may be amended from time to time.

4.3 Business Expense Reimbursement. During the term of this Agreement, Executive shall be entitled to receive proper reimbursement for all reasonable out-of-pocket expenses incurred by him (in accordance with the policies and procedures established by the Company for its senior executive officers) in performing services hereunder. Executive agrees to furnish to the Company adequate records and other documentary evidence of such expense for which Executive seeks reimbursement. Such expenses shall be reimbursed and accounted for under the policies and procedures established by the Company, and such reimbursement shall be made promptly, but in no event later than December 31 of the calendar year following the year in which such expenses were incurred by Executive.

ARTICLE 5

CONFIDENTIALITY

5.1 Proprietary Information. Executive represents and warrants that he has previously executed and delivered to the Company the Company's standard Proprietary Information and Inventions Agreement.

5.2 Return of Property. All documents, records, apparatus, equipment and other physical property which is furnished to or obtained by Executive in the course of his employment with the Company shall be and remain the sole property of the Company. Executive agrees that, upon the termination of his employment, he shall return all such property (whether or not it pertains to Proprietary Information as defined in the Proprietary Information and Inventions Agreement), and agrees not to make or retain copies, reproductions or summaries of any such property.

5.3 No Use of Prior Confidential Information. Executive will not intentionally disclose to the Company or use on its behalf any confidential information belonging to any of his former employers or any other third party.

ARTICLE 6

TERMINATION

6.1 General. As set forth in Section 1.2 herein, Executive shall be employed on an at-will basis by the Company. Notwithstanding the foregoing, Executive's employment and this Agreement may be terminated in one of six ways as set forth in this Article 6: (a) Executive's Death (Section 6.2); (b) Executive's Disability (Section 6.3); (c) Termination by the Company for Cause (Section 6.4); (d) Termination by the Company without Cause (Section 6.5); (e) Termination by Executive due to a Constructive Termination (Section 6.6); or (f) Voluntary Resignation (Section 6.7).

6.2 By Death. Executive's employment and this Agreement shall terminate automatically upon the death of Executive. In such event:

(a) Stock Awards. The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares that would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment. All Stock Awards held by Executive that are vested at the time of termination (including any accelerated Stock Awards) will be exercisable in accordance with their terms for a period of one year after the termination date.

(b) Bonus. The Company shall pay to Executive's beneficiaries or his estate, as the case may be, a lump sum amount equal to Executive's Target Annual Bonus (as defined in Section 3.2) for the Company's fiscal year in which Executive's death occurs multiplied by a fraction, the numerator of which is the number of full months of employment by Executive in

such fiscal year and the denominator of which is 12. Such amount shall be paid as soon as administratively practicable, but in no event later than March 15 following the year in which Executive's death occurred.

(c) Accrued Compensation. The Company shall pay to Executive's beneficiaries or his estate, as the case may be, any accrued Base Salary, any vested deferred compensation (other than pension plan or profit-sharing plan benefits that will be paid in accordance with the applicable plan), any benefits under any plans of the Company (other than pension and profit-sharing plans) in which Executive is a participant to the full extent of Executive's rights under such plans, any accrued vacation pay and any appropriate business expenses incurred by Executive in connection with his duties hereunder, all to the date of termination (collectively "Accrued Compensation").

(d) No Severance Compensation. The compensation and benefits set forth in Sections 6.2(a) through (c) herein shall be the only compensation and benefits provided by the Company in the event of Executive's death and no other severance compensation or benefits shall be provided.

6.3 By Disability. If Executive is prevented from performing his duties hereunder by reason of any physical or mental incapacity that results in Executive's satisfaction of all requirements necessary to receive benefits under the Company's long-term disability plan due to a total disability, then, to the extent permitted by law, the Company may terminate the employment of Executive and this Agreement at or after such time. In such event, and if Executive signs the General Release set forth as **Exhibit A** or such other form of release as the Company may require (the "Release") on or within the time period set forth therein, but in no event later than forty-five (45) days after the termination date and allows such Release to become effective, then:

(a) Accrued Compensation. The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(b) Base Salary Continuation. The Company shall continue to pay Executive's Base Salary, less required withholdings, for a period of 15 months (the "Disability Base Salary Payments"); provided that the Disability Base Salary Payments shall be reduced by any insurance or other payments to Executive under policies and plans sponsored by the Company, even if premiums are paid by Executive. Subject to the provisions of Section 6.11, the Disability Base Salary Payments shall be paid in accordance with the Company's standard payroll practices commencing with the first payroll period following the effectiveness of the Release.

(c) Bonus. The Company shall pay a lump sum amount equal to Executive's Target Annual Bonus (as defined in Section 3.2) for the Company's then-current fiscal year multiplied by a fraction, the numerator of which is the number of full months of employment by Executive in the current fiscal year and the denominator of which is 12. Such payment shall be made within ten (10) days following the Effective Date of the Release.

(d) Stock Awards. The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares which would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment.

(e) Health Insurance Benefits. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 15 months after the date of Executive's termination of employment; *provided, however*, that any such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

(f) Disability Plans. Nothing in this Section 6.3 shall affect Executive's rights under any disability plan in which Executive is a participant.

6.4 Termination by the Company for Cause.

(a) No Liability. The Company may terminate Executive's employment and this Agreement for Cause (as defined below) without liability at any time. In such event, the Company shall pay Executive all Accrued Compensation (as defined in Section 6.2(c) herein), but no other compensation or reimbursement of any kind, including without limitation, any severance compensation or benefits shall be paid, and thereafter the Company's obligations hereunder shall terminate.

(b) Definition of "Cause." For purposes of this Agreement, "Cause" shall mean one or more of the following:

(i) Executive's intentional commission of an act, or intentional failure to act, that materially injures the business of the Company; *provided, however*, that in no event shall any business judgment made in good faith by Executive and within Executive's defined scope of authority constitute a basis for termination for Cause under this Agreement;

(ii) Executive's intentional refusal or intentional failure to act in accordance with any lawful and proper direction or order of the Board of Directors, the Chief Executive Officer, or the individual to whom Executive reports.

(iii) Executive's material breach of Executive's fiduciary, statutory, contractual, or common law duties to the Company (including any material breach of this Agreement, the Proprietary Information and Inventions Agreement, or the Company's written policies);

(iv) Executive's indictment for or conviction of any felony or any crime involving dishonesty; or

(v) Executive's participation in any fraud or other act of willful misconduct against the Company;

provided, however, that in the event that any of the foregoing events is reasonably capable of being cured, the Company shall provide written notice to Executive describing the nature of such event and Executive shall thereafter have ten (10) business days to cure such event.

6.5 Termination by the Company without Cause.

(a) **The Company's Right.** The Company may terminate Executive's employment and this Agreement without Cause (as defined in Section 6.4(b) herein) at any time by giving thirty (30) days advance written notice to Executive.

(b) **Severance Benefits.** If the Company terminates Executive's employment without Cause, and if Executive signs the Release on or within the time period set forth therein (but in no event later than forty-five (45) days after the termination date) and allows such Release to become effective, then:

(i) **Accrued Compensation.** The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(ii) **Cash Compensation Amount Payments.** The Company shall pay Executive an amount calculated as follows: [Executive's annual Base Salary + Executive's Target Annual Bonus (as defined in Section 3.2 herein)] multiplied by 1.25 (the "Cash Compensation Amount"). Subject to the provisions of Section 6.11, the Cash Compensation Amount will be paid in equal installments on the Company's standard payroll dates over a period of 15 months commencing with the first payroll period following the effectiveness of the Release.

(iii) **Stock Awards.** The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares which would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment.

(iv) **Health Insurance Benefits.** To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 15 months after the date of Executive's termination of employment; *provided, however*, that any

such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

6.6 Termination by Executive due to a Constructive Termination.

(a) Executive's Right. Executive may resign his employment and terminate this Agreement at any time as a result of a Constructive Termination (as defined in Section 6.6(c) herein).

(b) Severance Benefits. If Executive resigns his employment and terminates this Agreement as a result of a Constructive Termination, and if Executive signs the Release on or within the time period set forth therein (but in no event later than forty-five (45) days after the termination date) and allows such Release to become effective, then Executive shall receive all of the severance benefits set forth in Section 6.5(b) herein.

(c) Definition of "Constructive Termination." For purposes of this Agreement, "Constructive Termination" shall mean a resignation of employment and termination of this Agreement by Executive for one or more of the following reasons:

(i) Assignment to, or withdrawal from, Executive of any duties or responsibilities that results in a material diminution in such Executive's authority, duties or responsibilities as in effect immediately prior to such change;

(ii) A material diminution in the authority, duties or responsibilities of the supervisor to whom Executive is required to report,

(iii) A material reduction by the Company of Executive's annual Base Salary;

(iv) A relocation of Executive or the Company's principal executive offices if Executive's principal office is at such offices, to a location more than forty (40) miles from the location at which Executive is then performing his duties, except for an opportunity to relocate which is accepted by Executive in writing; or

(v) A material breach by the Company of any provision of this Agreement or any other enforceable written agreement between Executive and the Company; *provided; however,* that Executive must first provide the Company with written notice specifying the condition giving rise to a Constructive Termination within ninety (90) days following the initial existence of such condition; and Executive's notice must specify that Executive intends to terminate his employment no earlier than thirty (30) days after providing such notice, and the Company must be given an opportunity to cure such condition within thirty (30) days following its receipt of such notice and avoid paying benefits.

6.7 Voluntary Resignation. Executive may resign his or her employment and terminate this Agreement at any time for any reason other than due to a Constructive Termination (as defined in Section 6.6(c) herein). In such event, the Company shall pay Executive all Accrued Compensation (as defined in Section 6.2(c) herein), but no other

compensation or reimbursement of any kind, including without limitation, any severance compensation or benefits shall be paid, and thereafter the Company's obligations hereunder shall terminate.

6.8 Change In Control.

(a) Severance Benefits. If (i) within six months after the consummation of a Change in Control (as defined in Section 6.8(b) herein), (1) the Company terminates Executive's employment and this Agreement without Cause pursuant to Section 6.5 herein or (2) Executive resigns his employment and terminates this Agreement as a result of a Constructive Termination pursuant to Section 6.6 herein, and (ii) in either event (1) or (2), Executive signs the Release on or within the time period set forth therein, but in no event later than forty-five (45) days after the termination date and allows such Release to become effective, then Executive shall receive the following severance benefits in lieu of any severance benefits set forth in Section 6.5(b) or Section 6.6(b) herein:

(i) Accrued Compensation. The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(ii) CIC Cash Compensation Amount Payment. The Company shall pay Executive an amount calculated as follows: [Executive's annual Base Salary + Executive's Target Annual Bonus (as defined in Section 3.2 herein)] multiplied by 2.0 (collectively, the "CIC Cash Compensation Amount"). The CIC Cash Compensation Amount will be paid in one lump sum within ten (10) days following the Effective Date of the Release.

(iii) Cash Payment for Stock Awards. Within ten (10) days following the Effective Date of the Release, the Company shall pay Executive a cash amount equal to the value, as of the date of the consummation of the Change in Control, of (1) all Stock Awards that are unvested at the time of termination of employment, and (2) all Stock Awards that are vested at the time of termination of employment and for which the shares subject to such Stock Awards have not yet been issued, including, without limitation, any unexercised stock options, unexercised stock appreciation rights, and unissued shares subject to a restricted stock unit award, provided, in either case, that such Stock Awards were held by Executive as of the date of consummation of the Change in Control, and all rights of Executive in such Stock Awards and any unvested shares of stock that previously may have been issued thereunder shall be extinguished as a result of such payment, with the result that such Stock Awards shall automatically terminate unexercised and unvested shares of stock previously issued shall automatically be reacquired by the Company or its successor. For purposes of the foregoing cash payment, (1) stock options and stock appreciation rights shall be valued on the basis of the difference between the value of the subject stock for purposes of the transaction constituting the Change of Control and the exercise or base price of the award, and (2) restricted stock, restricted stock units or other full value awards and shares of stock acquired under Stock Awards shall be valued on the basis of the value of the subject stock for purposes of the transaction constituting the Change in Control.

(iv) Health Insurance Benefits. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 24 months after the date of Executive's termination of employment; *provided, however*, that any such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

(b) Definition of "Change in Control." For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during Executive's employment hereunder, any of the following events shall occur:

(i) The Company is merged, or consolidated, or reorganized into or with another corporation or other legal person, and as a result of such merger, consolidation or reorganization less than 50% of the combined voting power of the then-outstanding securities of such corporation or person immediately after such transaction are held in the aggregate by the holders of voting securities of the Company immediately prior to such transaction;

(ii) The Company sells all or substantially all of its assets or any other corporation or other legal person and thereafter, less than 50% of the combined voting power of the then-outstanding voting securities of the acquiring or consolidated entity are held in the aggregate by the holders of voting securities of the Company immediately prior to such sale;

(iii) There is a report filed after the date of this Agreement on Schedule 13 D or schedule 14 D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term beneficial owner is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) representing 50% or more of the combined voting power of the then-outstanding voting securities of the Company;

(iv) The Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to item 1 of Form 8-X thereunder or Item 5(f) of Schedule 14 A thereunder (or any successor schedule, form or report or item therein) that the change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction; or

(v) During any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to

constitute at least a majority thereof unless the election to the nomination for election by the Company's shareholders of each director of the Company first elected during such period was approved by a vote of at least two-thirds of the directors of the Company then still in office who were directors of the Company at the beginning of such period.

(c) Parachute Payments.

(i) If any payment or benefit (including payments or benefits pursuant to this Agreement) that Executive would receive in connection with a Change in Control or otherwise (a "Payment") (1) would constitute a "parachute payment" within the meaning of Section 280G of the Code, and (2) but for this sentence, would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company shall cause to be determined, before any amount of the Payment is paid to Executive, whether the total payments exceed 2.99 times Executive's "base amount" within the meaning of Section 280G of the Code (the "Base Amount") by 15% or less, in which case such Payment shall be reduced to an amount that results in no portion of the Payment being subject to the Excise Tax (the "Reduced Payment").

(ii) If a Reduced Payment is made, (x) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (y) reduction in payments and/or benefits shall occur in the following order unless Executive elects in writing a different order (*provided, however*, that such election shall be subject to Company approval if made on or after the date on which the event that triggers the Payment occurs): (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits paid to Executive. In the event that acceleration of compensation from Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant unless Executive elects in writing a different order for cancellation.

(iii) If it is determined that the Payment exceeds 2.99 times Executive's Base Amount by more than 15%, the Company shall pay the full amount of the Payment and Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") from the Company in an amount that after the payment of all taxes (including, without limitation, (1) any income or employment taxes, (2) any interest or penalties imposed with respect to such taxes, and (3) any additional Excise Tax on the Gross-Up Payment, Executive shall retain an amount equal to the full Excise Tax. The Gross-Up Payment shall be paid as soon as practicable following the date the Payment is made, but in no event later than the end of the Executive's taxable year following the taxable year in which Executive has remitted (by withholding or otherwise) the Excise Tax.

(iv) For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to have: (x) paid federal income taxes at the highest marginal rate of federal income and employment taxation for the calendar year in which the Gross-Up Payment is to be made, and (y) paid applicable state and local income taxes at the highest rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(v) Except as otherwise provided herein, Executive shall not be entitled to any additional payments or other indemnity arrangements in connection with the Payment or the Gross-Up Payment.

6.9 Mitigation. Except as otherwise specifically provided herein, Executive shall not be required to mitigate the amount of any payment provided under this Agreement by seeking other employment or self-employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or through self-employment or by retirement benefits after the date of Executive's termination of employment from the Company, except as provided herein.

6.10 Coordination. If upon termination of employment, Executive becomes entitled to rights under other plans, contracts or arrangements entered into by the Company, this Agreement shall be coordinated with such other arrangements so that Executive's rights under this Agreement are not reduced, and that any payments under this Agreement offset the same types of payments otherwise provided under such other arrangements, but do not otherwise reduce any payments or benefits under such other arrangements to which Executive becomes entitled.

6.11 Application of Section 409A. If Executive is a "specified employee" within the meaning of 409A(a)(2)(B)(i) of the Code, any installment payments of Disability Base Salary Payments pursuant to Section 6.3(b) or Cash Compensation Amounts pursuant to Section 6.5(b) or 6.6(b) that are triggered by a separation from service shall be accelerated to the minimum extent necessary so that (a) the lesser of (y) the total cash severance payment amount, or (z) six (6) months of such installment payments are paid no later than March 15 of the calendar year following such termination, and (b) all amounts paid pursuant to the foregoing clause (a) will constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations and thus will be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations. It is intended that if Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code at the time of such separation from service the foregoing provision shall result in compliance with the requirements of Section 409A(a)(2)(B)(i) of the Code since payments to Executive will either be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations or will not be paid until at least 6 months after separation from service.

ARTICLE 7

GENERAL PROVISIONS

7.1 Governing Law. The validity, interpretation, construction and performance of this Agreement and the rights of the parties thereunder shall be interpreted and enforced under California law without reference to principles of conflicts of laws. The parties expressly agree that inasmuch as the Company's headquarters and principal place of business are located in California, it is appropriate that California law govern this Agreement.

7.2 Assignment; Successors Binding Agreement.

(a) No Assignment. Executive may not assign, pledge or encumber his interest in this Agreement or any part thereof.

(b) Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by operation of law or by agreement in form and substance reasonably satisfactory to Executive, to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(c) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributee, devisees and legatees. If Executive should die while any amount is at such time payable to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legates or other designee or, if there be no such designee, to his estate.

7.3 Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

To the Company:

Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130
Attn.: President & Chief Executive Officer

To Executive:

Richard Ranieri

7.4 Modification; Waiver; Entire Agreement. This Agreement constitutes the complete, final and exclusive embodiment of the entire agreement between Executive and the Company with regard to this subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations, including, without limitation, the Original Employment Agreement which shall have no further force or effect. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and such officer as may be specifically designated by the Board of the Company. No waiver by either party hereto at any time of any

breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

7.5 Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

7.6 Controlling Document. Except to the extent described in Section 6.10, in case of conflict between any of the terms and condition of this Agreement and the document herein referred to, the terms and conditions of this Agreement shall control.

7.7 Executive Acknowledgment. Executive acknowledges (a) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

7.8 Dispute Resolution. To ensure the rapid and economical resolution of disputes that may arise in connection with Executive's employment, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, execution, or interpretation of this Agreement, Executive's employment, or the termination of that employment, shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Diego, California conducted before a single arbitrator by Judicial Arbitration and Mediation Services, Inc. ("JAMS") or its successor, under the then applicable JAMS rules. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or by administrative proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The Company shall pay all of JAMS' arbitration fees. Nothing in this letter agreement shall prevent either Executive or the Company from obtaining injunctive relief in court if necessary to prevent irreparable harm pending the conclusion of any arbitration. The parties agree that the arbitrator shall award reasonable attorneys fees, costs, and all other related expenses to the prevailing party in any action brought hereunder, and the arbitrator shall have discretion to determine the prevailing party in an arbitration where multiple claims may be at issue.

7.9 Remedies.

(a) Injunctive Relief. The parties agree that the services to be rendered by Executive hereunder are of a unique nature and that in the event of any breach or threatened breach of any of the covenants contained herein, the damage or imminent damage to the value and the goodwill of the Company's business will be irreparable and extremely difficult to estimate, making any remedy at law or in damages inadequate. Accordingly, the parties agree that the Company shall be entitled to injunctive relief against Executive in the event of any

breach or threatened breach of any such provisions by Executive, in addition to any other relief (including damage) available to the Company under this Agreement or under law.

(b) Exclusive. Both parties agree that the remedy specified in Section 7.9(a) above is not exclusive of any other remedy for the breach by Executive of the terms hereof.

7.10 Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same Agreement. Executed by the parties as follows:

EXECUTIVE

NEUROCRINE BIOSCIENCES, INC

By: /s/ Richard Ranieri

By: /s/ Gary A. Lyons

Date: August 1, 2007

Date: August 1, 2007

EXHIBIT A
GENERAL RELEASE

Pursuant to the terms of the Employment Agreement between Neurocrine Biosciences, Inc. (the "Company") and Richard Ranieri ("Executive") dated August 1, 2007 (the "Agreement"), the parties hereby enter into the following General Release (the "Release"):

1. Accrued Salary and Vacation. Executive understands that, on the last date of Executive's employment with the Company, the Company will pay Executive any accrued salary and accrued and unused vacation to which Executive is entitled by law, regardless of whether Executive signs this Release.

2. General Release. Executive hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively the "Released Parties") of and from any and all claims, liabilities and obligations, both known and unknown, arising out of or in any way related to events, acts, conduct, or omissions occurring at any time prior to or at the time that Executive signs this Release.\

3. Scope of Release. This general release includes, but is not limited to: (1) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (2) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing (including claims based on or arising under the Agreement); (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act (as amended) ("ADEA"), the federal Family and Medical Leave Act, the California Labor Code (as amended), the California Family Rights Act, and the California Fair Employment and Housing Act (as amended).

4. ADEA Waiver. Executive acknowledges that Executive is knowingly and voluntarily waiving and releasing any rights Executive may have under the ADEA, and that the consideration given for the waiver and release in the preceding paragraph is in addition to anything of value to which Executive is already entitled. Executive further acknowledges that Executive has been advised by this writing that: (1) Executive's waiver and release do not apply to any rights or claims that may arise after the date Executive signs this Release; (2) Executive should consult with an attorney prior to signing this Release (although Executive may choose voluntarily not to do so); (3) Executive has twenty-one (21) days to consider this Release (although Executive may choose voluntarily to sign it earlier); (4) Executive has seven (7) days following the date Executive signs this Release to revoke it by providing written notice of

revocation to the Company's Chief Executive Officer; and (5) this Release will not be effective until the date upon which the revocation period has expired, which will be the eighth calendar day after the date Executive signs it provided that Executive does not revoke it (the "Effective Date").

5. Section 1542 Waiver. EXECUTIVE UNDERSTANDS THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. Executive acknowledges that Executive has read and understands Section 1542 of the California Civil Code which reads as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor." Executive hereby expressly waives and relinquishes all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to Executive's respective release of claims herein, including but not limited to Executive's release of unknown and unsuspected claims.

6. Excluded Claims. Executive understands that notwithstanding the foregoing, the following are not included in the Released Claims (the "Excluded Claims"): (i) any rights or claims for indemnification Executive may have pursuant to any written indemnification agreement to which he is a party, the charter, bylaws, or operating agreements of any of the Released Parties, or under applicable law; or (ii) any rights which are not waivable as a matter of law. In addition, Executive understands that nothing in this release prevents Executive from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that Executive acknowledges and agrees that Executive shall not recover any monetary benefits in connection with any such claim, charge or proceeding with regard to any claim released herein. Executive hereby represents and warrants that, other than the Excluded Claims, Executive is not aware of any claims he has or might have against any of the Released Parties that are not included in the Released Claims.

7. Executive Representations. Executive hereby represents that Executive has been paid all compensation owed and for all hours worked; Executive has received all the leave and leave benefits and protections for which Executive is eligible, pursuant to the Family and Medical Leave Act, the California Family Rights Act, or otherwise; and Executive has not suffered any on-the-job injury for which Executive has not already filed a workers' compensation claim.

8. Nondisparagement. Executive agrees not to disparage the Company, its parent, or its or their officers, directors, employees, shareholders, affiliates and agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation (although Executive may respond accurately and fully to any question, inquiry or request for information as required by legal process).

9. Cooperation. Executive agrees not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the other party, or against the

Company's parent or subsidiary entities, affiliates, officers, directors, employees or agents. Executive further agrees to reasonably cooperate with the other party, by voluntarily (without legal compulsion) providing accurate and complete information, in connection with such other party's actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or failures to act that occurred during the period of Executive's employment by the Company.

10. No Admission of Liability. The parties agree that this Release, and performance of the acts required by it, does not constitute an admission of liability, culpability, negligence or wrongdoing on the part of anyone, and will not be construed for any purpose as an admission of liability, culpability, negligence or wrongdoing by any party and/or by any party's current, former or future parents, subsidiaries, related entities, predecessors, successors, officers, directors, shareholders, agents, employees and assigns. The parties specifically acknowledge and agree that this Release is a compromise of disputed claims and that the Company denies any liability for any matter released herein.

NEUROCRINE BIOSCIENCES, INC.:

EXECUTIVE:

By: _____

By: _____

Date: _____

Date: _____

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, effective as of the last date signed by the parties hereto (the “Effective Date”), supersedes and replaces the Employment Agreement dated September 18, 2006 by and between **NEUROCRINE BIOSCIENCES, INC.**, 12790 El Camino Real, San Diego, California 92130 (hereinafter the “Company”), and **Timothy P. Coughlin** (hereinafter “Executive”) (the “Original Employment Agreement”). Once this Agreement is effective, the Original Employment Agreement shall have no further force or effect.

RECITALS

WHEREAS, the Company and Executive wish to set forth in this Agreement the terms and conditions under which Executive is to be employed by the Company on and after the Effective Date hereof;

NOW, THEREFORE, the Company and Executive, in consideration of the mutual promises set forth herein, agree as follows:

ARTICLE 1

NATURE OF EMPLOYMENT

1.1 Commencement Date. Executive’s full-time employment with the Company under this Agreement shall be deemed to have commenced as of August 1, 2007 (“Commencement Date”) and this Agreement shall continue from the Effective Date until it is terminated by either the Company or Executive pursuant to the terms set forth in Article 6.

1.2 At-Will Employment. Executive shall be employed at-will by the Company and therefore either Executive or the Company may terminate the employment relationship and this Agreement at any time, with or without Cause (as defined herein) and with or without advance notice, subject to the provisions of Article 6.

ARTICLE 2

EMPLOYMENT DUTIES

2.1 Title/Responsibilities. Executive hereby accepts employment with the Company pursuant to the terms and conditions hereof. Executive agrees to serve the Company in the position of Vice President and Chief Financial Officer. Executive shall have the powers and duties commensurate with such position, including but not limited to hiring personnel necessary to carry out the responsibilities for such position as set forth in the annual business plan approved by the Board of Directors.

2.2 Full Time Attention. Executive shall devote his best efforts and his full business time and attention to the performance of the services customarily incident to such office and to such other services as the President and Chief Executive Officer or Board may reasonably request.

2.3 Other Activities. Except upon the prior written consent of the President & Chief Executive Officer, Executive shall not during the period of employment engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place him in a competing position to that of the Company or any other corporation or entity that directly or indirectly controls, is controlled by, or is under common control with the Company (an "Affiliated Company"), provided that Executive may own less than two percent (2%) of the outstanding securities of any such publicly traded competing corporation.

ARTICLE 3

COMPENSATION

3.1 Base Salary. Executive shall receive a Base Salary at an annual rate of two hundred seventy-five thousand dollars (\$275,000.00), payable semi-monthly in equal installments in accordance with the Company's normal payroll practices. The Chief Executive Officer shall provide Executive with annual performance reviews, and, thereafter, Executive shall be entitled to such increase in Base Salary as the Chief Executive Officer and Board of Directors may from time to time establish in their sole discretion.

3.2 Incentive Bonus. In addition to any other bonus Executive shall be awarded by the Company's Board of Directors, Executive shall be eligible to receive an annual incentive bonus as determined by the Company's Board of Directors and Chief Executive Officer based upon both the achievement of Executive in meeting annual personal goals established by the Chief Executive Officer / Board of Directors and the achievement by the Company of annual corporate goals established by the Board of Directors. Executive's target annual incentive bonus will be as set forth in the Company's annual bonus plan (the "Target Annual Bonus"). Executive's annual personal goals and the Company's annual corporate goals will be set forth in writing by the Chief Executive Officer and the Board of Directors within ninety (90) days after the start of the Company's fiscal year. The Board of Directors and the Chief Executive Officer shall, in their sole discretion, determine whether Executive's annual personal goals have been attained. The Board of Directors shall, in its sole discretion, determine whether the annual corporate goals have been attained. Any annual incentive bonus shall be considered earned only if Executive is employed by the Company both on the date that the determination is made as to whether annual personal goals have been met, and on the date that the determination is made as to whether annual corporate goals have been met. These determinations generally will be made within the first quarter following the end of the Company's fiscal year. Except as provided in Article 6 herein, no pro-rata bonus will be considered earned if Executive leaves the Company for any reason prior to the foregoing determination dates. Any annual incentive bonus that is earned shall be paid no later than the fifteenth day of the third month following the end of the Company's fiscal year for which such bonus was earned.

3.3 Equity. Except as provided in Article 6 in the case of certain terminations of employment, this Agreement shall not affect any Stock Awards (as such term is defined below) previously granted by the Company to Executive. Subject to approval by the Company's Board of Directors, Executive shall be eligible to receive additional Stock Awards on terms to be set forth by the Company at the time of any such grant. For purposes of this Agreement, "Stock Awards" shall mean any rights granted by the Company to Executive with respect to the common stock of the Company, including, without limitation, stock options, stock appreciation rights, restricted stock, stock bonuses and restricted stock units.

3.4 Withholdings. All compensation and benefits payable to Executive under this Agreement shall be subject to all federal, state, local taxes and other withholdings and similar taxes and payments required by applicable law.

ARTICLE 4

EXPENSE ALLOWANCES AND FRINGE BENEFITS

4.1 Vacation. Executive shall be entitled to participate in the Company's vacation plan pursuant to the terms of that plan.

4.2 Benefits. During Executive's employment hereunder, the Company shall also provide Executive with the health insurance benefits it generally provides to its other senior management employees. As Executive becomes eligible in accordance with criteria to be adopted by the Company, the Company shall provide Executive with the right to participate in and to receive benefit from life, accident, disability, medical, and savings plans and similar benefits made available generally to employees of the Company as such plans and benefits may be adopted by the Company. With respect to long-term disability insurance coverage, the Executive will pay all premiums for such coverage with after-tax dollars, and the Company will reimburse the Executive for the premium costs so paid by the Executive and make an additional tax gross-up payment to Executive in an amount that shall fully fund the payment by Executive of any income and employment taxes on such reimbursement payment and tax gross-up payment. The amount and extent of benefits to which Executive is entitled shall be governed by the specific benefit plan as it may be amended from time to time.

4.3 Business Expense Reimbursement. During the term of this Agreement, Executive shall be entitled to receive proper reimbursement for all reasonable out-of-pocket expenses incurred by him (in accordance with the policies and procedures established by the Company for its senior executive officers) in performing services hereunder. Executive agrees to furnish to the Company adequate records and other documentary evidence of such expense for which Executive seeks reimbursement. Such expenses shall be reimbursed and accounted for under the policies and procedures established by the Company, and such reimbursement shall be made promptly, but in no event later than December 31 of the calendar year following the year in which such expenses were incurred by Executive.

ARTICLE 5

CONFIDENTIALITY

5.1 Proprietary Information. Executive represents and warrants that he has previously executed and delivered to the Company the Company's standard Proprietary Information and Inventions Agreement.

5.2 Return of Property. All documents, records, apparatus, equipment and other physical property which is furnished to or obtained by Executive in the course of his employment with the Company shall be and remain the sole property of the Company. Executive agrees that, upon the termination of his employment, he shall return all such property (whether or not it pertains to Proprietary Information as defined in the Proprietary Information and Inventions Agreement), and agrees not to make or retain copies, reproductions or summaries of any such property.

5.3 No Use of Prior Confidential Information. Executive will not intentionally disclose to the Company or use on its behalf any confidential information belonging to any of his former employers or any other third party.

ARTICLE 6

TERMINATION

6.1 General. As set forth in Section 1.2 herein, Executive shall be employed on an at-will basis by the Company. Notwithstanding the foregoing, Executive's employment and this Agreement may be terminated in one of six ways as set forth in this Article 6: (a) Executive's Death (Section 6.2); (b) Executive's Disability (Section 6.3); (c) Termination by the Company for Cause (Section 6.4); (d) Termination by the Company without Cause (Section 6.5); (e) Termination by Executive due to a Constructive Termination (Section 6.6); or (f) Voluntary Resignation (Section 6.7).

6.2 By Death. Executive's employment and this Agreement shall terminate automatically upon the death of Executive. In such event:

(a) Stock Awards. The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares that would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment. All Stock Awards held by Executive that are vested at the time of termination (including any accelerated Stock Awards) will be exercisable in accordance with their terms for a period of one year after the termination date.

(b) Bonus. The Company shall pay to Executive's beneficiaries or his estate, as the case may be, a lump sum amount equal to Executive's Target Annual Bonus (as defined in Section 3.2) for the Company's fiscal year in which Executive's death occurs multiplied by a fraction, the numerator of which is the number of full months of employment by Executive in

such fiscal year and the denominator of which is 12. Such amount shall be paid as soon as administratively practicable, but in no event later than March 15 following the year in which Executive's death occurred.

(c) Accrued Compensation. The Company shall pay to Executive's beneficiaries or his estate, as the case may be, any accrued Base Salary, any vested deferred compensation (other than pension plan or profit-sharing plan benefits that will be paid in accordance with the applicable plan), any benefits under any plans of the Company (other than pension and profit-sharing plans) in which Executive is a participant to the full extent of Executive's rights under such plans, any accrued vacation pay and any appropriate business expenses incurred by Executive in connection with his duties hereunder, all to the date of termination (collectively "Accrued Compensation").

(d) No Severance Compensation. The compensation and benefits set forth in Sections 6.2(a) through (c) herein shall be the only compensation and benefits provided by the Company in the event of Executive's death and no other severance compensation or benefits shall be provided.

6.3 By Disability. If Executive is prevented from performing his duties hereunder by reason of any physical or mental incapacity that results in Executive's satisfaction of all requirements necessary to receive benefits under the Company's long-term disability plan due to a total disability, then, to the extent permitted by law, the Company may terminate the employment of Executive and this Agreement at or after such time. In such event, and if Executive signs the General Release set forth as **Exhibit A** or such other form of release as the Company may require (the "Release") on or within the time period set forth therein, but in no event later than forty-five (45) days after the termination date and allows such Release to become effective, then:

(a) Accrued Compensation. The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(b) Base Salary Continuation. The Company shall continue to pay Executive's Base Salary, less required withholdings, for a period of 15 months (the "Disability Base Salary Payments"); provided that the Disability Base Salary Payments shall be reduced by any insurance or other payments to Executive under policies and plans sponsored by the Company, even if premiums are paid by Executive. Subject to the provisions of Section 6.11, the Disability Base Salary Payments shall be paid in accordance with the Company's standard payroll practices commencing with the first payroll period following the effectiveness of the Release.

(c) Bonus. The Company shall pay a lump sum amount equal to Executive's Target Annual Bonus (as defined in Section 3.2) for the Company's then-current fiscal year multiplied by a fraction, the numerator of which is the number of full months of employment by Executive in the current fiscal year and the denominator of which is 12. Such payment shall be made within ten (10) days following the Effective Date of the Release.

(d) Stock Awards. The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares which would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment.

(e) Health Insurance Benefits. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 15 months after the date of Executive's termination of employment; *provided, however*, that any such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

(f) Disability Plans. Nothing in this Section 6.3 shall affect Executive's rights under any disability plan in which Executive is a participant.

6.4 Termination by the Company for Cause.

(a) No Liability. The Company may terminate Executive's employment and this Agreement for Cause (as defined below) without liability at any time. In such event, the Company shall pay Executive all Accrued Compensation (as defined in Section 6.2(c) herein), but no other compensation or reimbursement of any kind, including without limitation, any severance compensation or benefits shall be paid, and thereafter the Company's obligations hereunder shall terminate.

(b) Definition of "Cause." For purposes of this Agreement, "Cause" shall mean one or more of the following:

(i) Executive's intentional commission of an act, or intentional failure to act, that materially injures the business of the Company; *provided, however*, that in no event shall any business judgment made in good faith by Executive and within Executive's defined scope of authority constitute a basis for termination for Cause under this Agreement;

(ii) Executive's intentional refusal or intentional failure to act in accordance with any lawful and proper direction or order of the Board of Directors, the Chief Executive Officer, or the individual to whom Executive reports.

(iii) Executive's material breach of Executive's fiduciary, statutory, contractual, or common law duties to the Company (including any material breach of this Agreement, the Proprietary Information and Inventions Agreement, or the Company's written policies);

(iv) Executive's indictment for or conviction of any felony or any crime involving dishonesty; or

(v) Executive's participation in any fraud or other act of willful misconduct against the Company;

provided, however, that in the event that any of the foregoing events is reasonably capable of being cured, the Company shall provide written notice to Executive describing the nature of such event and Executive shall thereafter have ten (10) business days to cure such event.

6.5 Termination by the Company without Cause.

(a) **The Company's Right.** The Company may terminate Executive's employment and this Agreement without Cause (as defined in Section 6.4(b) herein) at any time by giving thirty (30) days advance written notice to Executive.

(b) **Severance Benefits.** If the Company terminates Executive's employment without Cause, and if Executive signs the Release on or within the time period set forth therein (but in no event later than forty-five (45) days after the termination date) and allows such Release to become effective, then:

(i) **Accrued Compensation.** The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(ii) **Cash Compensation Amount Payments.** The Company shall pay Executive an amount calculated as follows: [Executive's annual Base Salary + Executive's Target Annual Bonus (as defined in Section 3.2 herein)] multiplied by 1.25 (the "Cash Compensation Amount"). Subject to the provisions of Section 6.11, the Cash Compensation Amount will be paid in equal installments on the Company's standard payroll dates over a period of 15 months commencing with the first payroll period following the effectiveness of the Release.

(iii) **Stock Awards.** The vesting of all outstanding Stock Awards held by Executive shall be accelerated so that the amount of shares vested under such Stock Awards shall equal that number of shares which would have been vested if Executive had continued to render services to the Company for 15 continuous months after the date of Executive's termination of employment.

(iv) **Health Insurance Benefits.** To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 15 months after the date of Executive's termination of employment; *provided, however*, that any

such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

6.6 Termination by Executive due to a Constructive Termination.

(a) **Executive's Right.** Executive may resign his employment and terminate this Agreement at any time as a result of a Constructive Termination (as defined in Section 6.6(c) herein).

(b) **Severance Benefits.** If Executive resigns his employment and terminates this Agreement as a result of a Constructive Termination, and if Executive signs the Release on or within the time period set forth therein (but in no event later than forty-five (45) days after the termination date) and allows such Release to become effective, then Executive shall receive all of the severance benefits set forth in Section 6.5(b) herein.

(c) **Definition of "Constructive Termination."** For purposes of this Agreement, "Constructive Termination" shall mean a resignation of employment and termination of this Agreement by Executive for one or more of the following reasons:

(i) Assignment to, or withdrawal from, Executive of any duties or responsibilities that results in a material diminution in such Executive's authority, duties or responsibilities as in effect immediately prior to such change;

(ii) A material diminution in the authority, duties or responsibilities of the supervisor to whom Executive is required to report,

(iii) A material reduction by the Company of Executive's annual Base Salary;

(iv) A relocation of Executive or the Company's principal executive offices if Executive's principal office is at such offices, to a location more than forty (40) miles from the location at which Executive is then performing his duties, except for an opportunity to relocate which is accepted by Executive in writing; or

(v) A material breach by the Company of any provision of this Agreement or any other enforceable written agreement between Executive and the Company; *provided; however,* that Executive must first provide the Company with written notice specifying the condition giving rise to a Constructive Termination within ninety (90) days following the initial existence of such condition; and Executive's notice must specify that Executive intends to terminate his employment no earlier than thirty (30) days after providing such notice, and the Company must be given an opportunity to cure such condition within thirty (30) days following its receipt of such notice and avoid paying benefits.

6.7 Voluntary Resignation. Executive may resign his or her employment and terminate this Agreement at any time for any reason other than due to a Constructive Termination (as defined in Section 6.6(c) herein). In such event, the Company shall pay Executive all Accrued Compensation (as defined in Section 6.2(c) herein), but no other

compensation or reimbursement of any kind, including without limitation, any severance compensation or benefits shall be paid, and thereafter the Company's obligations hereunder shall terminate.

6.8 Change In Control.

(a) Severance Benefits. If (i) within six months after the consummation of a Change in Control (as defined in Section 6.8(b) herein), (1) the Company terminates Executive's employment and this Agreement without Cause pursuant to Section 6.5 herein or (2) Executive resigns his employment and terminates this Agreement as a result of a Constructive Termination pursuant to Section 6.6 herein, and (ii) in either event (1) or (2), Executive signs the Release on or within the time period set forth therein, but in no event later than forty-five (45) days after the termination date and allows such Release to become effective, then Executive shall receive the following severance benefits in lieu of any severance benefits set forth in Section 6.5(b) or Section 6.6(b) herein:

(i) Accrued Compensation. The Company shall pay to Executive all Accrued Compensation (as defined in Section 6.2(c) herein).

(ii) CIC Cash Compensation Amount Payment. The Company shall pay Executive an amount calculated as follows: [Executive's annual Base Salary + Executive's Target Annual Bonus (as defined in Section 3.2 herein)] multiplied by 2.0 (collectively, the "CIC Cash Compensation Amount"). The CIC Cash Compensation Amount will be paid in one lump sum within ten (10) days following the Effective Date of the Release.

(iii) Cash Payment for Stock Awards. Within ten (10) days following the Effective Date of the Release, the Company shall pay Executive a cash amount equal to the value, as of the date of the consummation of the Change in Control, of (1) all Stock Awards that are unvested at the time of termination of employment, and (2) all Stock Awards that are vested at the time of termination of employment and for which the shares subject to such Stock Awards have not yet been issued, including, without limitation, any unexercised stock options, unexercised stock appreciation rights, and unissued shares subject to a restricted stock unit award, provided, in either case, that such Stock Awards were held by Executive as of the date of consummation of the Change in Control, and all rights of Executive in such Stock Awards and any unvested shares of stock that previously may have been issued thereunder shall be extinguished as a result of such payment, with the result that such Stock Awards shall automatically terminate unexercised and unvested shares of stock previously issued shall automatically be reacquired by the Company or its successor. For purposes of the foregoing cash payment, (1) stock options and stock appreciation rights shall be valued on the basis of the difference between the value of the subject stock for purposes of the transaction constituting the Change of Control and the exercise or base price of the award, and (2) restricted stock, restricted stock units or other full value awards and shares of stock acquired under Stock Awards shall be valued on the basis of the value of the subject stock for purposes of the transaction constituting the Change in Control.

(iv) Health Insurance Benefits. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company's current group health insurance policies, Executive will be eligible to continue Executive's group health insurance benefits at Executive's own expense. If Executive timely elects continued coverage under COBRA, the Company shall pay Executive's COBRA premiums, and any applicable Company COBRA premiums, necessary to continue Executive's then-current coverage for a period of 24 months after the date of Executive's termination of employment; *provided, however*, that any such payments will cease if Executive voluntarily enrolls in a health insurance plan offered by another employer or entity during the period in which the Company is paying such premiums. Executive agrees to immediately notify the Company in writing of any such enrollment.

(b) Definition of "Change in Control." For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during Executive's employment hereunder, any of the following events shall occur:

(i) The Company is merged, or consolidated, or reorganized into or with another corporation or other legal person, and as a result of such merger, consolidation or reorganization less than 50% of the combined voting power of the then-outstanding securities of such corporation or person immediately after such transaction are held in the aggregate by the holders of voting securities of the Company immediately prior to such transaction;

(ii) The Company sells all or substantially all of its assets or any other corporation or other legal person and thereafter, less than 50% of the combined voting power of the then-outstanding voting securities of the acquiring or consolidated entity are held in the aggregate by the holders of voting securities of the Company immediately prior to such sale;

(iii) There is a report filed after the date of this Agreement on Schedule 13 D or schedule 14 D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term beneficial owner is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) representing 50% or more of the combined voting power of the then-outstanding voting securities of the Company;

(iv) The Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to item 1 of Form 8-X thereunder or Item 5(f) of Schedule 14 A thereunder (or any successor schedule, form or report or item therein) that the change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction; or

(v) During any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to

constitute at least a majority thereof unless the election to the nomination for election by the Company's shareholders of each director of the Company first elected during such period was approved by a vote of at least two-thirds of the directors of the Company then still in office who were directors of the Company at the beginning of such period.

(c) Parachute Payments.

(i) If any payment or benefit (including payments or benefits pursuant to this Agreement) that Executive would receive in connection with a Change in Control or otherwise (a "Payment") (1) would constitute a "parachute payment" within the meaning of Section 280G of the Code, and (2) but for this sentence, would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company shall cause to be determined, before any amount of the Payment is paid to Executive, whether the total payments exceed 2.99 times Executive's "base amount" within the meaning of Section 280G of the Code (the "Base Amount") by 15% or less, in which case such Payment shall be reduced to an amount that results in no portion of the Payment being subject to the Excise Tax (the "Reduced Payment").

(ii) If a Reduced Payment is made, (x) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (y) reduction in payments and/or benefits shall occur in the following order unless Executive elects in writing a different order (*provided, however*, that such election shall be subject to Company approval if made on or after the date on which the event that triggers the Payment occurs): (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits paid to Executive. In the event that acceleration of compensation from Executive's equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant unless Executive elects in writing a different order for cancellation.

(iii) If it is determined that the Payment exceeds 2.99 times Executive's Base Amount by more than 15%, the Company shall pay the full amount of the Payment and Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") from the Company in an amount that after the payment of all taxes (including, without limitation, (1) any income or employment taxes, (2) any interest or penalties imposed with respect to such taxes, and (3) any additional Excise Tax on the Gross-Up Payment, Executive shall retain an amount equal to the full Excise Tax. The Gross-Up Payment shall be paid as soon as practicable following the date the Payment is made, but in no event later than the end of the Executive's taxable year following the taxable year in which Executive has remitted (by withholding or otherwise) the Excise Tax.

(iv) For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to have: (x) paid federal income taxes at the highest marginal rate of federal income and employment taxation for the calendar year in which the Gross-Up Payment is to be made, and (y) paid applicable state and local income taxes at the highest rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(v) Except as otherwise provided herein, Executive shall not be entitled to any additional payments or other indemnity arrangements in connection with the Payment or the Gross-Up Payment.

6.9 Mitigation. Except as otherwise specifically provided herein, Executive shall not be required to mitigate the amount of any payment provided under this Agreement by seeking other employment or self-employment, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by Executive as a result of employment by another employer or through self-employment or by retirement benefits after the date of Executive's termination of employment from the Company, except as provided herein.

6.10 Coordination. If upon termination of employment, Executive becomes entitled to rights under other plans, contracts or arrangements entered into by the Company, this Agreement shall be coordinated with such other arrangements so that Executive's rights under this Agreement are not reduced, and that any payments under this Agreement offset the same types of payments otherwise provided under such other arrangements, but do not otherwise reduce any payments or benefits under such other arrangements to which Executive becomes entitled.

6.11 Application of Section 409A. If Executive is a "specified employee" within the meaning of 409A(a)(2)(B)(i) of the Code, any installment payments of Disability Base Salary Payments pursuant to Section 6.3(b) or Cash Compensation Amounts pursuant to Section 6.5(b) or 6.6(b) that are triggered by a separation from service shall be accelerated to the minimum extent necessary so that (a) the lesser of (y) the total cash severance payment amount, or (z) six (6) months of such installment payments are paid no later than March 15 of the calendar year following such termination, and (b) all amounts paid pursuant to the foregoing clause (a) will constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations and thus will be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations. It is intended that if Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code at the time of such separation from service the foregoing provision shall result in compliance with the requirements of Section 409A(a)(2)(B)(i) of the Code since payments to Executive will either be payable pursuant to the "short-term deferral" rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations or will not be paid until at least 6 months after separation from service.

ARTICLE 7

GENERAL PROVISIONS

7.1 Governing Law. The validity, interpretation, construction and performance of this Agreement and the rights of the parties thereunder shall be interpreted and enforced under California law without reference to principles of conflicts of laws. The parties expressly agree that inasmuch as the Company's headquarters and principal place of business are located in California, it is appropriate that California law govern this Agreement.

7.2 Assignment; Successors Binding Agreement.

(a) No Assignment. Executive may not assign, pledge or encumber his interest in this Agreement or any part thereof.

(b) Assumption by Successor. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by operation of law or by agreement in form and substance reasonably satisfactory to Executive, to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(c) This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributee, devisees and legatees. If Executive should die while any amount is at such time payable to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legates or other designee or, if there be no such designee, to his estate.

7.3 Notice. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

To the Company:

Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130
Attn.: President & Chief Executive Officer

To Executive:

Timothy P. Coughlin

7.4 Modification; Waiver; Entire Agreement. This Agreement constitutes the complete, final and exclusive embodiment of the entire agreement between Executive and the Company with regard to this subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations, including, without limitation, the Original Employment Agreement which shall have no further force or effect. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and such officer as may be specifically designated by the Board of the Company. No waiver by either party hereto at any time of any

breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

7.5 Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

7.6 Controlling Document. Except to the extent described in Section 6.10, in case of conflict between any of the terms and condition of this Agreement and the document herein referred to, the terms and conditions of this Agreement shall control.

7.7 Executive Acknowledgment. Executive acknowledges (a) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

7.8 Dispute Resolution. To ensure the rapid and economical resolution of disputes that may arise in connection with Executive's employment, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, execution, or interpretation of this Agreement, Executive's employment, or the termination of that employment, shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Diego, California conducted before a single arbitrator by Judicial Arbitration and Mediation Services, Inc. ("JAMS") or its successor, under the then applicable JAMS rules. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or by administrative proceeding. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The Company shall pay all of JAMS' arbitration fees. Nothing in this letter agreement shall prevent either Executive or the Company from obtaining injunctive relief in court if necessary to prevent irreparable harm pending the conclusion of any arbitration. The parties agree that the arbitrator shall award reasonable attorneys fees, costs, and all other related expenses to the prevailing party in any action brought hereunder, and the arbitrator shall have discretion to determine the prevailing party in an arbitration where multiple claims may be at issue.

7.9 Remedies.

(a) Injunctive Relief. The parties agree that the services to be rendered by Executive hereunder are of a unique nature and that in the event of any breach or threatened breach of any of the covenants contained herein, the damage or imminent damage to the value and the goodwill of the Company's business will be irreparable and extremely difficult to estimate, making any remedy at law or in damages inadequate. Accordingly, the parties agree that the Company shall be entitled to injunctive relief against Executive in the event of any

breach or threatened breach of any such provisions by Executive, in addition to any other relief (including damage) available to the Company under this Agreement or under law.

(b) Exclusive. Both parties agree that the remedy specified in Section 7.9(a) above is not exclusive of any other remedy for the breach by Executive of the terms hereof.

7.10 Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same Agreement. Executed by the parties as follows:

EXECUTIVE

NEUROCRINE BIOSCIENCES, INC

By: /s/ Timothy P. Coughlin

By: /s/ Gary A. Lyons

Date: August 1, 2007

Date: August 1, 2007

EXHIBIT A
GENERAL RELEASE

Pursuant to the terms of the Employment Agreement between Neurocrine Biosciences, Inc. (the "Company") and Timothy P. Coughlin ("Executive") dated August 1, 2007 (the "Agreement"), the parties hereby enter into the following General Release (the "Release"):

1. Accrued Salary and Vacation. Executive understands that, on the last date of Executive's employment with the Company, the Company will pay Executive any accrued salary and accrued and unused vacation to which Executive is entitled by law, regardless of whether Executive signs this Release.

2. General Release. Executive hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively the "Released Parties") of and from any and all claims, liabilities and obligations, both known and unknown, arising out of or in any way related to events, acts, conduct, or omissions occurring at any time prior to or at the time that Executive signs this Release.\

3. Scope of Release. This general release includes, but is not limited to: (1) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (2) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing (including claims based on or arising under the Agreement); (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act (as amended) ("ADEA"), the federal Family and Medical Leave Act, the California Labor Code (as amended), the California Family Rights Act, and the California Fair Employment and Housing Act (as amended).

4. ADEA Waiver. Executive acknowledges that Executive is knowingly and voluntarily waiving and releasing any rights Executive may have under the ADEA, and that the consideration given for the waiver and release in the preceding paragraph is in addition to anything of value to which Executive is already entitled. Executive further acknowledges that Executive has been advised by this writing that: (1) Executive's waiver and release do not apply to any rights or claims that may arise after the date Executive signs this Release; (2) Executive should consult with an attorney prior to signing this Release (although Executive may choose voluntarily not to do so); (3) Executive has twenty-one (21) days to consider this Release (although Executive may choose voluntarily to sign it earlier); (4) Executive has seven (7) days following the date Executive signs this Release to revoke it by providing written notice of

revocation to the Company's Chief Executive Officer; and (5) this Release will not be effective until the date upon which the revocation period has expired, which will be the eighth calendar day after the date Executive signs it provided that Executive does not revoke it (the "Effective Date").

5. Section 1542 Waiver. EXECUTIVE UNDERSTANDS THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. Executive acknowledges that Executive has read and understands Section 1542 of the California Civil Code which reads as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor." Executive hereby expressly waives and relinquishes all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to Executive's respective release of claims herein, including but not limited to Executive's release of unknown and unsuspected claims.

6. Excluded Claims. Executive understands that notwithstanding the foregoing, the following are not included in the Released Claims (the "Excluded Claims"): (i) any rights or claims for indemnification Executive may have pursuant to any written indemnification agreement to which he is a party, the charter, bylaws, or operating agreements of any of the Released Parties, or under applicable law; or (ii) any rights which are not waivable as a matter of law. In addition, Executive understands that nothing in this release prevents Executive from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that Executive acknowledges and agrees that Executive shall not recover any monetary benefits in connection with any such claim, charge or proceeding with regard to any claim released herein. Executive hereby represents and warrants that, other than the Excluded Claims, Executive is not aware of any claims he has or might have against any of the Released Parties that are not included in the Released Claims.

7. Executive Representations. Executive hereby represents that Executive has been paid all compensation owed and for all hours worked; Executive has received all the leave and leave benefits and protections for which Executive is eligible, pursuant to the Family and Medical Leave Act, the California Family Rights Act, or otherwise; and Executive has not suffered any on-the-job injury for which Executive has not already filed a workers' compensation claim.

8. Nondisparagement. Executive agrees not to disparage the Company, its parent, or its or their officers, directors, employees, shareholders, affiliates and agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation (although Executive may respond accurately and fully to any question, inquiry or request for information as required by legal process).

9. Cooperation. Executive agrees not to voluntarily (except in response to legal compulsion) assist any third party in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the other party, or against the

Company's parent or subsidiary entities, affiliates, officers, directors, employees or agents. Executive further agrees to reasonably cooperate with the other party, by voluntarily (without legal compulsion) providing accurate and complete information, in connection with such other party's actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters, arising from events, acts, or failures to act that occurred during the period of Executive's employment by the Company.

10. No Admission of Liability. The parties agree that this Release, and performance of the acts required by it, does not constitute an admission of liability, culpability, negligence or wrongdoing on the part of anyone, and will not be construed for any purpose as an admission of liability, culpability, negligence or wrongdoing by any party and/or by any party's current, former or future parents, subsidiaries, related entities, predecessors, successors, officers, directors, shareholders, agents, employees and assigns. The parties specifically acknowledge and agree that this Release is a compromise of disputed claims and that the Company denies any liability for any matter released herein.

NEUROCRINE BIOSCIENCES, INC.:

EXECUTIVE:

By: _____

By: _____

Date: _____

Date: _____

NEUROCRINE BIOSCIENCES, INC.

2003 INCENTIVE STOCK PLAN

as amended May 25, 2005, November 7, 2005, January 12, 2006,
March 2, 2006, May 31, 2007 and August 1, 2007

1. Purpose of the Plan. The purposes of this Incentive Stock Plan are to attract and retain the best available personnel, to provide additional incentive to the employees of Neurocrine Biosciences, Inc. (the "Company") and to promote the success of the Company's business. Options granted hereunder may be either Incentive Stock Options or Nonstatutory Stock Options, at the discretion of the Board and as reflected in the terms of the written option agreement. The Board also has the discretion to grant Restricted Stock awards, Restricted Stock Unit awards and Stock Bonus awards.

2. Definitions.

(a) "Award" shall mean any right granted under the Plan, including an Option, a Restricted Stock award, Restricted Stock Unit award, and a Stock Bonus award.

(b) "Award Agreement" shall mean any written or electronic agreement, contract, or other instrument or document evidencing an Award.

(c) "Board" shall mean the Committee, if one has been appointed, or the Board of Directors of the Company, if no Committee is appointed.

(d) "Change in Control" has the meaning set forth in Section 15(c) of the Plan.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Committee" shall mean the Committee appointed by the Board in accordance with Section 4(a) of the Plan, if one is appointed.

(g) "Common Stock" shall mean the common stock of the Company, par value \$.001 per share.

(h) "Company" shall mean Neurocrine Biosciences, Inc.

(i) "Consultant" shall mean any natural person who is engaged by the Company or any Parent or Subsidiary to render bona fide consulting services and is compensated for such consulting services, and any Director whether compensated for such services or not.

(j) "Continuous Status as an Employee or Consultant" shall mean the absence of any interruption or termination of service as an Employee or Consultant, as applicable. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of sick leave, military leave, or any other leave of absence approved by the Board; provided, that

such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

(k) “Director” means a member of the Board of Directors of the Company.

(l) “Disability” means total and permanent disability (as defined in Section 22(e)(3) of the Code).

(m) “Employee” shall mean any persons, including officers and directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a director’s fee by the Company shall not be sufficient to constitute “employment” by the Company.

(n) “Holder” shall mean a person who has been granted or awarded an Award pursuant to the Plan.

(o) “Incentive Stock Option” shall mean an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(p) “Nonstatutory Stock Option” shall mean an Option not intended to qualify as an Incentive Stock Option.

(q) “Option” shall mean a stock option granted pursuant to the Plan. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

(r) “Option Agreement” shall mean any written or electronic agreement, contract, or other instrument or document evidencing an Option.

(s) “Optioned Stock” shall mean the Common Stock subject to an Option.

(t) “Optionee” shall mean an Employee or Consultant who receives an Option.

(u) “Outside Director” means a Director who is not an Employee.

(v) “Parent” shall mean a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(w) “Performance Award” shall mean an Award that vests based upon the achievement of performance goals related to one or more Performance Criteria.

(x) “Performance Criteria” shall mean the following business criteria with respect to the Company, any Subsidiary or any division or operating unit:

(a) net income, (b) pre-tax income, (c) operating income, (d) cash flow, (e) earnings per share, (f) return on equity, (g) return on invested capital or assets, (h) cost reductions or savings, (i) funds from operations, (j) appreciation in the fair market value of Common Stock, and (k) earnings before any one or more of the following items: interest, taxes, depreciation or amortization; each as determined in accordance with generally accepted accounting principles or subject to such adjustments as may be specified by the Board.

(y) "Plan" shall mean this 2003 Incentive Stock Plan, as amended.

(z) "Restricted Stock" shall mean a right to purchase Common Stock pursuant to Section 11 of the Plan.

(aa) "Restricted Stock Unit" shall mean a right to receive a specified number of shares of Common Stock during specified time periods pursuant to Section 12 of the Plan.

(bb) "Retirement" has the meaning set forth in Section 9(d) of the Plan.

(cc) "Section 162(m) Participant" shall mean any key Employee designated by the Board as a key Employee whose compensation for the fiscal year in which the key Employee is so designated or a future fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code.

(dd) "Share" shall mean a share of the Common Stock, as adjusted in accordance with Section 15 of the Plan.

(ee) "Stock Bonus" shall mean the right to receive a bonus of Common Stock for past services pursuant to Section 13 of the Plan.

(ff) "Subsidiary" shall mean a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

(a) Subject to the provisions of Section 15 of the Plan, the maximum aggregate number of shares available for issuance under the Plan is four million eight hundred thousand (4,800,000) shares of Common Stock. The Shares may be authorized but unissued, or reacquired Common Stock. If an Award should expire or become unexercisable for any reason without having been exercised in full, then the unpurchased Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future grant or sale under the Plan. Notwithstanding any other provision of the Plan, shares issued under the Plan and later repurchased by the Company shall not become available for future grant or sale under the Plan.

(b) The following limitations shall apply to grants of Awards to Employees:

(i) No Employee shall be granted, in any fiscal year of the Company, Awards pursuant to which more than an aggregate of two hundred and fifty thousand (250,000) Shares are issuable to such Employee.

(ii) In connection with his or her initial employment, an Employee may be granted Awards to purchase and/or receive up to an additional two hundred and fifty thousand (250,000) Shares which shall not count against the limit set forth in subsection (i) above.

(iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 15.

(iv) If an Option is canceled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 15), the canceled Option shall be counted against the limit set forth in subsection (i) above.

(c) Shares Available. Subject to adjustment as provided in Section 15, the aggregate number of shares of Common Stock with respect to which awards of Restricted Stock, Restricted Stock Units, Stock Bonuses or a combination thereof shall be made under this Plan shall not exceed fifty percent (50%) of the aggregate number of shares of Common Stock available under this Plan, as set forth in Section 3(a).

(d) Limited Exception to Minimum Vesting Restrictions. Up to five percent (5%) of the total number of shares of Common Stock available for issuance under the Plan pursuant to Section 3(a) may in the aggregate be issued as awards of Restricted Stock, Restricted Stock Units, Stock Bonuses or a combination thereof that are not subject to the minimum vesting requirements set forth in Sections 11(d), 12(b) and 13(d) of the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. The Plan may be administered by different Committees with respect to different groups of Employees and Consultants.

(ii) Section 162(m). To the extent that the Board determines it to be desirable to qualify Awards granted hereunder as “performance-based compensation” within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more “outside directors” within the meaning of Section 162(m) of the Code.

(iii) Discretionary Awards to Directors. Except for Options granted automatically at the time and manner set forth in Section 10, any Award granted to a Director shall be administered by a committee consisting solely of Outside Directors and such Outside Directors may administer and grant discretionary Awards to themselves.

(iv) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.

(v) Other Administration. Other than as provided above, the Plan shall be administered by (A) the Board or (B) a Committee, which committee shall be constituted to satisfy applicable laws.

(b) Powers of the Board. Subject to the provisions of the Plan, the Board shall have the authority, in its discretion: (i) to grant Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock awards, Restricted Stock Unit awards, or Stock Bonus awards; (ii) to determine, upon review of relevant information and in accordance with Section 7 of the Plan, the fair market

value of the Common Stock; (iii) to determine the exercise price per share of each Award to be granted, if any, which exercise price shall be determined in accordance with Section 7 of the Plan; (iv) to determine the Employees or Consultants to whom, and the time or times at which, Awards shall be granted and, subject to the limitations of Section 3 above, the number of shares to be represented by each Award; (v) to interpret the Plan; (vi) to prescribe, amend and rescind rules and regulations relating to the Plan; (vii) to determine the terms and provisions of each Award granted (which need not be identical) and, with the consent of the holder thereof, modify or amend any provisions (including provisions relating to exercise price) of any Award; (viii) to accelerate or defer (with the consent of the Optionee) the exercise date of any Option, consistent with the provisions of Section 6 of the Plan; (ix) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Award previously granted by the Board; (x) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Award that number of Shares having a fair market value equal to the statutory minimum amount required to be withheld (the fair market value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined; and, all elections by an Award holder to have Shares withheld for this purpose shall be made in such form and under such conditions as the Board may deem necessary or advisable); and (xi) to make all other determinations deemed necessary or advisable for the administration of the Plan. Except to the extent prohibited by Sections 11(d), 12(b) and 13(d) of the Plan, the Board shall have the power to accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Award stating the time at which it may first be exercised or the time during which it will vest.

(c) Effect of Board's Decision. All decisions, determinations and interpretations of the Board shall be final and binding on all Holders of any Awards granted under the Plan.

(d) Provisions Applicable to Section 162(m) Participants.

(i) The Board, in its discretion, may determine whether an Award is to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code.

(ii) Notwithstanding anything in the Plan to the contrary, the Board may grant any Award to a Section 162(m) Participant, including a Restricted Stock award, Restricted Stock Unit award, or Stock Bonus award the restrictions with respect to which lapse upon the attainment of performance goals which are related to one or more of the Performance Criteria.

(iii) To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, with respect to any Restricted Stock award, Restricted Stock Unit award, or Stock Bonus award granted under the Plan to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Board shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the Performance Criteria applicable to the fiscal year or other designated fiscal period

or period of service, (iii) establish the various performance targets, in terms of an objective formula or standard, and amounts of such Restricted Stock awards, Restricted Stock Unit awards, and Stock Bonus awards, as applicable, which may be earned for such fiscal year or other designated fiscal period or period of service, and (iv) specify the relationship between Performance Criteria and the performance targets and the amounts of such Restricted Stock awards, Restricted Stock Unit awards, and Stock Bonus awards, as applicable, to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period or period of service. Following the completion of each fiscal year or other designated fiscal period or period of service, the Board shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period or period of service. In determining the amount earned by a Section 162(m) Participant, the Board shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Board may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period or period of service.

(iv) Furthermore, notwithstanding any other provision of the Plan, any Award which is granted to a Section 162(m) Participant and is intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as performance-based compensation as described in Section 162(m)(4)(C) of the Code, and the Plan shall be deemed amended to the extent necessary to conform to such requirements.

5. Eligibility.

(a) Awards may be granted to Employees and Consultants; provided, that Incentive Stock Options may only be granted to Employees. An Employee or Consultant who has been granted an Award may, if such Employee or Consultant is otherwise eligible, be granted additional Awards. Each Outside Director shall be eligible to be automatically granted Options at the times and in the manner set forth in Section 10.

(b) Each Option shall be designated in the written Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate fair market value of the Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company) exceeds one hundred thousand dollars (\$100,000), such Options shall be treated as Nonstatutory Stock Options.

(c) For purposes of Section 5(b), Options shall be taken into account in the order in which they were granted, and the fair market value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(d) The Plan shall not confer upon any Holder any right with respect to continuation of employment by or the rendition of consulting services to the Company, nor shall it interfere in

any way with his or her right or the Company's right to terminate his or her employment or services at any time, with or without cause.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by vote of holders of a majority of the outstanding shares of the Company entitled to vote on the adoption of the Plan. It shall continue in effect until terminated under Section 17 of the Plan. Notwithstanding the foregoing, no Incentive Stock Option may be granted under this Plan after the first to occur of (a) the expiration of ten (10) years from the date the Plan is adopted by the Board or (b) the expiration of ten (10) years from the date the Plan is approved by the Company's stockholders under Section 21.

7. Exercise Price and Consideration.

(a) The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be no less than one hundred percent (100%) of the fair market value per Share on the date of grant; provided, however, that in the case of an Incentive Stock Option granted to an Employee who, at the time of grant of such Incentive Stock Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than one hundred and ten percent (110%) of the fair market value per Share on the date of grant. Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the fair market value per Share on the date of grant pursuant to a merger or other corporate transaction.

(b) The fair market value shall be determined by the Board in its discretion; provided, however, that where there is a public market for the Common Stock, the fair market value per Share shall be the closing price per share (or the closing bid, if no sales were reported) of the Common Stock for the date of grant, as reported in the Wall Street Journal (or, if not so reported, as otherwise reported by the NASDAQ Stock Market) or, in the event the Common Stock is listed on another stock exchange, the fair market value per Share shall be the closing price per share (or the closing bid, if no sales were reported) on such exchange on the date of grant, as reported in the Wall Street Journal (or if not so reported, as otherwise reported by such exchange). If there is no closing price per share for the Common Stock on the date of the grant, then the fair market value shall be the closing price per share on the last preceding date for which such quotation exists.

(c) The consideration to be paid for the Shares to be issued upon exercise of an Award, including the method of payment, shall be determined by the Board (and in the case of an Incentive Stock Option, shall be determined at the time of grant) and to the extent permitted under applicable laws may consist entirely of cash, check, other Shares of Common Stock which (i) either have been owned by the Optionee for more than six (6) months on the date of surrender or were not acquired directly or indirectly, from the Company, and (ii) have a fair market value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Award shall be exercised, or any combination of such methods of payment, or such other consideration and method of payment for the issuance of Shares to the extent permitted under applicable law.

8. Term of Option. The term of each Option shall be the term stated in the Option Agreement; provided, however, that the term shall be no more than seven (7) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting

power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

9. Exercise of Option.

(a) Procedure for Exercise; Rights as a Stockholder.

(i) Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Board, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

(ii) An Option may not be exercised for a fraction of a Share.

(iii) An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Board, consist of any consideration and method of payment allowable under Section 7 of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. Upon an Optionee's request, the Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. To the extent an Option designated as an Incentive Stock Option at grant that is treated as the exercise of a Nonstatutory Stock Option pursuant to Section 5(b), the Company shall issue a separate stock certificate evidencing the Shares treated as acquired upon exercise of an Incentive Stock Option and a separate stock certificate evidencing the Shares treated as acquired upon exercise of a Nonstatutory Stock Option and shall identify each such certificate accordingly in its stock transfer records. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 15 of the Plan.

(iv) Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Status as an Employee or Consultant. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant (as the case may be), such Optionee may, but only within such period of time as is determined by the Board, with such determination in the case of an Incentive Stock Option not exceeding three (3) months and in the case of Nonstatutory Stock Option not exceeding six (6) months after the date of termination (provided, that such period shall be three (3) months in the case of an Option granted to an Outside Director pursuant to Section 10), with such determination in the case of an Incentive

Stock Option being made at the time of grant of the Option, exercise the Option to the extent that such Employee or Consultant was entitled to exercise it at the date of such termination (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement). To the extent that such Employee or Consultant was not entitled to exercise the Option at the date of such termination, or if such Employee or Consultant does not exercise such Option (which such Employee or Consultant was entitled to exercise) within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. Notwithstanding the provisions of Section 9(b) above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of such Employee's or Consultant's Disability, such Employee or Consultant may, but only within six (6) months (twelve (12) months in the case of an Option granted to an Outside Director pursuant to Section 10) (or such other period of time not exceeding twelve (12) months as is determined by the Board, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) from the date of such termination (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent the right to exercise would have accrued had the Optionee continued Continuous Status as an Employee or Consultant for a period of six (6) months following termination of Continuous Status as an Employee or Consultant by reason of Disability. To the extent that such Employee or Consultant was not entitled to exercise an Option in this period, or if such Employee or Consultant does not exercise such Option (which such Employee or Consultant was entitled to exercise) within the time specified herein, the Option shall terminate.

(d) Retirement of Employee. Notwithstanding the provisions of Section 9(b) above, in the event of termination of an Employee's Continuous Status as an Employee as a result of such Employee's retirement from the Company at age fifty-five (55) or greater after having Continuous Status as an Employee for (5) years or more ("Retirement"), all Awards held by such Employee shall vest and such Employee may, but only within three (3) years from the date of such termination (but in no event later than the date of expiration of the term of such Award), exercise the Award to the extent such Employee was entitled to exercise it at the date of such termination.

(e) Death of Optionee. In the event of the death of an Optionee:

(i) during the term of the Option who is at the time of his or her death an Employee or Consultant of the Company and who shall have been in Continuous Status as an Employee or Consultant since the date of grant of the Option, the Option may be exercised, at any time within six (6) months (twelve (12) months in the case of an Option granted to an Outside Director pursuant to Section 10) (or at such later time as may be determined by the Board but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the right to exercise would have accrued had the Optionee continued living and remained in Continuous Status as an Employee or Consultant six (6) months (or such other period of time as is determined by the Board) after the date of death; or

(ii) within thirty (30) days (or such other period of time not exceeding three (3) months as is determined by the Board, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) after the termination of Continuous Status as an Employee or Consultant, the Option may be exercised, at any time within six (6) months (twelve (12) months in the case of an Option granted to an Outside Director pursuant to Section 10) (or such other period of time as is determined by the Board at the time of grant of the Option) following the date of death (but in no event later than the date of expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the right to exercise that had accrued at the date of termination.

10. Automatic Granting of Options to Outside Directors.

(a) First Option Grants. Unless otherwise determined by the Board, each new Outside Director shall be automatically granted an Option to purchase thirty thousand (30,000) Shares (a "First Option") on the date on which such person first becomes a Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy.

(b) Subsequent Option Grants. Unless otherwise determined by the Board, each Outside Director and the Chairman of the Board of Directors of the Company shall be automatically granted an annual Option (a "Subsequent Option") to purchase, in the case of an Outside Director, fifteen thousand (15,000) Shares, and in the case of the Chairman of the Board of Directors of the Company, twenty thousand (20,000) Shares, each on the date of each annual meeting of the stockholders of the Company, if on such date, he or she shall have served on the Board for at least six (6) months.

(c) Terms of Options Granted to Outside Directors. Options granted to Outside Directors pursuant to this Section 10 shall have a per Share exercise price of no less than one hundred percent (100%) of the fair market value per Share on the date of grant. Subject to Section 9, the term of each Option granted to an Outside Director pursuant to this Section 10 shall be seven (7) years from the date of grant thereof. First Options and Subsequent Options shall become exercisable in cumulative monthly installments of 1/12 of the Shares subject to such Option on each of the monthly anniversaries of the date of grant of the Option, commencing with the first such monthly anniversary, such that each such Option shall be one hundred percent (100%) vested on the first anniversary of its date of grant.

11. Restricted Stock Awards.

(a) Rights to Purchase. After the Board determines that it will offer an Employee or Consultant a Restricted Stock award, it shall deliver to the offeree a stock purchase agreement setting forth the terms, conditions and restrictions relating to the offer. Such agreement shall further specify the number of Shares which such person shall be entitled to purchase, and the time within which such person must accept such offer, which shall in no event exceed six (6) months from the date upon which the Board made the determination to grant the Restricted Stock

award. The offer shall be accepted by execution of a stock purchase agreement in the form determined by the Board.

(b) Purchase Price. The Board shall establish the purchase price, if any, and form of payment for each Restricted Stock award; provided, however, that such purchase price shall be no less than one hundred percent (100%) of the fair market value per Share on the date of grant; provided, further, however, that the purchase price per Share may be reduced on a dollar-for-dollar basis to the extent the Restricted Stock award is granted to the Holder in lieu of cash compensation otherwise payable to the Holder. In all cases, legal consideration shall be required for each issuance of a Restricted Stock award.

(c) Issuance of Shares. Forthwith after payment therefor, the Shares purchased shall be duly issued; provided, however, that the Board may require that the Holder make adequate provision for any Federal and State withholding obligations of the Company as a condition to the Holder purchasing such Shares.

(d) Vesting. Subject to the following minimum vesting requirements and the requirements of Section 4(d) of the Plan with respect to Restricted Stock awards granted to Section 162(m) Participants, at the time of the grant of a Restricted Stock award, the Board may impose such restrictions or conditions to the vesting of such Restricted Stock award as it, in its sole discretion, deems appropriate. No Restricted Stock award that is not a Performance Award shall vest at a rate more favorable to the Holder than in pro-rata installments over a three (3) year period measured from the date of grant. The vesting of all Restricted Stock Performance Awards shall be subject to the completion of at least one (1) year of Continuous Status as an Employee or Consultant measured from the date of the grant of the Award. Notwithstanding the foregoing minimum vesting requirements, vesting of Restricted Stock awards may occur earlier in the event of (A) death, (B) Disability, (C) Retirement, or (D) a Change in Control. Additionally, Restricted Stock awards granted pursuant to the exception set forth in Section 3(d) of the Plan are not subject to the foregoing minimum vesting requirements.

(e) Unvested Share Repurchase Option. The stock purchase agreement shall grant the Company an unvested share repurchase option exercisable upon the voluntary or involuntary termination of the Holder's employment with the Company for any reason (including death or Disability). Subject to applicable laws, if the Board so determines, the purchase price for shares repurchased may be paid by cancellation of any indebtedness of the Holder to the Company.

(f) Other Provisions. The stock purchase agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Board.

12. Restricted Stock Unit Awards

(a) Grant of Restricted Stock Units. Any Employee or Consultant selected by the Board may be granted an Award of Restricted Stock Units in the manner determined from time to time by the Board.

(b) Vesting of Restricted Stock Units. Subject to the following minimum vesting requirements and the requirements of Section 4(d) with respect to Restricted Stock Unit awards granted to Section 162(m) Participants, at the time of the grant of a Restricted Stock Unit award, the Board may impose such restrictions or conditions to the vesting of such Restricted Stock Unit

award as it, in its sole discretion, deems appropriate. No Restricted Stock Unit award that is not a Performance Award shall vest at a rate more favorable to the Holder than in pro-rata installments over a three (3) year period measured from the date of grant. The vesting of all Restricted Stock Unit Performance Awards shall be subject to the completion of at least one (1) year of Continuous Status as an Employee or Consultant measured from the date of the grant of the Award. Notwithstanding the foregoing minimum vesting requirements, vesting of Restricted Stock Unit awards may occur earlier in the event of (A) death, (B) Disability, (C) Retirement, or (D) a Change in Control. Additionally, Restricted Stock Unit awards granted pursuant to the exception set forth in Section 3(d) of the Plan are not subject to the foregoing minimum vesting requirements. Common Stock underlying a Restricted Stock Unit award will not be issued until the Restricted Stock Unit award has vested, pursuant to a vesting schedule or Performance Criteria set by the Board.

(c) No Rights as a Stockholder. Unless otherwise provided by the Board, a Holder awarded Restricted Stock Units shall have no rights as a Company stockholder with respect to such Restricted Stock Units until such time as the Restricted Stock Units have vested and the Common Stock underlying the Restricted Stock Units has been issued.

(d) Purchase Price. The Board shall establish the purchase price, if any, and form of payment for each Restricted Stock Unit award; provided, however, that such purchase price shall be no less than one hundred percent (100%) of the fair market value per Share on the date of grant; provided, further, however, that the purchase price per Share may be reduced on a dollar-for-dollar basis to the extent the Restricted Stock Unit award is granted to the Holder in lieu of cash compensation otherwise payable to the Holder. In all cases, legal consideration shall be required for each issuance of a Restricted Stock Unit award.

(e) Other Provisions. The restricted stock unit award agreements shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Board.

13. Stock Bonus Awards.

(a) Terms of Award. After the Board determines that it will offer an Employee or Consultant a Stock Bonus award, it shall deliver to the offeree a stock bonus agreement setting forth the terms, conditions and restrictions relating to the offer and the number of shares to be awarded. The offer shall be accepted by execution of a stock bonus agreement in the form determined by the Board.

(b) Purchase Price. The Board shall establish the purchase price, if any, and form of payment for each Stock Bonus award; provided, however, that such purchase price shall be no less than one hundred percent (100%) of the fair market value per Share on the date of grant; provided, further, however, that the purchase price per Share may be reduced on a dollar-for-dollar basis to the extent the Stock Bonus award is granted to the Holder in lieu of cash compensation otherwise payable to the Holder.

(c) Issuance of Shares. Forthwith after payment therefor, the Shares purchased shall be duly issued; provided, however, that the Board may require that the Holder make adequate provision for any Federal and State withholding obligations of the Company as a condition to the Holder purchasing such Shares.

(d) Vesting. Subject to the following minimum vesting requirements and the requirements of Section 4(d) with respect to Stock Bonus awards granted to Section 162(m) Participants, at the time of the grant of a Stock Bonus award, the Board may impose such restrictions or conditions to the vesting of such Stock Bonus award as it, in its sole discretion, deems appropriate. No Stock Bonus award that is not a Performance Award shall vest at a rate more favorable to the Holder than in pro-rata installments over a three (3) year period measured from the date of grant. The vesting of all Stock Bonus Performance Awards shall be subject to the completion of at least one (1) year of Continuous Status as an Employee or Consultant measured from the date of the grant of the Award. Notwithstanding the foregoing minimum vesting requirements, vesting of Stock Bonus awards may occur earlier in the event of (A) death, (B) Disability, (C) Retirement, or (D) a Change in Control. Additionally, Stock Bonus awards granted pursuant to the exception set forth in Section 3(d) of the Plan are not subject to the foregoing minimum vesting requirements.

(e) Unvested Share Repurchase/Reacquisition Option. The Stock Bonus award agreement shall grant the Company an unvested share repurchase/reacquisition option exercisable upon the voluntary or involuntary termination of the Holder's employment with the Company for any reason (including death or Disability). Subject to applicable laws, if the Board so determines, the purchase price (if any) for shares repurchased may be paid by cancellation of any indebtedness of the Holder to the Company. If no purchase price was paid for the shares, the unvested shares may be reacquired by the Company for no consideration.

(e) Other Provisions. The stock bonus agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Board.

14. Non-Transferability of Awards. Unless determined otherwise by the Board, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Holder, only by the Holder. If the Board makes an Award transferable, such Award shall contain such additional terms and conditions as the Board deems appropriate.

15. Adjustments upon Changes in Capitalization or Merger.

(a) Changes in Capitalization. Subject to any action by the Company required by applicable law or regulations or the requirements of the NASDAQ Stock Market or another established stock exchange on which the Company's securities are traded, and subject to Section 15(d), the number and kind of shares of Common Stock (or other securities or property) covered by each outstanding Award, and the number and kind of shares of Common Stock (or other securities or property) which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, as well as the price per share of Common Stock (or other securities or property) covered by each such outstanding Award, shall be adjusted proportionately to the extent the Board determines that any increase, decrease or adjustment in the number or kind of issued shares of Common Stock (or other securities or property), dividend, distribution, stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, reorganization, merger, consolidation, split-up, repurchase, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, exchange of Common Stock or other securities of the Company, or other similar corporate

transaction or event, in the Board's sole discretion, affects the Common Stock such that an adjustment is determined by the Board to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Award. Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Board shall notify the Holder at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, the Award shall terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. Unless otherwise provided in the Award Agreement, in the event of a merger, sale of all or substantially all of the assets of the Company, tender offer or other transaction or series of related transactions resulting in a change of ownership of more than fifty percent (50%) of the voting securities of the Company ("Change in Control") approved by the majority of the members of the Board on the Board prior to the commencement of such Change in Control, each outstanding Award shall be assumed or an equivalent award substituted by the successor corporation or a Parent or Subsidiary of the successor corporation; provided, however, in the event that within one year of the date of the completion of the Change in Control, the successor corporation or a Parent or Subsidiary of the successor corporation terminates the employment of a Holder that is an Employee without Cause (as defined below), such Holder shall fully vest in and, if applicable, have the right to exercise the award assumed or substituted for the Award as to all of the Shares subject to the Award, including Shares as to which it would not otherwise be exercisable. In the event that the successor corporation refuses to assume or substitute the Award, the Holder shall fully vest in and, if applicable, have the right to exercise the Award as to all of the Shares subject to the Award, including Shares as to which it would not otherwise be exercisable. If an Award becomes fully vested and exercisable in lieu of assumption or substitution in the event of a Change in Control, the Board shall notify the Holder in writing or electronically that the Award shall be fully vested and exercisable for a period of fifteen (15) days from the date of such notice, and the Award shall terminate upon the expiration of such period, if applicable.

For the purposes of this paragraph, the Award shall be considered assumed if, following the Change in Control, the Award confers the same acquisition rights for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Board may, with the consent of the successor corporation, provide for the consideration to be received pursuant to the Award, for each Share subject to the Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

For purposes of this paragraph, termination shall be for "Cause" in the event of the occurrence of any of the following: (a) any intentional action or intentional failure to act by Employee which was performed in bad faith and to the material detriment of the successor corporation or its Parent or Subsidiary; (b) Employee willfully and habitually neglects the duties of employment; or (c) Employee is convicted of a felony crime involving moral turpitude; provided, that in the event that any of the foregoing events is capable of being cured, the successor corporation or its Parent or Subsidiary shall provide written notice to the Employee describing the nature of such event and the Employee shall thereafter have five (5) business days to cure such event.

In the event of a Change in Control which is not approved by the majority of the members of the Board on the Board prior to the commencement of a Change in Control, each Holder shall fully vest in and, if applicable, have the right to exercise all outstanding Awards as to all of the Shares subject to such Award, including Shares as to which it would not otherwise be exercisable.

(d) With respect to Awards which are granted to Section 162(m) Participants and are intended to qualify as performance-based compensation under Section 162(m)(4)(C), no adjustment or action described in this Section 15 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause such Award to fail to so qualify under Section 162(m)(4)(C), or any successor provisions thereto.

16. Date of Granting Awards. The date of grant of an Award shall, for all purposes, be the date on which the Board makes the determination granting such Award. Notice of the determination shall be given to each Employee or Consultant to whom an Award is so granted within a reasonable time after the date of such grant.

17. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made which would impair the rights of any Holder under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Section 422 of the Code (or any other applicable laws or regulation, the requirements of the NASDAQ Stock Market or another established stock exchange), the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Awards already granted, and such Awards shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Holder, as applicable, and the Board, which agreement must be in writing and signed by the Holder, as applicable, and the Company.

18. Conditions upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of the NASDAQ Stock Market or any other stock exchange upon which the Shares may then be listed, and shall be

further subject to the approval of counsel for the Company with respect to such compliance. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

19. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

20. Award Agreements. Options shall be evidenced by written Option Agreements in such form as the Board shall approve. Restricted Stock awards, Restricted Stock Unit awards, or Stock Bonus awards shall be evidenced by written restricted stock award agreements, a restricted stock unit award agreements, or stock bonus agreements, respectively, in such form as the Board shall approve.

21. Stockholder Approval. Continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the degree and manner required under applicable laws and the rules of the NASDAQ Stock Market or any other stock exchange upon which the Common Stock is listed.

22. Section 409A of the Code. In the event any provision of the Plan, or the application thereof, is or becomes inconsistent with Section 409A of the Code and any regulations promulgated thereunder, such provision shall be void or unenforceable or in the sole discretion of the Board shall be deemed amended to comply with Section 409A and any regulations promulgated thereunder. The other provisions of the Plan shall remain in full force and effect.

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the 2003 Stock Option Plan as amended, (the "Plan") shall have the same defined meanings in this Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

NAME
ADDRESS
CITY, STATE ZIP

As part of [your Employment Agreement or the Company's Performance Options Policy] you have been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option

Agreement, as follows:

Date of Grant:
Vesting Commencement Date
Exercise Price per Share:
Total Number of Shares Granted:
Total Exercise Price:
Type of Option:
 NQ Nonstatutory Stock Option
Term/Expiration Date:

Vesting Schedule:

This Option may be exercised, in whole or in part, in accordance with the following schedule:

[25% of the Shares subject to the Option shall vest twelve months after the Vesting Commencement Date, and 1/48 of the Shares subject to the Option shall vest each month thereafter, subject to the Optionee continuing to be an Employee or Consultant on such dates.

or

One third (1/3) of the Shares subject to the Option shall vest annually beginning one year after the Vesting Commencement Date, subject to the Optionee continuing to be an Employee or Consultant on such dates.]

Termination Period:

This Option may be exercised for ninety (90) days (or such other period of time not exceeding six (6) months, as is determined by the Board) after Optionee's Continuous Status as an Employee or Consultant terminates. Upon the death or Disability of the Optionee, this Option may be exercised for six (6) months after Optionee's Continuous Status as an Employee or Consultant. In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. The Plan Administrator of the Company hereby grants to the Optionee named in the Notice of Grant attached as Part I of this Agreement (the "Optionee") an option (the "Option") to purchase the number of Shares, as set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price"), subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 13(b) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code. However, if this Option is intended to be an Incentive Stock Option, to the extent that it exceeds the \$100,000 rule of Code Section 422(d) it shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice, in the form attached as Exhibit A (the "Exercise Notice"), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be completed by the Optionee and delivered to the President, the Chief Financial Officer or Secretary of the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Exercise Price.

No Shares shall be issued pursuant to the exercise of this Option unless such issuance and exercise complies with Applicable Laws. Assuming such compliance, for income tax purposes the Exercised Shares shall be considered transferred to the Optionee on the date the Option is exercised with respect to such Exercised Shares.

3. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash; or

(b) check; or

(c) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan; or

(d) surrender of other Shares which (i) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares.

4. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by the

Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

5. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

6. Tax Consequences. Some of the federal tax consequences relating to this Option, as of the date of this Option, are set forth below. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. THE OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercising the Option.

(i) Nonstatutory Stock Option. The Optionee may incur regular federal income tax liability upon exercise of a NSO. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Exercised Shares on the date of exercise over their aggregate Exercise Price. If the Optionee is an Employee or a former Employee, the Company will be required to withhold from his or her compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(ii) Incentive Stock Option. If this Option qualifies as an ISO, the Optionee will have no regular federal income tax liability upon its exercise, although the excess, if any, of the Fair Market Value of the Exercised Shares on the date of exercise over their aggregate Exercise Price will be treated as an adjustment to alternative minimum taxable income for federal tax purposes and may subject the Optionee to alternative minimum tax in the year of exercise. In the event that the Optionee ceases to be an Employee but continues to provide services to the Company, any Incentive Stock Option of the Optionee that remains unexercised shall cease to qualify as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option on the date three (3) months and one (1) day following such change of status.

(b) Disposition of Shares.

(i) NSO. If the Optionee holds NSO Shares for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes (holding the Shares for more than eighteen (18) months may lower the long-term capital gains rate).

(ii) ISO. If the Optionee holds ISO Shares for at least one year after exercise and two years after the grant date, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes. If the Optionee disposes of ISO Shares within one year after exercise or two years after the grant date, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the lesser of (A) the difference between the Fair Market Value of the Shares acquired on the date of exercise and the aggregate Exercise Price, or (B) the difference between the sale price of such Shares and the aggregate Exercise Price. Any additional gain will be taxed as capital gain, short-term or long-term depending on the period that the ISO Shares were held.

(c) Notice of Disqualifying Disposition of ISO Shares. If the Optionee sells or otherwise disposes of any of the Shares acquired pursuant to an ISO on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, the Optionee shall immediately notify the Company in writing of such disposition. The Optionee agrees that he or she may be subject to income tax withholding by the Company on the compensation

income recognized from such early disposition of ISO Shares by payment in cash or out of the current earnings paid to the Optionee.

7. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

8. NO GUARANTEE OF CONTINUED SERVICE. OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE OR CONSULTANT AT THE WILL OF THE COMPANY (AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED AN OPTION OR PURCHASING SHARES HEREUNDER).

OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S RELATIONSHIP AS AN EMPLOYEE OR CONSULTANT AT ANY TIME, WITH OR WITHOUT CAUSE.

By your signature and the signature of the Company's representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Option Agreement. Optionee has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement and fully understands all provisions of the Plan and Option Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Option Agreement. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE:

NEUROCRINE BIOSCIENCES, INC.

Signature

Signature

Date

Date

Name:
NAME
ADDRESS
CITY, STATE ZIP

CONSENT OF SPOUSE

The undersigned spouse of Optionee has read and hereby approves the terms and conditions of the Plan and this Option Agreement. In consideration of the Company's granting his or her spouse the right to purchase Shares as set forth in the Plan and this Option Agreement, the undersigned hereby agrees to be irrevocably bound by the terms and conditions of the Plan and this Option Agreement and further agrees that any community property interest shall be similarly bound. The undersigned hereby appoints the undersigned's spouse as attorney-in-fact for the undersigned with respect to any amendment or exercise of rights under the Plan or this Option Agreement.

Spouse of Optionee

EXHIBIT A

NEUROCRINE BIOSCIENCES, INC.

2003 Stock Option Plan as amended

EXERCISE NOTICE

Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130

Attention: Secretary

1. Exercise of Option. Effective as of today, _____, 20____, the undersigned (“Purchaser”) hereby elects to purchase _____ shares (the “Shares”) of the Common Stock of Neurocrine Biosciences, Inc. (the “Company”) under and pursuant to the 2003 Stock Option Plan as amended (the “Plan”) and the Stock Option Agreement dated _____, 20____ (the “Option Agreement”). The purchase price for the Shares shall be \$_____, as required by the Option Agreement.
 2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price for the Shares.
 3. Representations of Purchaser. Purchaser acknowledges that Purchaser has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.
 4. Rights as Shareholder. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 11 of the Plan.
 5. Tax Consultation. Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser’s purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.
 6. Entire Agreement; Governing Law. The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Purchaser with respect to the subject matter hereof, and may not be modified adversely to the Purchaser’s interest except by means of a writing signed by the Company and Purchaser. This agreement is governed by the internal substantive laws, but not the choice of law rules, of California.
-

Submitted by:
PURCHASER:

Accepted by:

NEUROCRINE BIOSCIENCES, INC.

Signature

Print Name

Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130

Date Received

Its

NEUROCRINE BIOSCIENCES, INC.

2003 INCENTIVE STOCK PLAN

Restricted Stock Unit Agreement

Grant Notice

Neurocrine Biosciences, Inc. (the "Company") hereby grants you, [_____] (the "Employee"), an award of Restricted Stock Units ("RSUs") under the Company's 2003 Incentive Stock Plan, as amended (the "Plan"), the terms of which are hereby incorporated by reference. The date of this Restricted Stock Unit Agreement, which includes Appendix A attached hereto and incorporated herein (the "Agreement"), is September 26, 2006 (the "Effective Date"). Subject to the remaining terms of this Agreement and of the Plan, the principal features of this award are as follows:

Number of RSUs: _____

Vesting of RSUs: The RSUs will vest according to the following schedule:

So long as you remain in Continuous Status as an Employee or Consultant through each such date, 1/3rd of the RSUs shall vest on each of the thirteen (13), twenty-four (24) and thirty-six (36) month anniversaries of the Effective Date, so that the RSUs will become fully vested on the thirty-six (36) month anniversary of the Effective Date (the "Vesting Schedule"). The RSUs are also subject to the vesting conditions set forth in paragraph 4 of the attached Appendix A.

Unless otherwise defined herein or in Appendix A, capitalized terms herein or in Appendix A shall have the defined meanings ascribed to them in the Plan.

Your signature below indicates your agreement and understanding that this award is subject to all of the terms and conditions contained in this Agreement (including Appendix A) and the Plan. For example, important additional information on vesting and forfeiture of the RSUs is contained in Paragraphs 4 through 6 of Appendix A. PLEASE BE SURE TO READ ALL OF APPENDIX A, WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THIS AGREEMENT.

NEUROCRINE BIOSCIENCES, INC.

EMPLOYEE

Tim Coughlin

[NAME]

Address: _____

VP and CFO

Date: _____9/26/06_____

Date: _____



APPENDIX A

TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

1. **Grant.** The Company hereby grants to the Employee under the Plan an award of that number of RSUs set forth on the first page of this Agreement, subject to all of the terms and conditions in this Agreement and the Plan.
 2. **Plan Governs.** The RSUs are issued pursuant to, and the terms of this Agreement are subject to, all terms and provisions of the Plan, including without limitation Section 15 of the Plan. Except as provided in paragraph 4(b) below, in the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.
 3. **Company's Obligation to Pay.** Each RSU has a value equal to the fair market value of a share of Common Stock on the date the shares subject thereto are distributed. Unless and until the RSUs will have vested in the manner set forth in paragraphs 4 and 5, the Employee will have no right to payment of any such RSUs. Prior to actual payment of any vested RSUs, such RSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or fiduciary relationship between Employee and the Company or any other person.
 4. **Vesting.**
 - (a) Subject to paragraph 5, the RSUs awarded by this Agreement will vest in the Employee according to the Vesting Schedule set forth on the first page of this Agreement, subject to the Employee's remaining in Continuous Status as an Employee or Consultant through such vesting periods or dates.
 - (b) Notwithstanding anything to the contrary set forth in the Plan, the vesting of the RSUs awarded by this Agreement shall not accelerate in accordance with Section 9(d) of the Plan in connection with a termination of Employee's Continuous Status as an Employee as a result of Employee's retirement from the Company.
 - (c) In the event of a Change in Control of the Company approved by the majority of the members of the Board on the Board prior to the commencement of such Change in Control, the RSUs shall be assumed or an equivalent award or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation; provided, however, in the event that within one year of the date of the completion of the Change in Control, the successor corporation or a Parent or Subsidiary of the successor corporation terminates the Employee without Cause, the RSUs shall become immediately fully vested. In the event that the successor corporation refuses to assume or substitute the RSUs, the RSUs shall become immediately fully vested and the shares subject to the RSUs shall be issued to Employee immediately prior to the Change in Control, provided that such transaction also qualifies as a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, in each case for purposes of Section 409A(a)(2)(A)(v) of the Internal Revenue Code and the regulations and other guidance thereunder ("Section 409A Change of Control").
 - (d) In the event of a Change in Control which is not approved by the majority of the members of the Board on the Board prior to the commencement of a Change in Control, the RSUs shall immediately fully vest. In the event that the successor corporation refuses to assume or substitute the RSUs, the shares subject to the RSUs shall be issued to Employee immediately prior to the Change in Control, provided that such transaction also qualifies as a Section 409A Change of Control.
 - (e) The RSUs shall be considered assumed if, following the Change in Control, the RSUs confer the right to receive, for each Share of Common Stock subject to the RSUs immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Board may, with the consent of the successor corporation, provide for the consideration to be issued pursuant to the RSUs, for each Share of Common Stock subject to the RSUs, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.
 5. **Forfeiture upon Termination as Service Provider.** Notwithstanding any contrary provision of this Agreement, if the Employee terminates Continuous Status as an Employee or Consultant for any or no reason, the then-unvested RSUs awarded by this Agreement will thereupon be forfeited at no cost to the Company and the Employee shall have no further rights thereunder. To the extent not already paid, RSUs that vest in accordance with the Vesting Schedule shall be paid following the Employee's termination of Continuous Status as an Employee or Consultant in accordance with paragraph 6 or 8 below, as applicable.
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6. Issuance after Vesting. If Employee does not elect to defer his or her distribution of the shares subject to the RSUs in accordance with paragraph 8 below, shares of Common Stock subject to any RSUs that vest in accordance with the Vesting Schedule will be issued to the Employee (or in the event of the Employee's death, to his or her estate) in whole shares of Common Stock on each of the thirteen (13), twenty-four (24) and thirty-six (36) month anniversaries of the Effective Date (each a "Vesting Distribution Date"), in each case not later than ten (10) days following each Vesting Distribution Date, with respect to shares of Common Stock subject to those RSUs that have vested on each such date.

7. Tax Withholding. On or before the time Employee receives a distribution of shares of Common Stock pursuant to the RSUs, or at any time thereafter as requested by the Company, the Employee must make adequate provision, as determined by the Company, for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or a Subsidiary, if any, which arise in connection with the vesting and/or issuance of the shares subject to the RSUs. Unless the tax withholding obligations of the Company and/or any Subsidiary are satisfied, the Company shall have no obligation to issue the shares of Common Stock subject to the RSU. If the Employee does not satisfy the tax withholding obligations of the Company and/or any Subsidiary within thirty (30) days following receipt of notice from the Company, then the RSU will automatically terminate and the Employee will not be issued any shares pursuant to the RSU.

8. Deferral Election.

(a) Election Whether to Defer Distribution of RSU Shares. Each Employee must elect whether to defer his or her distribution of the RSU shares to a date following the Vesting Distribution Date in accordance with paragraph 8(b) or 8(c) below, as applicable. Employees who are not eligible to participate in the Amended and Restated Neurocrine Biosciences, Inc. Nonqualified Deferred Compensation Plan (the "Deferred Compensation Plan"), as amended, must make an election pursuant to paragraph 8(b) below. Employees who are eligible to participate in the Deferred Compensation Plan ("Selected Employees") must make an election pursuant to paragraph 8(c) below. If an Employee does not make a valid, timely election pursuant to paragraph 8(b) or 8(c) below, as applicable, the Employee will be deemed to have affirmatively elected not to defer his or her distribution of the RSU shares, and the shares will be delivered to Employee in accordance with paragraph 6.

(b) Standard Deferral Election. Employees who are not Selected Employees must make an election whether to defer receipt of the RSU shares pursuant to the terms and conditions of the Standard Deferral Election Agreement attached hereto as Exhibit A. Subject to a valid deferral election made within thirty (30) days following the Effective Date, the Employee may elect to defer the timing of the receipt of shares under this Agreement and have such shares issued at a later date pursuant to the terms and conditions of the Standard Deferral Election Agreement. Such deferral elections must also comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the related Treasury Regulations or other guidance issued thereunder.

(c) Deferral Election Under Deferred Compensation Plan by Selected Employees. Selected Employees must make an election whether to defer receipt of the RSU shares pursuant to the terms and conditions of the Deferred Compensation Plan Deferral Election Agreement attached hereto as Exhibit B. Subject to a valid deferral election made within thirty (30) days following the Effective Date, Selected Employees may elect to defer the timing of the receipt of the shares under this Agreement and have such shares issued at a later date pursuant to the terms and conditions of the Deferred Compensation Plan and the Deferred Compensation Plan Deferral Election Agreement. Such deferral elections must also comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the related Treasury Regulations or other guidance issued thereunder. To make a valid deferral election pursuant to this paragraph 8(c), Employee must also complete a Deferred Compensation Plan Beneficiary Designation form, in substantially the form attached hereto as Exhibit C.

(d) Deferred Distribution Date. The date upon which the shares of Common Stock are scheduled to be delivered pursuant to any deferral election made under this paragraph 8 is the "Deferred Distribution Date." Shares of Common Stock subject to any RSUs that are subject to any deferral election made under this paragraph 8 will be issued to the Employee (or in the event of the Employee's death, to his or her estate) in whole shares of Common Stock in each case not later than ten (10) days following the Deferred Distribution Date

9. Delay in Issuance of Shares. Notwithstanding anything to the contrary set forth herein, if the Company determines that the Employee's sale of shares of Common Stock on the date the shares subject to the RSUs are scheduled to be delivered, whether on the Vesting Distribution Date or a Deferred Distribution Date selected pursuant to paragraph 8 above (in either case, the "Original Distribution Date") would violate its policy regarding insider trading of the Company's stock, as determined by the Company in accordance with such policy, then such shares shall not be delivered on such Original Distribution Date and shall instead be delivered as soon as practicable on or after the earliest date on which the Employee could sell such shares pursuant to such policy; provided, however, that in no event shall the delivery of the shares be delayed pursuant to this provision beyond the later of: (1) December 31st of the same calendar year of the Original Distribution Date, or (2) the 15th day of the third calendar month following the Original Distribution Date.

10. Rights as Stockholder. Neither the Employee nor any person claiming under or through the Employee will have any of the rights or privileges of a stockholder of the Company in respect of any shares of Common Stock deliverable hereunder unless and until certificates representing such shares of Common Stock will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Employee.

11. No Effect on Employment. This Agreement is not an employment contract, and nothing herein shall be deemed to create in any way whatsoever any obligation on the Employee's part to continue in the employ of the Company, or of the Company to continue the Employee's employment with the Company. The Employee's employment with the Company is on an at will basis only. The Company will have the right, which is hereby expressly reserved, to terminate or change the terms of the employment of the Employee at any time for any reason whatsoever, with or without good cause.

12. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company at its principal place of business (attention: General Counsel), or at such other address as the Company may hereafter designate in writing. Any notices provided for in this Agreement or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to the Employee, five (5) days after deposit in the United States mail, postage prepaid, addressed to the Employee at the address specified on the first page of this Agreement or at such other address as the Employee may hereafter designate by written notice to the Company.

13. Transferability. Unless determined otherwise by the Board, this grant and the rights and privileges conferred hereby, including without limitation the shares of Common Stock issuable following the vesting of the RSUs, will not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process until, with respect to whole shares of Common Stock issuable following the vesting of the RSUs, such shares are issued pursuant to paragraph 6 or 8 above. Upon any attempt to sell, pledge, assign, hypothecate, transfer, or dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

14. Binding Agreement. Subject to the limitations on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

15. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration or qualification of the shares of Common Stock upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition to the issuance of shares of Common Stock to the Employee (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.

16. Committee Authority. The Committee will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan and this Agreement as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon Employee, the Company and all other interested persons. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

17. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

18. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

19. Amendment. The Committee may amend, terminate or revoke this Agreement in any respect to the extent determined necessary or desirable by the Committee in its discretion to comply with the requirements of Section 409A of the Code and the Treasury Regulations or other guidance issued thereunder. Employee expressly understands and agrees that no additional consent of Employee shall be required in connection with such amendment, termination or revocation.

EXHIBIT A

STANDARD DEFERRAL ELECTION AGREEMENT

Please complete this Standard Deferral Election Agreement (“Election Agreement”) and return a signed copy to Steve Zug no later than the thirtieth (30th) day following the Effective Date as indicated on your Restricted Stock Unit Agreement.

I. Deferral Election (check one)

Election to Defer:

Employee hereby irrevocably elects to defer receipt of the shares of Common Stock associated with the RSUs provided for in the Grant Notice and Appendix A thereto, to which this Exhibit A is attached, until the fifth anniversary of the Effective Date.

Decline:

Employee hereby irrevocably elects not to defer receipt of the shares of Common Stock associated with the RSUs provided for in the Grant Notice and Appendix A thereto, to which this Exhibit A is attached (shares will be issued to Employee as the RSU award vests in accordance with the Restricted Stock Unit Agreement).

II. Terms and Conditions of Deferral Election

If Employee elects to defer receipt of the shares subject to the RSU pursuant to this Election Agreement, by signing this Election Agreement, Employee hereby acknowledges his or her understanding and acceptance of each of the following:

1. Acceleration of Issuance of Shares Upon Termination of Continuous Status as an Employee or Consultant. In the event of Employee’s termination of Continuous Status as an Employee or Consultant prior to the fifth anniversary of the Effective Date that qualifies as a “separation from service” within the meaning of Code Section 409A(a)(2)(A)(i) and the regulations and other guidance promulgated thereunder, then any vested shares of Common Stock subject to the RSUs shall instead be delivered to Employee on the date of his or her termination of Continuous Status as an Employee or Consultant.
 2. Acceleration of Issuance of Shares Upon Change in Control. Notwithstanding Employee’s deferral election pursuant to this Election Agreement, in the event that a successor corporation refuses to assume or substitute the RSUs in connection with a Change in Control, the shares subject to the RSUs shall instead be issued to Employee immediately prior to the Change in Control to the extent provided in paragraph 4 of the Appendix.
 3. Delay in Distribution for Specified Employees. Notwithstanding anything to the contrary set forth herein, if at the time the shares of Common Stock would otherwise be issued to Employee as a result of termination of Continuous Status as an Employee or Consultant, Employee is subject to the distribution limitations contained in Section 409A of the Code applicable to “specified employees,” share issuances resulting from a termination of Continuous Status as an Employee or Consultant shall not be made before the date which is six (6) months following the date of termination of Continuous Status as an Employee or Consultant, or, if earlier, the date of Employee’s death that occurs within such six (6) month period.
 4. Delay in Distribution for Insiders. Notwithstanding the foregoing election, as described in paragraph 9 of the Appendix to the RSU Agreement, the distribution of shares may be delayed if the Company determines that Employee’s sale of the shares on such date would violate the Company’s policy regarding insider trading of the Company’s stock, as determined by the Company in accordance with such policy.
 5. Effective Election. In order for the foregoing deferral election to become effective, this Election Agreement must be submitted by Employee to Steve Zug on or before thirty (30) days following the Effective Date of the RSUs.
 6. Withholding. The Company shall require that Employee make adequate provision for any federal, state, or local tax required by law to be withheld prior to the issuance of the shares of Common Stock.
 7. Nonassignable. Employee’s rights and interests under this Election Agreement may not be assigned, pledged, or transferred.
 8. Termination of this Election Agreement. The Company reserves the right to terminate this Election Agreement at any time. In such case, any vested shares of Common Stock granted to Employee pursuant to the Restricted Stock Unit Agreement may be issued to Employee immediately, to the extent permitted by Section 409A of the Code and the regulations and other guidance promulgated thereunder.
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9. Bookkeeping Account. The Company will establish a bookkeeping account to reflect the number of shares of Common Stock that Employee may acquire pursuant to the RSUs and the fair market value of such shares of Common Stock that are subject to this Election Agreement.
10. Governing Law. This Election Agreement shall be construed and administered according to the internal laws of the State of California, without regard to its conflicts of laws principles.

III. Authorization and Signature

By completing and executing this Election Agreement, Employee authorizes the Company to defer or not defer, as applicable, the issuance of the shares subject to the RSU award. Employee acknowledges that the Company has not made any representations concerning future performance of the Company's Common Stock. Further, Employee has not relied upon advice from the Company in making Employee's election. By executing this Election Agreement, the Employee hereby acknowledges his or her understanding of and agreement with all the terms and provisions set forth herein.

EMPLOYEE

Date: _____

NEUROCRINE BIOSCIENCES, INC.

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT B

DEFERRED COMPENSATION PLAN DEFERRAL ELECTION AGREEMENT (RSU AWARDS)

Please complete this Deferred Compensation Plan Deferral Election Agreement (“Election Agreement”) and return a signed copy to Steve Zug no later than the thirtieth (30th) day following the Effective Date as indicated on your Restricted Stock Unit Agreement (“RSU Agreement”).

Defined terms not explicitly defined in this Election Agreement but defined in the Company’s 2003 Incentive Stock Plan (“Plan”), the Company’s Amended and Restated Nonqualified Deferred Compensation Plan (“Deferred Compensation Plan”), or your RSU Agreement shall have the same definitions as in such documents.

I. Deferral Election (check one)

Election to Defer:

Employee hereby irrevocably elects to defer receipt of the shares of Common Stock associated with the RSUs provided for in the Grant Notice and Appendix A thereto, to which this Exhibit B is attached, in accordance with the terms of the Deferred Compensation Plan.

Decline:

Employee hereby irrevocably elects not to defer receipt of the shares of Common Stock associated with the RSUs provided for in the Grant Notice and Appendix A thereto, to which this Exhibit B is attached (shares will be issued to Employee as the RSU award vests in accordance with the RSU Agreement).

If Employee elects above to defer receipt of the shares subject to the RSUs, Employee must complete Deferral Alternative #1 (Termination of Service). Selecting Deferral Alternative #2 is optional. If Employee selects Deferral Alternative #2, Employee must also complete the applicable portion that follows such selection.

ALL EMPLOYEES WHO ELECT TO DEFER RECEIPT OF THEIR RSUs MUST COMPLETE THIS SECTION

DEFERRAL ALTERNATIVE #1 (TERMINATION OF SERVICE):

Employee elects to receive the vested shares of Common Stock associated with the RSUs upon his or her termination of service.

PLEASE NOTE: The above election will apply in the event of Employee’s termination of service for any reason, including due to Employee’s Death, Disability or Retirement. The shares subject to the RSUs will be issued in a single lump sum upon termination of service. However, for termination of service distributions Employee may (but is not required to) instead elect annual installment distribution of the shares, as follows:

Employee elects to receive the vested shares of Common Stock associated with the RSUs upon his or her termination of service in substantially equal annual installments as follows:

_____ annual installments (elect 2-15)

PLEASE NOTE: The above election to receive a distribution of shares in annual installments instead of a lump sum will only apply if the number of shares subject to each annual installment is at least 2,500 shares. If the number of shares to be distributed pursuant to any annual installment would be less than 2,500 shares, the shares subject to the RSUs will be issued in a single lump sum upon termination of service.

COMPLETION OF THIS SECTION IS OPTIONAL

DEFERRAL ALTERNATIVE #2: (SPECIFIED DATE(S) — CHECK BOXES THAT APPLY)

- o Employee elects to receive the vested shares of Common Stock associated with the RSUs on the following specified dates (must be year 2013 or later) for the following number of shares:

A.	<input type="checkbox"/>	_____	_____	_____	_____
		Number of shares	Month	Day	Year
B.	<input type="checkbox"/>	_____	_____	_____	_____
		Number of shares	Month	Day	Year
C.	<input type="checkbox"/>	_____	_____	_____	_____
		Number of shares	Month	Day	Year
D.	<input type="checkbox"/>	_____	_____	_____	_____
		Number of shares	Month	Day	Year

PLEASE NOTE: If Employee's Retirement, Death, Disability, or Termination of Employment occurs before the elected specified date(s), the shares will not be issued to Employee on the specified date(s) elected above, but will instead be issued to Employee in accordance with Employee's deferral election under Alternative #1 (Termination of Service). Employee may elect up to four separate specified dates, and may not elect that fewer than 5,000 shares be issued to Employee on any specified date.

II. Election Conditions

The following conditions apply to the foregoing deferral election:

1. Employee may elect a Deferred Distribution Date that occurs after the date of vesting of the RSUs. The "Deferred Distribution Date" is the date as of which Employee will receive the shares of vested Common Stock associated with the RSUs that Employee elects to defer. Unless Employee timely elects otherwise on this Election Agreement, such shares will be issued to Employee on or about the date or dates upon which they vest as indicated in the RSU Agreement. Notwithstanding the foregoing, as described in paragraph 9 of the Appendix to the RSU Agreement, the distribution of such shares may be delayed if the Company determines that Employee's sale of the shares on such date would violate the Company's policy regarding insider trading of the Company's stock, as determined by the Company in accordance with such policy.
2. Employee may elect as the Deferred Distribution Date a termination of Employee's service that qualifies as a "separation from service" for purposes of Section 409A of the Code.
3. As an alternative to 2 above, Employee may elect up to four different specified dates as Deferred Distribution Dates. However, if prior to such Deferred Distribution Date, there is a termination of Employee's service with the Company that is a "separation from service" for purposes of Section 409A of the Code, Employee will receive all shares of vested Common Stock associated with the RSUs in accordance with Employee's election under Deferral Alternative #1, notwithstanding any deferral election Employee makes on this Election Agreement under Alternative #2 to receive shares on a specified date.
4. If no Deferred Distribution Date is elected, then the issuance of vested Common Stock will occur upon or about the vesting date(s) as indicated in the RSU Agreement.
5. Notwithstanding anything to the contrary set forth herein, if at the time the shares of Common Stock would otherwise be issued to Employee as a result of termination of service, Employee is subject to the distribution limitations contained in Section 409A of the Code applicable to "specified employees," share issuances resulting from a termination of service shall not be made before the date which is six (6) months following the date of termination of Employee's service, or, if earlier, the date of Employee's death that occurs within such six (6) month period.

6. Notwithstanding anything to the contrary that may be set forth in Section 4.6 of the Deferred Compensation Plan, and notwithstanding Employee's deferral election pursuant to this Election Agreement, in the event that a successor corporation refuses to assume or substitute the RSUs in connection with a Change in Control (as defined in the 2003 Incentive Stock Plan), the shares subject to the RSUs shall instead be issued to Employee immediately prior to the Change in Control to the extent provided in paragraph 4 of the Appendix.

III. Acknowledgement

Employee further acknowledges and agrees as follows:

1. In order for the foregoing deferral election to become effective, this Election Agreement must be submitted by Employee to Steve Zug on or before thirty (30) days following the Effective Date of the RSUs.
2. The Company shall require that Employee make adequate provision for any federal, state, or local tax required by law to be withheld prior to the issuance of the shares of Common Stock.
3. Employee's rights and interests under this Election Agreement may not be assigned, pledged, or transferred.
4. The Company reserves the right to terminate this Election Agreement at any time. In such case, any vested shares of Common Stock granted to Employee pursuant to the RSU Agreement may be issued to Employee immediately, to the extent permitted by Section 409A of the Code and the regulations and other guidance promulgated thereunder.
5. The Company will establish a bookkeeping account to reflect the number of shares of Common Stock that Employee may acquire pursuant to the RSUs and the fair market value of such shares of Common Stock that are subject to this Election Agreement.
6. This Election Agreement shall be construed and administered according to the internal laws of the State of California, without regard to its conflicts of laws principles.

IV. Authorization and Signature

By completing and executing this Election Agreement, Employee authorizes the Company to defer or not defer, as applicable, the issuance of the shares subject to the RSU award. Employee acknowledges that the Company has not made any representations concerning future performance of the Company's Common Stock. Further, Employee has not relied upon advice from the Company in making Employee's election. Additionally, Employee acknowledges that the terms of the Deferred Compensation Plan document, as reasonably interpreted by the Company, governs all aspects of this election. By executing this Election Agreement, the Employee hereby acknowledges his or her understanding of and agreement with all the terms and provisions set forth herein.

• _____
Signature of Employee

Date

EXHIBIT C

BENEFICIARY DESIGNATION

Personal Information

Last	First	Middle Initial	Social Security Number
------	-------	----------------	------------------------

I hereby designate the following Beneficiary(ies) to receive any benefit payable under the Plan by reason of my death, as provided in the Plan document.

Primary Beneficiary(ies)

Beneficiary	Percentage
-------------	------------

Relationship to Participant	Social Security Number
-----------------------------	------------------------

Beneficiary	Percentage
-------------	------------

Relationship to Participant	Social Security Number
-----------------------------	------------------------

Beneficiary	Percentage
-------------	------------

Relationship to Participant	Social Security Number
-----------------------------	------------------------

Beneficiary	Percentage
-------------	------------

Relationship to Participant	Social Security Number
-----------------------------	------------------------

Contingent Beneficiary(ies)

Beneficiary	Percentage
-------------	------------

Relationship to Participant	Social Security Number
-----------------------------	------------------------

Beneficiary	Percentage
-------------	------------

Relationship to Participant	Social Security Number
-----------------------------	------------------------

Please Sign Below

If no percentage is indicated, all beneficiaries will be deemed to have an equal interest in the benefits payable under the Plan.

• _____
Signature of Employee

Date

**AMENDED AND RESTATED
NEUROCRINE BIOSCIENCES, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN**

As Amended and Restated on August 1, 2007

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**AMENDED AND RESTATED
NEUROCRINE BIOSCIENCES, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN**

AS AMENDED AND RESTATED ON AUGUST 1, 2007

PURPOSE

Neurocrine Biosciences, Inc., a Delaware corporation (the "Company") established, originally effective December 1, 1996, the Neurocrine Biosciences, Inc. Nonqualified Deferred Compensation Plan (the "Plan"), for the benefit of a select group of management and highly compensated Employees and Directors who contribute materially to the continued growth, development and future business success of the Company and its subsidiaries, if any, that sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA. The Company hereby amends and restates the Plan in its entirety effective August 1, 2007 as set forth herein.

This Plan shall consist of two plans, one for the benefit of a select group of management and highly compensated Employees of the Employers as described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and one for the benefit of Non-Employee members of the boards of directors of any Employer. To the extent required by law, the terms of this Plan applicable to Directors shall also constitute a separate written plan document with its terms set forth in the applicable portions of this Plan.

**ARTICLE 1
DEFINITIONS**

As used within this document, the following words and phrases have the meanings described in this Article 1 unless a different meaning is required by the context. Some of the words and phrases used in the Plan are not defined in this Article 1, but for convenience, are defined as they are introduced into the text. Words in the masculine gender shall be deemed to include the feminine gender. Any headings used are included for ease of reference only and are not to be construed so as to alter any of the terms of the Plan.

1.1 "Account Balance" shall mean, with respect to a Participant, a credit on the records of the Employer equal to the sum of (i) the Deferral Account balance, (ii) the Company Contribution Account balance, (iii) the Company Matching Account balance, the RSU Account balance. The Account Balance, and each other specified account balance, shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.

1.2 "Accounts" of a Participant shall mean, as the context indicates, either or all of his or her Deferral Account, Company Contribution Account, Company Matching Account and RSU Account.

1.3 "Administrator" shall mean the Committee appointed pursuant to Article 9 to administer the Plan, or such other person or persons to whom the Committee has delegated its duties pursuant to Article 9.

1.4 "Annual Bonus" shall mean any cash compensation, in addition to Base Annual Salary, relating to services performed during any calendar year, whether or not paid in such calendar year or included on the Federal Income Tax Form W-2 for such calendar year, payable to a Participant as an Employee under any Employer's annual bonus and cash incentive plans, excluding stock options, restricted stock, restricted stock units and other equity awards.

1.5 “Annual Company Contribution Amount” shall mean, for any one Plan Year, the amount determined in accordance with Section 3.4(b).

1.6 “Annual Company Matching Amount” for any one Plan Year shall be the amount determined in accordance with Section 3.4(c).

1.7 “Annual Deferral Amount” shall mean that portion of a Participant’s Base Annual Salary, Annual Bonus and Director Fees that a Participant elects to defer, and is deferred, in accordance with Article 3, for any one Plan Year. In the event of a Participant’s Retirement, Termination of Employment as a result of his or her Disability or death or a Termination of Employment prior to the end of a Plan Year, such year’s Annual Deferral Amount shall be the actual amount withheld prior to such event.

1.8 “Annual Installment Method” shall be an annual installment payment over the number of years selected by the Participant in accordance with this Plan, which shall in no event exceed fifteen (15) years, calculated as follows: The applicable portion of the Account Balance of the Participant (or the applicable portion of the Fixed Date Payout Account Balance, in the event of a Fixed Date Payout) shall be calculated as of the close of business three (3) business days prior to the last business day of the year or the date of the Fixed Date Payout. The annual installment shall be calculated by multiplying this balance by a fraction, the numerator of which is one, and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if the Participant elects a ten (10) year Annual Installment Method, the first payment shall be 1/10 of the applicable portion of the Account Balance (or the Fixed Date Payout Account Balance, in the event of a Fixed Date Payout), calculated as described in this definition. The following year, the payment shall be 1/9 of the applicable portion of the Account Balance (or the applicable portion of the Fixed Date Payout Account Balance, in the event of a Fixed Date Payout), calculated as described in this definition. Each annual installment shall be paid within sixty (60) days following each anniversary of the day the distributions are scheduled to commence.

1.9 “Base Annual Salary” shall mean the annual cash compensation relating to services performed during any calendar year, whether or not paid in such calendar year or included on the Federal Income Tax Form W-2 for such calendar year, excluding bonuses, commissions, overtime, fringe benefits, stock options, relocation expenses, incentive payments, non-monetary awards, Director Fees and other fees, automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee’s gross income). Base Annual Salary shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or non qualified plans of any Employer and shall be calculated to include amounts not otherwise included in the Participant’s gross income under Code Sections 125, 132(f), 402(e)(3), 402(h), or 403(b) pursuant to plans established by any Employer; *provided, however*, that all such amounts will be included in compensation only to the extent that, had there been no such plan, the amount would have been payable in cash to the Employee.

1.10 “Beneficiary” shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 6, that are entitled to receive benefits under this Plan upon the death of a Participant.

1.11 “Beneficiary Designation Form” shall mean the form established from time to time by the Administrator that a Participant completes, signs and returns to the Administrator to designate one or more Beneficiaries.

1.12 “Board” shall mean the board of directors of the Company.

1.13 “Cause” shall mean, with respect to a Participant, the occurrence of any of the following (in each case determined by the Participant’s Employer (or the Employer’s Board of Directors, if the Participant is the Employer’s Chief Executive Officer)):

- (a) any intentional action or intentional failure to act by a Participant which was performed in bad faith and to the material detriment of the Participant’s Employer;
- (b) Participant’s intentional refusal or intentional failure to act in accordance with any lawful and proper direction or order of the Chief Executive Officer (or the Employer’s Board of Directors, if the Participant is the Employer’s Chief Executive Officer);
- (c) Participant’s willful and habitual neglect of the duties of employment; or
- (d) Participant’s conviction of a felony crime involving moral turpitude;

provided, that in the event any of the foregoing events is capable of being cured, the Employer (or the Employer’s Board of Directors, if the Participant is the Employer’s Chief Executive Officer) shall provide written notice to Participant describing the nature of such event and Participant shall thereafter have ten (10) business days to cure such event.

1.14 A “Change in Control” shall be deemed to occur if any of the following events shall occur:

(a) the Company is merged or consolidated or reorganized into or with another corporation or other legal person, and as a result of such merger, consolidation or reorganization less than fifty percent (50%) of the combined voting power of the then-outstanding securities of such surviving corporation or person immediately after such transaction are held in the aggregate by the holders of voting securities of the Company immediately prior to such transaction;

(b) the Company sells all or substantially all of its assets or any other corporation or other legal person and thereafter less than fifty percent (50%) of the combined voting securities of the acquiring or consolidated entity are held in the aggregate by the holders of voting securities of the Company immediately prior to such sale;

(c) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Exchange Act, disclosing that any “person” (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) has become the “beneficial owner” (as defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the then-outstanding voting securities of the Company;

(d) the Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Item 1 of Form 8-X thereunder or Item 5(f) of Schedule 14A thereunder (or any successor schedule, form or report or item therein) that the change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction; or

(e) during any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority thereof unless the election or the nomination for election by the Company’s

shareholders of each Director of the Company first elected during such period was approved by a vote of at least two-thirds (2/3) of the Directors of the Company then still in office who were Directors of the Company at the beginning of such period;

provided, that for purposes of distribution of Post-December 31, 2004 Deferrals under Section 4.6, "Change in Control" shall be limited to:

(f) the acquisition by any one person, or more than one person acting as a group (within the meaning of Q&A-12(b) of Internal Revenue Service Notice 2005-1, of ownership of stock of the Company that, together with stock held by such person or group constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company; provided, however, that if any one person or more than one person acting as a group, is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons is not considered to be a Change in Control. Such foregoing definition of Change in Control shall be deemed amended to the extent necessary to comply with the provisions of Code Section 409A and any regulations promulgated thereunder.

(g) Either (i) the acquisition by one person or more than one person acting as a group during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons of ownership of stock of the Company possessing thirty-five percent (35%) or more of the total voting power of the stock of the Company or (ii) the replacement of a majority of the members of the Board during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board prior to the date of the appointment or election; or

(h) The acquisition by one person or more than one person acting as a group during the twelve (12) month period ending on the date of the most recent acquisition, assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

Notwithstanding the foregoing, whether a Change in Control has occurred for purposes of distributions of Post-December 31, 2004 Deferrals shall be determined in accordance with Code Section 409A, Internal Revenue Service Notice 2005-1 and any similar authority.

1.15 "Change in Control Benefit" shall mean the benefit set forth in Section 4.6.

1.16 "Claimant" shall have the meaning set forth in Section 10.1.

1.17 "Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time. Reference to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes such section.

1.18 "Committee" shall mean the Compensation Committee of the Board or another committee or subcommittee of the Board appointed to administer the Plan pursuant to Article 9.

1.19 "Company" shall mean Neurocrine Biosciences, Inc, a Delaware corporation, and any successor to all or substantially all of the Company's assets or business.

1.20 “Company Contribution Account” shall mean (i) the sum of all of a Participant’s Annual Company Contribution Amounts, plus (ii) the hypothetical deemed investment earnings and losses credited or charged in accordance with all the applicable provisions of this Plan that relate to the Participant’s Company Contribution Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant’s Company Contribution Account.

1.21 “Company Matching Account” shall mean (i) the sum of all of a Participant’s Annual Company Matching Amounts, plus (ii) the hypothetical deemed investment earnings and losses credited or charged in accordance with all the applicable provisions of this Plan that relate to the Participant’s Company Matching Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant’s Company Matching Account.

1.22 “Company Stock Measurement Fund” shall mean the Measurement Fund which shall be deemed invested in the Company’s Stock. Participants will have no rights as stockholders of the Company with respect to allocations made to their RSU Accounts which are deemed invested in the Company Stock Measurement Fund.

1.23 “Deduction Limitation” shall mean the following described limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided, this limitation shall be applied to all distributions, other than distributions of Post-December 31, 2004 Deferrals, that are “subject to the Deduction Limitation” under this Plan. If an Employer determines in good faith that there is a reasonable likelihood that any compensation paid to a Participant for a taxable year of the Employer would not be deductible by the Employer solely by reason of the limitation under Code Section 162(m), then to the extent deemed necessary by the Employer to ensure that the entire amount of any distribution to the Participant pursuant to this Plan is deductible, the Employer may defer all or any portion of a distribution under this Plan, other than a distribution of Post-December 31, 2004 Deferrals. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Section 3.6 below. The amounts so deferred and amounts credited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant’s death) at the earliest possible date, as determined by the Employer in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Employer during which the distribution is made will not be limited by Section 162(m), or if earlier, the date that is twenty-four (24) months following the date on which the distribution was first distributable to the Participant pursuant to the provisions of this Plan.

1.24 “Deferral Account” shall mean (i) the sum of all of a Participant’s Annual Deferral Amounts, plus (ii) the hypothetical deemed investment earnings and losses credited or charged in accordance with all the applicable provisions of this Plan that relate to the Participant’s Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account.

1.25 “Director” shall mean any member of the board of directors of any Employer.

1.26 “Director Fees” shall mean the annual fees paid by any Employer, including retainer fees and meetings fees, as compensation for serving on the board of directors.

1.27 “Disability” shall mean a mental or physical disability as determined by the Administrator in accordance with standards and procedures similar to those under the Company’s broad-based regular long-term disability plan, if any. At any time that the Company does not maintain such a long-term disability plan, “Disability” shall mean the inability of a Participant, as determined by the Administrator, substantially to perform such Participant’s regular duties and responsibilities due to a

medically determinable physical or mental illness which has lasted, or can reasonably be expected to last, for a period of six (6) consecutive months, but only to the extent that such definition does not violate the Americans with Disabilities Act. Notwithstanding the foregoing, for purposes of distributions of Post-December 31, 2004 Deferrals under Section 4.5, Disability shall be limited to any medically determinable mental or physical impairment, which can be expected to result in death or to last for a continuous period of not less than twelve (12) months, rendering a Participant (i) unable to engage in any substantial gainful activity, or (ii) eligible to receive income replacement benefits for a period of not less than three (3) months under the Company's accident and health plan, if any.

1.28 "Disability Benefit" shall mean the benefit set forth in Section 4.5.

1.29 "Election Form" shall mean the form established from time to time by the Administrator that a Participant completes, signs and returns to the Administrator to make an election under the Plan.

1.30 "Employee" shall mean a person who is an employee of any Employer.

1.31 "Employer(s)" shall mean the Company and/or any of its subsidiaries (now in existence or hereafter formed or acquired) that have been selected by the Board to participate in the Plan and have adopted the Plan as a sponsor.

1.32 "Equity Plan" shall mean the Company's 2003 Incentive Stock Plan and any successor equity incentive plan adopted by the Company.

1.33 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time. Reference to a section of ERISA shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes such section.

1.34 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended. Reference to a section of the Exchange Act shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes such section.

1.35 "Excise Tax Limitation" shall mean the following described limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided, this limitation shall be applied to all distributions that are "subject to the Excise Tax Limitation" under this Plan, other than Post-December 31, 2004 Deferrals. If an Employer determines in good faith that there is a reasonable likelihood that any distribution to be paid to a Participant pursuant to this Plan (other than a distribution of Post-December 31, 2004 Deferrals) would not be deductible by the Employer solely because all or a portion of the distribution would constitute an "excess parachute payment" within the meaning of Code Section 280G, as determined consistent with the proposed regulations issued by the Internal Revenue Service under Code Section 280G, then to the extent deemed necessary by the Employer to ensure that the entire amount of any distribution to the Participant pursuant to this Plan is deductible, the Employer may defer all or any portion of a distribution under this Plan. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Section 3.6 below. The amounts so deferred and amounts credited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Employer in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Employer during which the distribution is made will not be limited or, if earlier, the date that is twenty-four (24) months following the date on which the distribution was first distributable to the Participant pursuant to the provisions of this Plan.

1.36 “Fixed Date Payout” shall mean the payout set forth in Section 4.1.

1.37 “Fixed Date Payout Account Balance” shall mean, with respect to a Participant, a credit on the records of the Employer equal to the sum of (i) the amount deferred by the Participant and/or Employer contributions made on his or her behalf and with respect to which a Fixed Date Payout was elected, plus (ii) amounts credited or debited in the manner provided in Section 3.6 on such amount. The Fixed Date Payout Account Balance shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.

1.38 “Key Employee” shall mean any Employee who would qualify as a “key employee” within the meaning of Code Section 416(i), without regard to Paragraph 5 thereof.

1.39 “Measurement Fund” shall mean the investment fund or funds selected by the Administrator from time to time.

1.40 “Non-Employee Director” shall mean a Director who is not an Employee of the Company.

1.41 “Participant” shall mean any Employee or Director (i) who is selected to participate in the Plan, (ii) who elects to participate in the Plan, (iii) who signs an Election Form and a Beneficiary Designation Form, (iv) whose signed Election Form and Beneficiary Designation Form are accepted by the Administrator, and (v) who commences participation in the Plan. A spouse or former spouse of a Participant shall not be treated as a Participant in the Plan or have an account balance under the Plan, even if he or she has an interest in the Participant’s benefits under the Plan as a result of applicable law or property settlements resulting from legal separation or divorce.

1.42 “Plan” shall mean this Amended and Restated Neurocrine Biosciences, Inc. Nonqualified Deferred Compensation Plan, which shall be evidenced by this instrument, as amended from time to time.

1.43 “Plan Year” shall mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.

1.44 “Post-December 31, 2004 Deferrals” means any portion of a Participant’s Accounts which as of December 31, 2004 were not earned and vested within the meaning of Internal Revenue Service Notice 2005-1. Post-December 31, 2004 Deferrals shall be subject to Code Section 409A and any regulations promulgated thereunder. Portions of a Participant’s Account that were earned and vested as of December 31, 2004 within the meaning of Internal Revenue Service Notice 2005-1, together with any earnings on such amounts, shall not be Post-December 31, 2004 Deferrals and shall not be subject to Code Section 409A and any regulations promulgated thereunder.

1.45 “Pre-Retirement Survivor Benefit” shall mean the benefit set forth in Section 4.3.

1.46 “Retirement”, “Retire(s)” or “Retired” shall mean, with respect to an Employee, severance from employment from all Employers, and with respect to a Director who is not an Employee, severance of his or her directorships with all Employers, for any reason other than a leave of absence, death or Disability on or after the earlier of the attainment of (a) age sixty-five (65) or (b) age fifty-five (55) with a minimum of ten (10) Years of Service. For purposes of deferrals pursuant to deferral elections made after January 12, 2006, “Retirement” shall mean, with respect to an Employee, severance from employment from all Employers, and with respect to a Director who is not an Employee, severance

of his or her directorships with all Employers, for any reason other than a leave of absence, death or Disability on or after the earlier of the attainment of (a) age sixty-five (65) or (b) age fifty-five (55) with a minimum of five (5) Years of Service. If a Participant is both an Employee and a Director, Retirement shall not occur until he or she Retires as both an Employee and a Director. Notwithstanding the foregoing, for purposes of distributions of Post-December 31, 2004 Deferrals, "Retirement" shall be deemed to mean such severance from employment and/or directorship as would otherwise constitute a "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and any regulations promulgated thereunder.

1.47 "Retirement Benefit" shall mean the benefit set forth in Section 4.2.

1.48 "RSU Account" shall mean (i) the sum of all of a Participant's RSU Deferral Amounts, plus (ii) the hypothetical deemed investment earnings and losses credited or charged in accordance with all the applicable provisions of this Plan that relate to the Participant's RSU Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's RSU Account.

1.49 "RSU Award" shall mean any restricted stock unit award or other deferred issuance stock award granted by the Company to a Participant that is eligible to be deferred under the Plan in accordance with the terms of such award.

1.50 "RSU Deferral Amount" shall be the amount determined in accordance with Section 3.4(d).

1.51 "Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

1.52 "Securities Act" shall mean the Securities Act of 1933, as amended.

1.53 "Stock" shall mean Neurocrine Biosciences, Inc. common stock.

1.54 "Termination Benefit" shall mean the benefit set forth in Section 4.4.

1.55 "Termination of Employment" shall mean the severing of employment with all Employers, or service as a Director of all Employers, voluntarily or involuntarily, for any reason other than Retirement, Disability, death or an authorized leave of absence. If a Participant is both an Employee and a Director, a Termination of Employment shall occur only upon the termination of the last position held. Notwithstanding the foregoing, with respect to distributions of Post-December 31, 2004 Deferrals "Termination of Employment" shall be deemed to mean such terminations of employment and/or directorship as would otherwise constitute a "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and any regulations promulgated thereunder.

1.56 "Trust" shall mean one or more trusts established pursuant to that certain Trust Agreement, dated as of January 1, 2004, between the Company and Reliance Trust Company, as amended from time to time, or any successor trust agreement.

1.57 "Unforeseeable Financial Emergency" shall mean an unanticipated emergency that is caused by an event beyond the control of the Participant that would result in severe financial hardship to the Participant not covered by insurance, liquidation of other assets (to the extent the liquidation itself will not cause severe financial hardship or cessation of deferrals under this Plan, resulting from (i) a sudden and unexpected illness or accident of the Participant or a dependent (as defined in Section 152(a) of the

Code) of the Participant, (ii) a loss of the Participant's property due to casualty, or (iii) such other extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Administrator.

1.58 "Years of Service" shall mean each twelve (12) month period during which a Participant is employed by an Employer, whether or not continuous, and including periods commencing prior to the effective date of this Plan; provided, however, that in the case of a Participant whose employment with an Employer has been interrupted by a period of twelve (12) consecutive months or more (a "Break in Service"), his or her Years of Service prior to such Break in Service shall be disregarded for any purpose under the Plan.

ARTICLE 2 SELECTION, ENROLLMENT, ELIGIBILITY

2.1 Selection by Administrator. Participation in the Plan shall be limited to a select group of management and highly compensated Employees and Non-Employee Directors of the Employers, as determined by the Administrator in its sole discretion. Subject to the requirements of Article 11, from that group, the Administrator shall select, in its sole discretion, Employees and Non-Employee Directors to participate in the Plan.

2.2 Enrollment Requirements. As a condition to participation, each selected Employee or Non-Employee Director shall complete, execute and return to the Administrator an Election Form and a Beneficiary Designation Form. In addition, the Administrator shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.

2.3 Eligibility; Commencement of Participation. Provided an Employee or Non-Employee Director selected to participate in the Plan has met all enrollment requirements set forth in this Plan and required by the Administrator, including returning all required documents to the Administrator within the specified time period, that Employee or Non-Employee Director shall commence participation in the Plan on the day on which his or her Election Form first becomes effective or the date on which a contribution is first credited to his or her Company Contribution Account or Company Matching Account, whichever occurs first.

2.4 Termination of Participation and/or Deferrals. If the Administrator determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated Employees, as membership in such group is determined in accordance with Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, or as a Non-Employee Director, the Administrator shall have the right, in its sole discretion, to (a) terminate any deferral election the Participant has made for the remainder of the Plan Year in which the Participant's membership status changes, (b) prevent the Participant from making future deferral elections and/or (c) other than with respect to Post-December 31, 2004 Deferrals, immediately distribute the Participant's then Account Balance as a Termination Benefit and terminate the Participant's participation in the Plan.

ARTICLE 3 DEFERRAL COMMITMENTS/COMPANY CONTRIBUTIONS/CREDITING/TAXES

3.1 Election to Defer; Effect of Election Form. Subject to the terms and conditions set forth herein and such terms and conditions as the Administrator may determine, Participants may elect to defer Base Annual Salary, Annual Bonus and/or Director Fees by timely completing and delivering to the Administrator an Election Form prior to the beginning of each Plan Year during such period as may be established by the Administrator in its discretion for such elections. After a Plan Year commences, such

deferral election shall be irrevocable and shall continue for the entire Plan Year and subsequent years unless otherwise provided in this Plan; *provided, however*, that a deferral election shall terminate upon the execution and timely submission of a newly completed Election Form during a subsequent election period or Termination of Employment. Additionally, subject to the terms and conditions set forth herein and such additional terms and conditions as the Administrator may determine, Participants may elect to defer RSU Awards by timely completing and delivering to the Administrator an Election Form in accordance with procedures established by the Administrator.

(a) Base Annual Salary, Annual Bonus and/or Director Fees. Subject to any terms and conditions imposed by the Administrator, Participants may elect to defer, under the Plan, Base Annual Salary, Annual Bonus and/or Director Fees. For these elections to be valid with respect to deferrals of Base Annual Salary, Annual Bonus and/or Director Fees, the Election Form must be completed and signed by the Participant, timely delivered to the Administrator no later than December 31 of the year immediately preceding the Plan Year for which the deferral election is to be effective and accepted by the Administrator. If no such Election Form is timely delivered for a Plan Year, the Annual Deferral Amount shall be zero for that Plan Year.

(b) Performance-based Compensation. Notwithstanding the foregoing and subject to any terms and conditions imposed by the Administrator, in the case of any performance-based compensation within the meaning of Code Section 409A(a)(4)(B)(iii) that is a Post-December 31, 2004 Deferral and deferrable under this Plan, which compensation is based on services performed for a period of at least twelve (12) months, Participants may elect to defer such compensation by timely completing and delivering to the Administrator an Election Form no later than six (6) months before the end of such service period during such period as may be established by the Administrator in its discretion for such elections.

(c) First Plan Year. Notwithstanding the foregoing, in the case of the first Plan Year in which a Participant becomes eligible to participate in this Plan, elections may be made with respect to services to be performed subsequent to such election within thirty (30) days after the date the Participant becomes eligible to participate in this Plan.

(d) RSU Awards. Subject to any terms and conditions imposed by the Administrator, Participants may elect to defer RSU Awards under the Plan. For these elections to be valid, the Election Form must be completed and signed by the Participant, timely delivered to and accepted by the Administrator either (i) no later than thirty (30) days following the grant date of the RSU Award (which may not vest any earlier than thirteen (13) months following its grant date), or (ii) such deferral election must otherwise be in compliance with the requirements of Section 409A of the Code and the regulations and other guidance thereunder.

(e) Redeferral. The provisions of this Section 3.1(e) shall not apply to Post-December 31, 2004 Deferrals, which are governed by the redeferral provisions in Section 4.1(b). A Participant may annually change his or her election to an allowable alternative payout method by submitting a new Election Form to the Administrator during such period as may be established by the Administrator in its discretion for such elections, provided, however, that such change shall not be given any effect until at least twelve (12) months after the date on which the new election is made and only if such new Election Form is submitted to and accepted by the Administrator in its sole discretion at least thirteen (13) months prior to the scheduled payout date of the distribution to be modified. The Election Form most recently accepted by the Administrator shall govern the payout of the Participant's benefits under the Plan.

3.2 Minimum Deferrals for Base Annual Salary, Annual Bonus and/or Director Fees.

(a) Annual Minimum. For each Plan Year, with respect to deferrals of Base Annual Salary, Annual Bonus and/or Director Fees, the annual aggregate minimum deferral amount for each Participant is \$5,000. If an election is made for less than such minimum amount, or if no election is made, the amount deferred shall be zero.

(b) Short Plan Year. Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of a Plan Year the minimum Base Annual Salary deferral shall be an amount equal to the minimum set forth above, multiplied by a fraction, the numerator of which is the number of complete months remaining in the Plan Year and the denominator of which is twelve (12).

3.3 Maximum Deferral. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, up to one hundred percent (100%) of his or her Base Annual Salary, Annual Bonus and/or Director Fees. A Participant's Annual Deferral Amount may be automatically reduced if the Administrator determines that such action is necessary to meet federal or state tax withholding obligations. A Participant may elect to defer up to one hundred percent (100%) of his or her RSU Awards.

3.4 Accounts; Crediting of Deferrals. Solely for record keeping purposes, the Administrator shall establish a Deferral Account, a Company Contribution Account, a Company Matching Account and a RSU Account for each Participant. A Participant's Accounts shall be credited with the deferrals made by him or her or on his or her behalf by his or her Employer under this Article 3 and shall be credited (or charged, as the case may be) with the hypothetical or deemed investment earnings and losses determined pursuant to Section 3.6, and charged with distributions made to or with respect to him or her.

(a) Annual Deferral Amounts. For each Plan Year, the Base Annual Salary portion of the Annual Deferral Amount shall be withheld and credited to the Participant's Deferral Account at the time of each regularly scheduled Base Annual Salary payroll in either the percentages or dollar amounts specified by the Participant in the Election Form, as adjusted from time to time for increases and decreases in Base Annual Salary. The Annual Bonus and/or Director Fees portion of the Annual Deferral Amount shall be withheld and credited to the Participant's Deferral Account at the time the Annual Bonus and/or Director Fees are or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself.

(b) Annual Company Contribution Amount. For each Plan Year, an Employer, in its sole discretion, may, but is not required to, credit any amount it desires to any Participant's Company Contribution Account under this Plan, which amount shall be for that Participant the Annual Company Contribution Amount for that Plan Year. The amount so credited to a Participant may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive an Annual Company Contribution Amount for that Plan Year. The Annual Company Contribution Amount, if any, shall be credited to Participants' Company Contribution Accounts on the date declared by the Employer.

(c) Annual Company Matching Amount. For each Plan Year, an Employer, in its sole discretion, may, but is not required to, credit any amount it desires to any Participant's Company Matching Account under this Plan, which amount shall be for that Participant the Annual Company Matching Amount for that Plan Year. The amount so credited to a Participant may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive an Annual Company Contribution Amount for that Plan Year. The Annual

Company Contribution Amount, if any, shall be credited to Participants' Company Matching Accounts on the date declared by the Employer.

(d) RSU Deferral Amount. Each time a Participant timely elects to defer a RSU Award in accordance with Section 3.1(d), an equivalent number of shares of Company common stock subject to such RSU Award shall be credited to the Participant's RSU Account.

3.5 Vesting.

(a) A Participant shall at all times be one hundred percent (100%) vested in his or her Deferral Account.

(b) A Participant shall vest in his or her RSU Account in accordance with the vesting schedule applicable to the particular RSU Award, which may vary among Participants and among RSU Awards. In the event of a Participant's Termination of Employment, other than by reason of his or her death or Disability, prior to the date on which all RSU Awards have vested, the unvested portion of such RSU Award shall be forfeited and no Employer or the Plan shall be liable for the distribution of such shares under the Plan to such Participant. Any shares credited to a Participant's RSU Account by his or her Employer that are forfeited by such Participant pursuant to the preceding sentence shall cease to be liabilities of the Employer or the Plan and such shares shall be immediately debited from the Participant's RSU Account.

(c) Employer contributions credited to a Participant's Company Contribution Account under Section 3.4(b) of the Plan or to a Participant's Company Matching Account under Section 3.4(c) of the Plan and any hypothetical or deemed investment earnings and losses attributable to these contributions shall become vested or nonforfeitable as determined by the Administrator from time to time. The vesting schedule may vary among Participants.

(d) In addition, a Participant shall be one hundred percent (100%) vested in his or her Company Contribution Account and Company Matching Account, including any deemed investment earnings and losses attributable to these accounts, immediately prior to the effective date of a Change in Control, immediately upon his or her death and immediately upon his or her Termination of Employment as a result of Disability. In the event of a Participant's Termination of Employment, other than by reason of his or her death or Disability, prior to the date on which all Employer contributions in such Participant's Company Contribution Account and Company Matching Account have vested pursuant to this Section 3.5, the unvested portion of such Employer contributions shall be forfeited and no Employer or the Plan shall be liable for the payment of such unvested amounts under the Plan to such Participant. Any amounts credited to a Participant's Company Contribution Account and Company Matching Account by his or her Employer on his or her behalf which are forfeited by such Participant pursuant to the preceding sentence shall cease to be liabilities of the Employer or the Plan and such amounts shall be immediately debited from the Participant's Company Contribution Account and Company Matching Account and credited to such Employer.

3.6 Earnings Credits or Losses. In accordance with, and subject to, the rules and procedures that are established from time to time by the Administrator, in its sole discretion, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:

(a) Election of Measurement Funds. A Participant, in connection with his or her initial deferral election in accordance with Section 3.1 above, shall elect, on the Election Form, one or more Measurement Fund(s) (as described in Section 3.6(c) below) to be used to determine

the additional amounts to be credited (or charged, as the case may be) to his or her Account Balance, unless changed in accordance with the next sentence. The Participant may (but is not required to) elect, by submitting an Election Form to the Administrator that is accepted by the Administrator, to add or delete one or more Measurement Fund(s) to be used to determine the additional amounts to be credited (or charged, as the case may be) to his or her Account Balance, or to change the portion of his or her Account Balance allocated to each previously or newly elected Measurement Fund. If an election is made in accordance with the previous sentence, it shall become effective as soon as administratively practicable and shall continue thereafter until changed in accordance with the previous sentence. Changes may be made to allocations at any time during the Plan Year.

(b) Proportionate Allocation. In making any election described in Section 3.6(a) above, the Participant shall specify on the Election Form, in increments of whole percentage points (1%), the percentage of his or her Account Balance to be allocated to a Measurement Fund (as if the Participant was making an investment in that Measurement Fund with that portion of his or her Account Balance).

(c) Measurement Funds. The Administrator shall from time to time select types of Measurement Funds and specific Measurement Funds for deemed investment designation by Participants for the purpose of crediting or charging hypothetical or deemed investment earnings and losses to his or her Account Balance. As necessary, the Administrator may, in its sole discretion, discontinue, substitute or add a Measurement Fund. The Administrator shall notify the Participants of the types of Measurement Funds and the specific Measurement Funds selected from time to time. Notwithstanding anything to the contrary set forth herein, the Company Stock Measurement Fund is not available for elective investment designations by Participants.

(d) Crediting or Debiting Method. The performance of each elected Measurement Fund (either positive or negative) will be determined by the Administrator, in its sole discretion, based on the performance of the Measurement Funds themselves. A Participant's Account Balance shall be credited or debited as frequently as is administratively feasible, but no less often than monthly, based on the performance of each Measurement Fund selected by the Participant, as determined by the Administrator in its sole discretion.

(e) No Actual Investment. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement Fund, the allocation to his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company or the Trustee (as that term is defined in the Trust), in its own discretion, decides to invest funds in any or all of the Measurement Funds, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Employer or the Trust; the Participant shall at all times remain an unsecured creditor of the Employers. Any liability of an Employer to any Participant, former Participant, or Beneficiary with respect to a right to payment shall be based solely upon contractual obligations created by the Plan. The Company, the Board, the Administrator, any Employer and any individual or entity shall not be deemed to be a trustee of any amounts to be paid under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and an Employer and a Participant, former Participant,

Beneficiary or any other individual or entity. Neither the Company nor any Employer in any way guarantees any Participant's Account Balance against loss or depreciation, whether caused by poor investment performance, insolvency of a deemed investment or by any other event or occurrence. In no event shall any Employee, officer, Director or stockholder of the Company or any Employer be liable to any individual or entity on account of any claim arising by reason of the Plan provisions or any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary or other individual or entity to be entitled to any particular tax consequences with respect to the Plan or any credit or payment hereunder.

(f) Company Contribution Accounts. Notwithstanding any other provision of this Plan to the contrary, Company Contribution Amounts may only be allocated to the Measurement Funds designated by the Administrator from time to time, in its sole discretion.

(g) RSU Account. Notwithstanding any other provision of this Plan to the contrary, RSU Deferral Amounts shall be automatically allocated to the Company Stock Measurement Fund and may not be allocated to any other Measurement Fund.

3.7 Distributions. Any distribution with respect to a Participant's Account Balance shall be charged to the appropriate account as of the date such payment is made by the Employer or the trustee of the Trust which may be established for the Plan.

ARTICLE 4 DISTRIBUTIONS

4.1 Fixed Date Payout.

(a) Election of Fixed Date Payout. In connection with each Election Form, a Participant may irrevocably elect to receive a future "Fixed Date Payout" from the Plan of his or her vested Fixed Date Payout Account Balance. Subject to the Deduction Limitation and the other terms and conditions of this Plan, each Fixed Date Payout elected shall be paid out no earlier than five (5) years from January 1 of the Plan Year following the Plan Year in which the Annual Deferral Amount is actually deferred or the Employer contribution is actually credited to the Participant's account, but in no event later than the date on which the Participant reaches age seventy (70) (the "Earliest Fixed Date Payout Date"). By way of example, if a five (5) year Fixed Date Payout is elected for Annual Deferral Amounts that are deferred in the Plan Year commencing January 1, 2003, the five (5) year Fixed Date Payout would become payable no earlier than January 1, 2009. A Participant shall elect on each Election Form on which a Fixed Date Payout is elected to receive the Fixed Date Payout Account Balance applicable to such election in a lump sum or pursuant to an Annual Installment Method over a period of up to fifteen (15) years. If a Participant does not elect to have his or her Fixed Date Payout Account Balance paid in accordance with the Annual Installment Method, then such benefit shall be payable in a lump sum. The lump sum payment shall be made no later than sixty (60) days after the last day of any Plan Year designated by the Participant that is after the Earliest Fixed Date Payout Date. Any payment made shall be subject to the Deduction Limitation. Notwithstanding anything to the contrary set forth herein, Fixed Date Payout Account Balances that are less than \$50,000 at any time on or after the date that distributions are scheduled to commence shall be immediately paid in a lump sum notwithstanding any Annual Installment Method payment election provided, however, that no payment acceleration shall occur prior to January 1, 2008 pursuant to this provision.

(b) Redeferrals. For Post-December 31, 2004 Deferrals, a Participant may modify the date on which any such Fixed Date Payout is to be paid or revoke a previous election with respect thereto by submitting a new Election Form; *provided* that any such modification or revocation shall not be given any effect until at least twelve (12) months after the date on which the new election is made and only if (i) such new Election Form is submitted to and accepted by the Administrator in its sole discretion at least thirteen (13) months prior to the scheduled payout date of the distribution to be modified or revoked and (ii) any new payout date designated in such form is at least five (5) years following the scheduled payout date of the distribution to be deferred.

(c) Other Benefits Take Precedence Over Fixed Date. Should an event occur that triggers a benefit under Section 4.2, 4.3, 4.4, 4.5 or 4.6, any Fixed Date Payout Account Balance that is subject to a Fixed Date Payout election under Section 4.1 shall not be paid in accordance with Section 4.1 but shall be paid in accordance with the other applicable Section.

4.2 Retirement Benefit.

(a) Retirement Benefit. A Participant who Retires shall receive, as a Retirement Benefit, his or her Account Balance. A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Retirement Benefit in a lump sum or pursuant to an Annual Installment Method over a period of up to fifteen (15) years. If a Participant does not make any election with respect to the payment of the Retirement Benefit, then such benefit shall be payable in a lump sum. The lump sum payment shall be made, or installment payments shall commence, no later than sixty (60) days after the date the Participant Retires. Any payment made (other than payment of a Post-December 31, 2004 Deferral) shall be subject to the Deduction Limitation. Notwithstanding anything to the contrary set forth herein, Account Balances that are less than \$50,000 at any time on or after the date that distributions are scheduled to commence shall be immediately paid in a lump sum notwithstanding any Annual Installment Method payment election; *provided*, however, that no payment acceleration shall occur prior to January 1, 2008 pursuant to this provision.

(b) Death Prior to Completion of Retirement Benefit. If a Participant dies after Retirement but before the Retirement Benefit is paid in full, the Participant's unpaid Retirement Benefit payments shall be paid to the Participant's Beneficiary in a lump sum that is equal to the Participant's unpaid remaining vested Account Balance as of the date of the Participant's death; *provided* that payment of amounts that are Post-December 31, 2004 Deferrals shall continue to be made in the same manner and in the same form as they were made to the Participant prior to his or her death. Any lump sum payment shall be made no later than sixty (60) days after the date of the Participant's death. Any payment made (other than payment of a Post-December 31, 2004 Deferral) shall be subject to the Deduction Limitation

(c) Key Employees. Notwithstanding any provision in Section 4.2(a) above, if a Participant is a Key Employee as of the date of his or her Retirement, solely with regard to Post-December 31, 2004 Deferrals, if any, the lump sum payment shall be made, or installment payments shall commence, no earlier than six (6) months after the date of the Participant's Retirement.

4.3 Pre-Retirement Survivor Benefit. If a Participant dies before he or she receives complete payment of benefits pursuant to this Article 4, such Participant's Beneficiary shall receive a Pre-Retirement Survivor Benefit equal to the Participant's vested Account Balance as of the date of the Participant's death (after giving effect to any accelerated vesting as a result of the Participant's death

pursuant to Section 3.5). The Pre-Retirement Survivor Benefit shall be paid to the Participant's Beneficiary in a lump sum; provided that payment of amounts that are Post-December 31, 2004 Deferrals shall continue to be made in the same manner and in the same form as they were made to the Participant prior to his or her death. Any lump sum payment shall be made no later than sixty (60) days after the date of the Participant's death. Any payment made (other than payment of a Post-December 31, 2004 Deferral) shall be subject to the Deduction Limitation.

4.4 Termination Benefit.

(a) Termination Other Than For Cause. If a Participant experiences a Termination of Employment for any reason other than as a result of a termination by the Company for Cause prior to his or her becoming entitled to receive benefits by reason of any other sections of this Article 4, such Participant shall receive a Termination Benefit, which shall be equal to the Participant's vested Account Balance as of the date on which he or she experiences a Termination of Employment. A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Termination Benefit pursuant to this Section 4.4(a) in a lump sum or pursuant to an Annual Installment Method over a period of up to fifteen (15) years. If a Participant does not make any election with respect to the payment of the Termination Benefit pursuant to this Section 4.4(a), then such benefit shall be payable in a lump sum. The lump sum payment shall be made, or installment payments shall commence, no later than sixty (60) days after the date of the Participant experiences a Termination of Employment. Any payment made (other than payment of a Post-December 31, 2004 Deferral) shall be subject to the Deduction Limitation. Notwithstanding anything to the contrary set forth herein, Account Balances that are less than \$50,000 at any time on or after the date that distributions are scheduled to commence shall be immediately paid in a lump sum notwithstanding any Annual Installment Method payment election provided, however, that no payment acceleration shall occur prior to January 1, 2008 pursuant to this provision.

(b) Termination For Cause. If a Participant experiences a Termination of Employment as a result of a termination by the Company for Cause prior to his or her becoming entitled to receive benefits by reason of any other sections of this Article 4, such Participant shall receive a Termination Benefit, which shall be equal to the Participant's vested Account Balance as of the date on which he or she experiences a Termination of Employment. The Termination Benefit pursuant to this Section 4.4(b) shall be paid in a lump sum. The lump sum payment shall be made no later than sixty (60) days after the date of the Participant's Termination of Employment. Any payment made (other than payment of a Post-December 31, 2004 Deferral) shall be subject to the Deduction Limitation.

(c) Key Employees. Notwithstanding any other provision in this Section 4.4, if Participant is a Key Employee as of the date of his or her Termination of Employment, solely with regard to Post-December 31, 2004 Deferrals, if any, the lump sum payment shall be made, or installment payments shall commence, no earlier than six (6) months after the date of the Participant's Termination of Employment.

4.5 Disability Benefit. In the event of the Participant's Termination of Employment as a result of his or her Disability, as determined by the Administrator, the Participant shall receive a Disability Benefit, which shall be equal to the Participant's vested Account Balance as of the date on which he or she experiences a Termination of Employment (after giving effect to any accelerated vesting as a result of the Participant's Disability pursuant to Section 3.5). A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Disability Benefit in a lump sum or pursuant to an Annual Installment Method over a period of up to fifteen (15)

years; provided, however, that notwithstanding a Participant's election, other than with respect to Post-December 31, 2004 Deferrals the Administrator may decide, in its sole discretion, the manner in which such Disability Benefit shall be paid. If a Participant does not make any election with respect to the payment of the Disability Benefit, then the Participant shall be deemed to have elected to have the Disability Benefit paid in a lump sum. The lump sum payment shall be made, or installment payments shall commence, no later than sixty (60) days after the date of the Participant's Termination of Employment. Any payment made (other than payment of a Post-December 31, 2004 Deferral) shall be subject to the Deduction Limitation. Notwithstanding anything to the contrary set forth herein, Account Balances that are less than \$50,000 at any time on or after the date that distributions are scheduled to commence shall be immediately paid in a lump sum notwithstanding any Annual Installment Method payment election provided, however, that no payment acceleration shall occur prior to January 1, 2008 pursuant to this provision.

4.6 Change in Control Benefit.

(a) Change in Control Benefit. The Committee may, in its sole discretion, determine that a Participant shall receive a Change in Control Benefit, which shall be equal to the Participant's vested Account Balance in the event of a Change in Control (after giving effect to any accelerated vesting as a result of the Participant's Disability pursuant to Section 3.5). A Participant's Change in Control Benefit shall be paid in a lump sum. The lump sum payment shall be made immediately prior to the Change in Control. Any payment made shall be subject to the Deduction Limitation and the Excise Tax Limitation. With respect to Post-December 31, 2004 Deferrals, any Change in Control Benefit that the Committee determines to pay must be made within twelve (12) months after a Change in Control and shall result in a termination of the Plan.

(b) Change in Control Benefit to Take Precedence Over Other Benefits. Should the Committee decide to pay a Change in Control Benefit, any Annual Deferral Amount other than a Post-December 31, 2004 Deferral, plus amounts credited or debited thereon, that is subject to an existing payout under Section 4.1, 4.2, 4.3, 4.4 or 4.5 shall not be paid in accordance with such Section but shall be paid in accordance with this Section 4.6. Payments of Post-December 31, 2004 Deferrals shall not be accelerated as a result of this Section 4.6 except as provided in Section 4.6(a) in connection with a termination of the Plan.

4.7 Form of Distributions. Distributions of the Account Balance not including the portion of the Account Balance allocated to the Company Stock Measurement Fund shall be paid to Participants in cash. The portion of the Account Balance allocated to the Company Stock Measurement Fund shall be paid to Participant's in an equivalent number of shares of the Company's common stock credited to the Participant's Account. The source of shares of Company common stock distributed pursuant to this Plan shall be the Equity Plan. Any portion of the Account Balance designated to be distributed in shares of Company common stock, but which is not equal to the value of one whole share of Company common stock shall instead be paid to the Participant in cash.

4.8 Change In Company Shares. If any capitalization adjustment is made to outstanding awards granted under the Company's Equity Plan pursuant to Section 15(a) of the Company's 2003 Incentive Stock Plan or any other similar provision in a successor equity incentive plan, then such adjustments shall automatically apply to the number of shares credited to the RSU Account attributable to such awards as appropriate in order to prevent dilution or enlargement of the benefits intended to be made available under the Plan.

ARTICLE 5
UNFORESEEABLE FINANCIAL EMERGENCIES; WITHDRAWAL ELECTION

5.1 Withdrawal Payout/Suspensions for Unforeseeable Financial Emergencies. If a Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Administrator to (i) suspend any deferrals required to be made by a Participant and/or (ii) receive a partial or full payout from the Plan. The payout shall not exceed the lesser of the Participant's vested Account Balance, calculated as if such Participant were receiving a Termination Benefit, or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency. If, subject to the sole discretion of the Administrator, the petition for a suspension and/or payout is approved, suspension shall take effect upon the date of approval and any payout shall be made within sixty (60) days of the date of approval. The payment of any amount under this Section 5.1 (other than payment of Post-December 31, 2004 Deferrals) shall be subject to the Deduction Limitation. Once the payout is paid, the Participant shall not be eligible to participate in the Plan for the remainder of the Plan Year during which the payout is paid and the subsequent Plan Year.

5.2 Withdrawal Election. A Participant (or, after a Participant's death, his or her Beneficiary) may elect, at any time, to withdraw all or a portion of his or her vested Account Balance (other than any Post-December 31, 2004 Deferrals), calculated as if there had occurred a Termination of Employment as of the day of the election, less a withdrawal penalty equal to ten percent (10%) of such amount (the net amount shall be referred to as the "Withdrawal Amount"). This election can be made at any time. The Participant (or his or her Beneficiary) shall make this election by giving the Administrator advance written notice of the election in a form determined from time to time by the Administrator. The Participant (or his or her Beneficiary) shall be paid the Withdrawal Amount within sixty (60) days of his or her election. Once the Withdrawal Amount is paid, the Participant's participation in the Plan shall terminate and the Participant shall not be eligible to participate in the Plan for the remainder of the Plan Year during which the Withdrawal Amount is paid and the subsequent Plan Year. The payment of this Withdrawal Amount shall be subject to the Deduction Limitation.

ARTICLE 6
BENEFICIARY DESIGNATION

6.1 Beneficiary. Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a beneficiary upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates.

6.2 Beneficiary Designation; Change. A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Administrator or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Administrator's rules and procedures, as in effect from time to time. Upon the acceptance by the Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Administrator shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Administrator prior to his or her death.

6.3 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided in Sections 6.1 and 6.2 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse. If the Participant has no surviving spouse, the benefits

remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.

6.4 Doubt as to Beneficiary. If the Administrator has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Administrator shall have the right, exercisable in its discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to the Administrator's satisfaction.

6.5 Discharge of Obligations. The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge all Employers and the Administrator from all further obligations under this Plan with respect to the Participant, and that Participant's Election Form shall terminate upon such full payment of benefits.

ARTICLE 7 LEAVE OF ABSENCE

7.1 Paid Leave of Absence. If a Participant is authorized by the Participant's Employer for any reason to take a paid leave of absence from the employment of the Employer, the Participant shall continue to be considered employed by the Employer and the Annual Deferral Amount shall continue to be withheld during such paid leave of absence in accordance with Section 3.4; provided however, that this Section 7.1 shall not be effective with respect to Post-December 31, 2004 Deferrals to the extent that such leave of absence constitutes a "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and any regulations promulgated thereunder.

7.2 Unpaid Leave of Absence; Disability Leave. If a Participant is authorized by the Participant's Employer for any reason to take an unpaid leave of absence from the employment of the Employer, or if a Participant is on leave of absence as a result of his or her Disability, the Participant shall continue to be considered employed by the Employer and the Participant shall be excused from making deferrals until the earlier of the date the leave of absence expires or the Participant returns to a paid employment status. Upon such expiration or return, deferrals shall resume for the remaining portion of the Plan Year in which the expiration or return occurs, based on the deferral election, if any, made for that Plan Year. If no election was made for that Plan Year, no deferral shall be withheld. Notwithstanding the foregoing, this Section 7.2 shall not be effective with respect to Post-December 31, 2004 Deferrals to the extent that such leave of absence constitutes a "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and any regulations promulgated thereunder

ARTICLE 8 TERMINATION, AMENDMENT OR MODIFICATION

8.1 Termination. Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all of its participating Employees and Non-Employee Directors, by action of its board of directors or similar governing body. Upon the termination of the Plan with respect to any Employer, the participation of the affected Participants who are employed by that Employer, or in the service of that Employer as Directors, shall terminate and their Account Balances other than Post-December 31, Deferrals determined as if they had experienced a Termination of Employment on the date of Plan termination or, if Plan termination occurs after the date upon which a Participant was eligible to Retire, then with respect to that Participant as if he or she had Retired on the date of Plan termination, shall, other than with respect to Post-December 31, 2004 Deferrals be paid to the Participants in a lump sum within sixty (60) days following the plan

termination. Upon the Plan's termination, Post-December 31, 2004 Deferrals shall be paid to Participants in accordance with the terms hereof in effect immediately before such termination. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination; *provided, however*, that other than with respect to Post-December 31, 2004 Deferrals the Employer shall have the right to accelerate installment payments without a premium or prepayment penalty by paying the Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).

8.2 Amendment. An Employer may, at any time, amend or modify the Plan in whole or in part with respect to that Employer by the action of its board of directors or similar governing body; *provided, however*, that no amendment or modification shall be effective to decrease or restrict the value of a Participant's Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification. The amendment or modification of the Plan shall not affect any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification; *provided, however*, that other than with respect to Post-December 31, 2004 Deferrals the Employer shall have the right to accelerate installment payments by paying the Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule). Notwithstanding any provisions of this Section 8.2 to the contrary, the Committee may amend the Plan at any time, in any manner, if the Committee determines any such amendment is required to ensure that the Plan is characterized as providing deferred compensation for a select group of management or highly compensated employees and as described in ERISA Sections 201(2), 301(a)(3) and 401(a)(1) or to otherwise conform the Plan to the provisions of any applicable law, including ERISA and the Code.

8.3 Effect of Payment. The full payment of the applicable benefit under Article 4 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan.

ARTICLE 9 ADMINISTRATION

9.1 Administrator Duties. The Committee appointed pursuant to Section 9.3 shall be the Administrator and shall conduct the general administration of the Plan in accordance with the Plan and shall have all the necessary power and authority to carry out that function. Members of the Administrator may be Participants under this Plan. Any individual serving on the Administrator who is a Participant shall not vote or act on any matter relating solely to himself or herself. Among the Committee's necessary powers and duties are the following:

(a) Except to the extent provided otherwise by Article 12, to delegate all or part of its function as Administrator to others and to revoke any such delegation.

(b) To determine questions of eligibility of Participants and their entitlement to benefits, subject to the provisions of Articles 10 and 12.

(c) To select and engage attorneys, accountants, actuaries, trustees, appraisers, brokers, consultants, administrators, physicians or other persons to render service or advice with regard to any responsibility the Administrator has under the Plan, or otherwise, to designate such persons to carry out fiduciary responsibilities (other than trustee responsibilities) under the Plan, and (with the Committee, the Employers and their officers, Directors, trustees and Employees) to rely upon the advice, opinions or valuations of any such persons, to the extent permitted by law, being fully protected in acting or relying thereon in good faith.

(d) To interpret the Plan for purpose of the administration and application of the Plan, in a manner not inconsistent with the Plan or applicable law and to amend or revoke any such interpretation.

(e) To conduct claims procedures as provided in Article 10.

9.2 Binding Effect of Decisions. The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

9.3 Committee. The Committee shall consist solely of two or more Non-Employee Directors appointed by and holding office at the pleasure of the Board, each of whom is both a “non-employee director” as defined by Rule 16b-3 and an “outside director” for purposes of Section 162(m) of the Code. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may be filled by the Board.

9.4 Indemnification. All Employers shall indemnify and hold harmless any of their officers, Directors, Committee members or Employees who are involved in the administration of the Plan against any and all claims, losses, damages, expenses or liabilities arising out of the good faith performance of their administrative functions.

9.5 Employer Information. To enable the Administrator to perform its functions, each Employer shall supply full and timely information to the Administrator on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or Termination of Employment of its Participants, and such other pertinent information as the Administrator may reasonably require.

ARTICLE 10 CLAIMS PROCEDURES

10.1 Presentation of Claim. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a “Claimant”) may deliver to the Administrator a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.

10.2 Notification of Decision. The Administrator shall consider a Claimant’s claim within a reasonable time, and shall notify the Claimant in writing:

(a) that the Claimant’s requested determination has been made, and that the claim has been allowed in full; or

(b) that the Administrator has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:

- (i) the specific reason(s) for the denial of the claim, or any part of it;
- (ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;
- (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and
- (iv) an explanation of the claim review procedure set forth in Section 9.3 below, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review.

The notice of denial shall be given within a reasonable time period but no later than ninety (90) days after the claim is filed, unless special circumstances require an extension of time for processing the claim. If such extension is required, written notice shall be furnished to the Claimant within ninety (90) days of the date the claim was filed stating the special circumstances requiring an extension of time and the date by which a decision on the claim can be expected, which shall be no more than one hundred eighty (180) days from the date the claim was filed.

10.3 Review of a Denied Claim. Within sixty (60) days after receiving a notice from the Administrator that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Administrator a written request for a review of the denial of the claim. Thereafter, but not later than thirty (30) days after the review procedure began, the Claimant (or the Claimant's duly authorized representative):

- (a) may review and/or copy, free of charge, pertinent documents, records and other information relevant to the Claimant's claim;
- (b) may submit issues, written comments or other documents, records and information relating to the claim; and/or
- (c) may request a hearing, which the Administrator, in its sole discretion, may grant.

10.4 Decision on Review. The Administrator shall render its decision on review promptly, and not later than sixty (60) days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Administrator's decision must be rendered within one hundred twenty (120) days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

- (a) specific reasons for the decision;
- (b) specific reference(s) to the pertinent Plan provisions upon which the decision was based;

(c) a statement that the Claimant is entitled to receive upon request and free of charge reasonable access to and copies of all documents, records and other information relevant to the Claimant's claim for benefits;

(d) a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review; and

(e) such other matters as the Administrator deems relevant.

10.5 Designation. The Administrator may designate any other person of its choosing to make any determination otherwise required under this Article 10.

10.6 Arbitration.

(a) A Claimant whose appeal has been denied under Section 10.4 shall have the right to submit said claim to final and binding arbitration before a single arbitrator in San Diego, California, pursuant to the rules of the American Arbitration Association. Any such requests for arbitration must be filed by written demand to the American Arbitration Association within sixty (60) days after receipt of the decision regarding the appeal. The arbitrator's decision shall be final and binding upon the parties, and may be entered and enforced in any court of competent jurisdiction by either of the parties; provided, however, that the arbitrator shall not have any power to alter, amend, modify or change any of the terms of this Plan nor to grant any remedy which is either prohibited by the terms of this Plan or not available in a court of law. The arbitrator shall have the power to grant temporary, preliminary and permanent relief, including without limitation, injunctive relief and specific performance.

(b) The Company will pay the direct costs and expenses of the arbitration. The Claimant and the Company are responsible for their respective attorneys' fees incurred in connection with the arbitration; however, to the extent permitted by law, the arbitrator may, in his or her discretion, award reasonable attorneys' fees to the prevailing party.

ARTICLE 11

TRUST

11.1 Establishment of the Trust. The Company shall establish the Trust. All benefits payable under this Plan to a Participant shall be paid directly by the Employer(s) from the Trust. To the extent that such benefits are not paid from the Trust, the benefits shall be paid from the general assets of the Employer(s). The Trust, if any, shall be an irrevocable grantor trust which conforms to the terms of the model trust as described in IRS Revenue Procedure 92 64, I.R.B. 1992 33. The assets of the Trust are subject to the claims of each Employer's creditors in the event of its insolvency. Except as provided under the Trust agreement, neither the Company nor an Employer shall be obligated to set aside, earmark or escrow any funds or other assets to satisfy its obligations under this Plan, and the Participant and/or his or her designated Beneficiaries shall not have any property interest in any specific assets of the Company or an Employer other than the unsecured right to receive payments from the Employer, as provided in this Plan.

11.2 Interrelationship of the Plan and the Trust. The provisions of the Plan shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.

11.3 Investment of Trust Assets. The Trustee of the Trust shall be authorized, upon written instructions received from the Administrator or investment manager appointed by the Administrator, to invest and reinvest the assets of the Trust in accordance with the applicable Trust Agreement, including the disposition of Stock and reinvestment of the proceeds in one or more investment vehicles designated by the Administrator.

11.4 Distributions From the Trust. Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Plan.

ARTICLE 12
PROVISIONS RELATING TO SECURITIES LAWS

12.1 Designation of Participants. With respect to any Employee or Non-Employee Director who is then subject to Section 16 of the Exchange Act, only the Committee may designate such Employee or Non-Employee Director as a Participant in the Plan.

12.2 Action by Committee. With respect to any Participant who is then subject to Section 16 of the Exchange Act, any function of the Administrator under the Plan relating to such Participant shall be performed solely by the Committee, if and to the extent required to ensure the availability of an exemption under Section 16 of the Exchange Act for any transaction relating to such Participant under the Plan.

12.3 Compliance with Section 16. Notwithstanding any other provision of the Plan or any rule, instruction, election form or other form, the Plan and any such rule, instruction or form shall be subject to any additional conditions or limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b 3) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, such provision, rule, instruction or form shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

ARTICLE 13
MISCELLANEOUS

13.1 Status of Plan. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.

13.2 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of any Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

13.3 Employer's Liability. An Employer's liability for the payment of benefits shall be defined only by the Plan and the Election Form(s), as entered into between the Employer and a Participant. An Employer shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Election Form(s).

13.4 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise. The benefits which a Participant may accrue under this Plan are not subject to the terms of any Qualified Domestic Relations Order (as that term is defined in Section 414(p) of the Code) with respect to any Participant, and the Administrator, the Board, the Committee, the Company and any Employer shall not be required to comply with the terms of such order in connection with this Plan. Notwithstanding the foregoing, the withholding of taxes from Plan payments, the recovery of Plan overpayments of benefits made to a Participant or Beneficiary, the transfer of Plan benefit rights from the Plan to another plan, or the direct deposit of Plan payments to an account in a financial institution (if not actually a part of an arrangement constituting an assignment or alienation) shall not be construed as an assignment or alienation under this Section 13.4 and shall be permitted under the Plan.

13.5 Tax Withholding.

(a) Annual Deferral Amounts. For each Plan Year in which an Annual Deferral Amount is being withheld from a Participant, the Participant's Employer(s) shall be entitled to require payment by the Participant of any sums required by federal, state or local tax law to be withheld with respect to the deferral, in amounts and in a manner to be determined in the sole discretion of the Employer(s).

(b) RSU Deferral Amounts. When an Employee Participant becomes vested in a portion of his or her RSU Award, the Participant's Employer(s) shall be entitled to require payment by the Participant of the Participant's share of FICA and other employment taxes, and any other sums required by federal, state or local tax law to be withheld with respect to such vesting, in amounts and in a manner to be determined in the sole discretion of the Employer(s).

(c) Company Matching Amounts and Company Contribution Amounts. When a Participant becomes vested in a portion of his or her Company Matching Account and/or Company Contribution Account, the Participant's Employer(s) shall be entitled to require payment by the Participant of any sums required by federal, state or local tax law to be withheld with respect to such vesting, in amounts and in a manner to be determined in the sole discretion of the Employer(s).

(d) Distributions. The Participant's Employer(s), or the trustee of the Trust, shall withhold from any payments made to a Participant under this Plan all federal, state and local income, employment and other taxes required to be withheld by the Employer(s), or the trustee of the Trust, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Employer(s) and the trustee of the Trust.

(e) Satisfaction of Tax Obligations. The Administrator, in its sole discretion, may allow a Participant to pay to his or her Employer(s) any amounts required to be withheld by the Employer(s) in connection with the Plan in cash, by deduction of such amounts from other compensation payable to the Participant, or to have such amounts withheld from his or her deferrals, vested Account Balance or distributions.

13.6 Coordination with Other Benefits. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for Employees of the Participant's Employer(s). The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

13.7 Compliance. A Participant shall have no right to receive payment with respect to the Participant's Account Balance until all legal and contractual obligations of the Employer(s) relating to establishment of the Plan and the making of such payments shall have been complied with in full.

13.8 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of any Employer, either as an Employee or a Director, or to interfere with the right of any Employer to discipline or discharge the Participant at any time.

13.9 Furnishing Information. A Participant or his or her Beneficiary will cooperate with the Administrator by furnishing any and all information requested by the Administrator and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Administrator may deem necessary.

13.10 Governing Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of California without regard to its conflicts of laws principles.

13.11 Notice. Any notice or filing required or permitted to be given to the Administrator under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Chief Financial Officer
Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130
with a copy to:

Secretary
Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

13.12 Successors. The provisions of this Plan shall bind and inure to the benefit of the Participant's Employer and its successors and assigns and the Participant and the Participant's designated Beneficiaries.

13.13 Spouse's Interest. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

13.14 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

13.15 Incompetent. If the Administrator determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Administrator may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Administrator may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

13.16 Court Order. The Administrator is authorized to make any payments directed by court order in any action in which the Plan or the Administrator has been named as a party. In addition, if a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Administrator, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.

13.17 Distribution in the Event of Taxation.

(a) In General. If, for any reason, all or any portion of a Participant's benefits under this Plan becomes taxable to the Participant prior to receipt, a Participant may petition the Administrator for a distribution of that portion of his or her benefit that has become taxable. Upon the grant of such a petition, which grant shall not be unreasonably withheld, a Participant's Employer shall distribute to the Participant immediately available funds in an amount equal to the Federal Insurance Contributions Act ("FICA") tax imposed under Code Sections 3101 and 3121(v)(2) on amounts deferred under the Plan (the "FICA Amount") as well as income tax at source on wages imposed under Code Section 3041 with respect to his or her benefit, as well as the additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes (which aggregate amounts shall not exceed the lesser of a Participant's unpaid Account Balance under the Plan or the aggregate amount of the FICA Amount and the income tax withholding related to such FICA Amount). If the petition is granted, the tax liability distribution shall be made within ninety (90) days of the date when the Participant's petition is granted. Such a distribution shall affect and reduce the benefits to be paid under this Plan.

(b) Trust. If the Trust terminates in accordance with the provisions of the Trust and benefits are distributed from the Trust to a Participant in accordance with such provisions, the Participant's benefits under this Plan shall be reduced to the extent of such distributions

13.18 Insurance. The Employers, on their own behalf or on behalf of the trustee of the Trust, and, in their sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Employers or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Employers shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Employers have applied for insurance.

13.19 409A Compliance. In the event any provision of this Plan, or the application thereof, is or becomes inconsistent with Code Section 409A and any regulations promulgated thereunder, such provision shall be void or unenforceable or in the sole discretion of the Committee shall be deemed amended to comply with Code Section 409A and any regulations promulgated thereunder. The other provisions of this Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has signed this amended and restated Plan document as of August 1, 2007.

Neurocrine Biosciences, Inc., a Delaware corporation

By: /s/ Timothy P. Coughlin

Title: Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary A. Lyons, President and Chief Executive Officer of Neurocrine Biosciences, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neurocrine Biosciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during this period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: August 2, 2007

/s/ Gary A. Lyons

Gary A. Lyons

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy P. Coughlin, Vice President and Chief Financial Officer of Neurocrine Biosciences, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neurocrine Biosciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during this period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: August 2, 2007

/s/ Timothy P. Coughlin

Timothy P. Coughlin

Vice President and Chief Financial Officer

CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Neurocrine Biosciences, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary A. Lyons, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 2, 2007

By: /s/ Gary A. Lyons

Name: Gary A. Lyons

Title: President and Chief Executive Officer

In connection with the Quarterly Report of Neurocrine Biosciences, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy P. Coughlin, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 2, 2007

By: /s/ Timothy P. Coughlin

Name: Timothy P. Coughlin

Title: Vice President and Chief Financial Officer