



**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**Date of Report (Date of the earliest event reported): September 18, 2006**

**NEUROCRINE BIOSCIENCES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other  
jurisdiction of  
incorporation or  
organization)

**0-22705**  
(Commission File  
Number)

**33-0525145**  
(IRS Employer Identification  
No.)

**12790 El Camino Real**  
(Address of principal executive offices)

**92130**  
(Zip Code)

Registrant's telephone number, including area code: **(858) 617-7600**

**N/A**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement**

Neurocrine Biosciences, Inc. (the “Company”) and Paul W. Hawran, Executive Vice President and Chief Financial Officer of the Company, entered into an Amended and Restated Employment Agreement dated as of September 18, 2006 (the “Amended Employment Agreement”) providing for his retirement from full-time status and as an Executive Vice President and Chief Financial Officer of the Company. Under the Amended Employment Agreement, Mr. Hawran will continue as a Senior Advisor to the Company through April 1, 2007 (the “Retirement Date”) and receive salary at an annual rate of \$365,000. Mr. Hawran will also receive a lump sum cash payment of \$400,000 within five business days of his Retirement Date, as well as \$800,000 payable ratably over eleven months from April 15, 2007 through March 15, 2008. The Company has agreed to cover Mr. Hawran’s health insurance costs for a period of twelve months after his Retirement Date. In addition, Mr. Hawran also agreed to surrender to the Company options to purchase 145,000 shares of the Company’s common stock. The effectiveness of the Amended Employment Agreement is conditioned on the effectiveness of a general release of claims by Mr. Hawran in favor of the Company.

The Company also entered into an Employment Agreement with Timothy P. Coughlin, that provides that: (i) Mr. Coughlin serve as the Company’s Vice President and Chief Financial Officer for a term of three years commencing on September 18, 2006 at an initial annual salary of \$275,000, subject to annual adjustment by the Board of Directors; (ii) the agreement will automatically renew for three-year periods thereafter unless the Company or Mr. Coughlin gives 90 days notice of termination; (iii) Mr. Coughlin is eligible for a discretionary annual bonus, as determined by the Board of Directors, based upon achieving certain performance criteria; (iv) each year starting in 2007 and continuing for the term of the agreement, Mr. Coughlin will be eligible to receive equity awards with the number of shares and exercise price as shall be determined by the Board of Directors; and (v) Mr. Coughlin is entitled to continue to receive his salary, health, welfare and retirement benefits for nine months as well as a lump sum payment in an amount equal to a pro rata share of his annual bonus based on the number of completed months of employment in the fiscal year plus an additional nine months and nine months of continued vesting of outstanding stock options in the event that the Company terminates his employment without cause, or materially reduces the power and duties of his employment without cause, which will be deemed to be a termination. In the event of a termination without cause or deemed termination within six months after a change in control or Mr. Coughlin’s voluntary termination within thirty (30) days following the six (6) month anniversary of a change in control, Mr. Coughlin would receive the same benefits package as a termination without cause, with the exception that the vesting for all outstanding options would be accelerated and immediately exercisable in full and he would receive a lump-sum severance payment equal to his then annual base salary plus previous year’s annual bonus amount. In addition, the Company has agreed to reimburse Mr. Coughlin for the increase in federal and state income taxes payable by him by reason of the benefits provided in connection with such a termination in connection with a change in control.

The Compensation Committee approved an increase in Margaret Valeur Jensen, J.D., Ph.D. salary such that her base salary is \$380,000.

**Item 5.02 Departure of Directors or Principal Officer: Election of Directors; Appointment of Principal Officers.**

On September 19, 2006, the Company announced Paul W. Hawran was retiring from full-time status as an Executive Vice President and Chief Financial Officer of the Company effective September 18, 2006. Mr. Hawran will continue as a Senior Advisor to the Company through April 1, 2007.

The Company also appointed Kevin C. Gorman, Ph.D., currently Executive Vice President, to the additional position of Chief Operating Officer where he will be responsible for research and development, human resources, business development, corporate partnering and strategic planning. The Compensation Committee approved an increase in Dr. Gorman’s salary and bonus eligibility such that his base salary is \$400,000 and he is eligible for a discretionary annual bonus, as determined by the Board of Directors, based upon achieving certain performance criteria.

Dr. Gorman has been employed with the Company since 1993, and held the position of Executive Vice President and Chief Business Officer before his promotion to Executive Vice President and Chief Operating Officer. As Executive Vice President and Chief Business Officer, he was responsible for the in-

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licensing and out-licensing of technologies and products, sales and marketing operations, corporate partnering activities and strategic planning. From 1990 until 1993, Dr. Gorman was a principal of Avalon Medical Partners, L.P. where he was responsible for the early stage founding of the Company and several other biotechnology companies such as Onyx Pharmaceuticals, Metra Biosystems, IDUN and ARIAD Pharmaceuticals. Dr. Gorman received his Ph.D. in immunology and M.B.A. in finance from the University of California, Los Angeles and did further post-doctoral training at The Rockefeller University.

Dr. Gorman has an employment contract that provides that: (i) Dr. Gorman will serve as the Company's Senior Vice President, Business Development for a term of three years commencing on September 15, 2003; (ii) the agreement will automatically renew for three-year periods thereafter unless the Company or Dr. Gorman gives 90 days notice of termination; (iii) Dr. Gorman is eligible for a discretionary annual bonus as determined by the Board of Directors, based upon achieving certain performance criteria; (iv) each year starting in 2004 and continuing for the term of the agreement, Dr. Gorman will be eligible to receive stock option awards with the number of shares and exercise price as shall be determined by the Board of Directors; and (v) Dr. Gorman is entitled to continue to receive his salary, health, welfare and retirement benefits for nine months as well as a lump sum payment in an amount equal to a pro rata share of his annual bonus based on the number of completed months of employment in the fiscal year plus an additional nine months and nine months of continued vesting of outstanding stock options in the event that the Company terminates his employment without cause, or materially reduces the power and duties of his employment without cause, which will be deemed to be a termination. In the event of a termination without cause or deemed termination within six months after a change in control or Dr. Gorman's voluntary termination within thirty (30) days following the six (6) month anniversary of a change in control, Dr. Gorman would receive the same benefits package as a termination without cause, with the exception that the vesting for all outstanding options would be accelerated and immediately exercisable in full and he would receive a lump-sum severance payment equal to his then annual base salary plus previous year's annual bonus amount. In addition, the Company has agreed to reimburse Dr. Gorman for the increase in federal and state income taxes payable by him by reason of the benefits provided in connection with such a termination in connection with a change in control.

The Company also announced that it had promoted current Vice President and Corporate Controller Timothy P. Coughlin to Vice President and Chief Financial Officer. Mr. Coughlin will be responsible for accounting, finance, investor relations and information technologies and report to Gary A. Lyons, President and Chief Executive Officer. Mr. Coughlin joined the Company in 2002 and previously served as Vice President, Corporate Controller of the Company. Prior to joining the Company, he was with Catholic Health Initiatives, a fully integrated health delivery system headquartered in Denver, where he was Vice President, Financial Services. From 1989 to 1999, Mr. Coughlin was employed by the Health Sciences practice of Ernst & Young, LLP, attaining the level of Senior Manager. Mr. Coughlin received his B.B.A. in accounting from Temple University and a Masters in international business from San Diego State University. He is a Certified Public Accountant in California and Pennsylvania. For a description of Mr. Coughlin's employment agreement, see Item 1.01 above.

### **Item 9.01 Financial Statements and Exhibits**

10.1 Amended and Restated Employment Agreement dated as of September 18, 2006 between the Registrant and Paul W. Hawran

10.2 Employment Agreement dated as of September 18, 2006 between the Registrant and Timothy P. Coughlin

99.1 Press Release dated September 19, 2006

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**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: September 19, 2006

NEUROCRINE BIOSCIENCES, INC.

/s/ MARGARET E. VALEUR-JENSEN

Margaret E. Valeur-Jensen  
Executive Vice President, General Counsel  
and Corporate Secretary

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "**Agreement**"), dated as of September 18, 2006 (the "**Effective Date**") amends and restates the Amended and Restated Employment Agreement dated May 24, 2000 (the "**Prior Agreement**") by and between NEUROCRINE BIOSCIENCES, INC., 12790 El Camino Real, San Diego, California 92130 (hereinafter the "**Company**"), and Paul W. Hawran (hereinafter "**Executive**").

**RECITALS**

**WHEREAS**, the Company and Executive wish to amend and restate the terms and conditions under which Executive is to be employed by the Company on and after the date hereof; and

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

**ARTICLE 1**

**TERM OF AGREEMENT**

**1.1 Commencement Date.** Executive's employment with the Company under this Agreement shall commence as of September 18, 2006 ("**Commencement Date**") and terminate on April 1, 2007 ("**Retirement Date**"), unless terminated earlier pursuant to Article 4.

**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 Advisor. Executive shall have the powers and reasonable duties assigned to Executive by the Chief Executive Officer of the Company. Executive shall not serve as a spokesman for the Company and shall not make any statement or arrange meetings regarding the Company with securities market professionals, with the exception of comments relating to his retirement, which comments shall be pre-approved by the Company. In addition, the Company shall provide Executive with a private office and access to an administrative assistant, a computer and technical support. Executive will also have access to all Company communications systems as the Company deems necessary. Executive shall be entitled to retain his current computer and other telecommunications equipment.

**2.2 Attention.** Executive shall devote his full business time and attention to the performance of the services assigned to him by the Chief Executive Officer and without the prior written consent of the Chief Executive Officer which consent shall not be unreasonably

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withheld shall not engage in any other business activities during the term hereof. The devotion of time by Executive to non-Company business activities or other activities, including, without limitation, outside activities in which he presently engages, shall not be deemed a breach of this Agreement, provided that such purposes or activities do not adversely affect Employee's job performance or interfere with the services required to be rendered to or on behalf of Employer under this Agreement. Additionally, during the term of this Agreement and any period in which compensation is being paid to Executive in accordance with Article 4 and/or Article 5, Executive shall not (i) engage, directly or indirectly, in providing services to any other business program or project that is competitive to a program or project being conducted by the Company or any other corporation or entity that directly or indirectly controls, is controlled by, or is under common control with the Company (provided that Executive may own less than two percent (2%) of the outstanding securities of any publicly traded corporation), or (ii) hire, solicit, or attempt to solicit on behalf of himself or any other party any employee or exclusive consultant of the Company.

**2.3 Salary.** From the Commencement Date until the Retirement Date, Executive shall receive salary at an annual rate of three hundred sixty-five thousand dollars (\$365,000.00), payable semi-monthly in equal installments in accordance with the Company's normal payroll practices. Executive shall be eligible to earn a bonus for the year 2006 as determined pursuant to the normal bonus procedures of the Company, but shall not be eligible to receive any bonus for employment in 2007.

**2.4 Benefits.** During the term of this Agreement, the Company shall also provide Executive with the health insurance benefits it provides generally to its other senior management employees and upon the same terms and conditions. Executive is entitled in accordance with criteria adopted by the Company, to participate in and to receive benefit from life, accident, disability, medical, pension, profit-sharing 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. 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. Executive acknowledges and agrees that he shall not participate in or elect to exchange any options pursuant to the Company's Offer to Exchange Certain Outstanding Options to Purchase Common Stock under the 2003 Incentive Stock Plan, as amended, and Amend Certain Outstanding Options to Purchase Common Stock under the 1992 Incentive Stock Plan, as amended and 2001 Stock Option Plan, as amended or participate in any new equity or incentive program made available to officers of the Company between the date hereof and his Retirement Date. Any accrued and unused vacation days to which Executive is entitled at the date hereof under the Prior Agreement, shall be carried forward as vacation under this Agreement.

**2.5 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 in accordance with past practice under the procedures established by the Company.



**2.6 Withholding and Taxes.** All compensation and benefits payable to Executive hereunder and the Agreement shall be subject to all federal, state, local and other withholdings and similar taxes and payments required by applicable law. Executive will be responsible for the payment of all federal and state income taxes on all allowances accruing to Executive pursuant to this Article 2.

**2.7 Release.** Executive has executed the release attached hereto as Exhibit A (the "**First Release**") in connection with the execution of this Agreement. Executive and the Company acknowledge that this Agreement is conditioned upon the effectiveness of the First Release and that Executive has seven days to consider the First Release and to revoke the First Release. Accordingly, in the event that Executive revokes the First Release or the First Release is otherwise not effective, then this Agreement shall be null and void and the terms and conditions of Executive's employment with the Company shall continue to be governed by the Prior Agreement.

### **ARTICLE 3**

#### **CONFIDENTIALITY**

**3.1 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 in form acceptable to the Company's counsel.

**3.2 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; provided, however, Executive shall be permitted to retain the computer and telecommunications equipment utilized by Executive at the date hereof.

**3.3 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 4**

#### **TERMINATION**

**4.1 By Death.** The period of employment shall terminate automatically upon the death of Executive. In such event, all stock options held by Executive which would have vested by April 1, 2007 shall become vested and exercisable. All stock options held by Executive will be exercisable in accordance with their terms. In addition, the Company shall pay to Executive's beneficiaries or his estate, as the case may be, any accrued salary the extent earned, any vested

deferred compensation (other than pension plan or profit-sharing plan benefits which will be paid in accordance with the applicable plan), any benefits under any plans of the Company 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**"). In addition, the Company shall pay to Executive as provided herein, as severance, the payments set forth in Sections 5.1(a) and 5.1(b) but no other compensation or reimbursement of any kind, including, without limitation, compensation under Article 4 or Article 5, and thereafter, the Company's obligations hereunder.

**4.2 By Disability.** If Executive is determined to be disabled under the terms of the Company's long term disability plan, then, to the extent permitted by law, the Company may terminate the employment of Executive at such time. In such event, all stock options held by Executive at the time of termination which would have vested by April 1, 2007 shall vest and will be exercisable in accordance with their terms. In addition, the Company shall pay to Executive all Accrued Compensation, and shall continue to pay to Executive salary until the first to occur of (i) Executive shall become entitled to receive disability insurance payments under the disability insurance policy maintained by the Company or (ii) April 1, 2007. In addition, the Company shall pay to Executive as provided herein, as severance, the payments set forth in Sections 5.1(a) and 5.1(b) (subject to the terms and conditions set forth in Article 5) but no other compensation or reimbursement of any kind, including, without limitation, compensation under Article 4 or Article 5, and thereafter, the Company's obligations hereunder shall terminate. Nothing in this Section shall affect Executive's rights under any disability plan in which he is a participant.

**4.3 By Company for Cause.** The Company may terminate the Executive's employment for Cause (as defined below) without liability at any time with or without advance notice to Executive. The Company shall pay Executive all Accrued Compensation, but no other compensation or reimbursement of any kind, including without limitation, compensation under Article 4 or Article 5, and thereafter the Company's obligations hereunder shall terminate. 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 Executive which was performed in bad faith and to the material detriment of the Company; (b) Executive intentionally refuses or intentionally fails to act in accordance with any lawful and proper direction or order of the Chief Executive Officer; (c) Executive breaches Section 2.2 hereof; (d) Executive 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 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; (e) Executive makes any statements on behalf of the Company in violation of Section 2.1 hereof or (f) Executive otherwise violates the terms and conditions set forth in this Agreement.

**4.5 Termination by Executive.** At any time, Executive may terminate his employment by giving thirty (30) days' advance written notice to the Company. The Company shall pay Executive all Accrued Compensation, but no other compensation or reimbursement of any kind, including without limitation, compensation under Article 4 or Article 5, and thereafter the Company's obligations hereunder shall terminate.

**4.6 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.

**4.7 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.

## **ARTICLE 5**

### **SEPARATION PAY AND OTHER COVENANTS**

**5.1 Separation Pay.** Subject to the effectiveness of the release attached hereto as Exhibit B and Executive's compliance with this Agreement (and specifically Sections 2.2, 5.2 and 5.3) and provided this Agreement has not been terminated by Company or Executive, in satisfaction of all obligations to the Executive, the Company will provide the following payments and benefits to Executive on and after his Retirement Date in addition to any accrued and unpaid salary and reimbursable expenses at such date:

(a) a lump sum cash payment (less taxes and withholdings) equal to four hundred thousand dollars (\$400,000) within five (5) business days following his Retirement Date;

(b) Eight hundred thousand dollars (\$800,000) payable in accordance with the Company's normal payroll practices in substantially equal installments on the Company's regular payroll dates over a period commencing on the Retirement Date and ending on March 15, 2008;

(c) Upon the Retirement Date, Executive shall be entitled to continue participation in the Company's group health plan in accordance with Section 4980B of the Code, or any similar state law ("**COBRA**") and shall pay the full cost of COBRA coverage for the first six months of such coverage. On the date that is six (6) months and one (1) day following the Retirement Date, the Company shall reimburse the Executive in an amount equal to amount paid by the Executive for such coverage. Thereafter, for a period of up to six (6) months, the Company shall pay the costs for such coverage, so that the Company will provide Executive with up to twelve (12) months of coverage. Executive shall be responsible for the costs of coverage for the remainder of the COBRA coverage period. The Company's obligations to reimburse Executive or pay any additional cost of coverage under this Section 5.1(c) shall cease on the date Executive ceases to be eligible for COBRA continuation coverage under the Company's group health plan.

(d) After his Retirement Date, Executive shall be entitled to continue participation in the Company's life, disability and other welfare plans for a period of eighteen months and the Company shall pay all costs which the Company would otherwise have incurred to maintain such benefits if the Executive had remained an employee of the Company for such eighteen (18) month period.

(e) Executive shall forfeit and agrees to cancel the stock options set forth on Exhibit C attached hereto and made a part hereof.

**5.2 Cooperation.** During the term of this Agreement and thereafter as reasonably necessary, Executive agrees that upon the request of the Company's Chief Executive Officer, Chief Financial Officer or General Counsel, he will provide reasonable cooperation to the Company, its subsidiaries, affiliates, officers, employees, directors, and their successors and assigns (the "**Neurocrine Parties**") at reasonably agreeable times and places in response to requests made by the Company or their attorneys in matters relating to internal investigations, external investigations, and/or judicial or administrative proceedings arising out of or relating in any way to any facts known to Executive occurring prior to Effective Date, including but not limited to, reasonable cooperation with the Company's independent registered accounting firm in preparation of the Company's quarterly report on Form 10-Q for the third fiscal quarter of 2006 and annual report for the fiscal year 2006, as well as reasonable participation in conferences and meetings, assisting counsel, making himself available for interviews and depositions, providing documents or information, aiding in the analysis of documents, testifying, or complying with any other reasonable requests by the Neurocrine Parties. Executive agrees to maintain in confidence (except to the extent required by subpoena or court order) any confidential information regarding past, current or potential claims, governmental proceedings, investigations or administrative or judicial litigation relating to the Neurocrine Parties. Executive agrees to provide notice of any motion, subpoena, order or other correspondence relating to the Neurocrine Parties within a reasonable time after his receipt of same, by forwarding such document to the Executive Vice President and General Counsel of the Company; *provided, however*, that the foregoing shall not restrict or limit in any way the testimony of Executive or a Neurocrine Party in connection with any judicial or administrative proceeding. This cooperation is an integral part of this Agreement, and Executive will not be compensated for such cooperation, other than reimbursement for any reasonable expenses Executive may incur in connection with such cooperation; *provided, however*, in the event such cooperation is required after full payment under this Agreement has been made, the Executive will receive compensation for such services at such rate as shall be mutually agreed to by the Company and Executive.

**5.3 Promise to Maintain Confidentiality of the Company's Confidential Information.** Executive acknowledges that due to the position Executive has occupied and the responsibilities Executive has had at the Company, Executive has received confidential information concerning Executive's products, procedures, customers, sales, prices, contracts, and the like. Executive hereby promises and agrees that, unless compelled by legal process, Executive will not disclose to others and will keep confidential all information Executive has received while employed by the Company concerning Executive's products and procedures, the identities of the Company's customers, the Company's sales, the Company's prices, the terms

of any of the Company's contracts with third parties, and the like. Executive agrees that a violation by Executive of the foregoing obligation to maintain the confidentiality of the Company's confidential information will constitute a material breach of this Agreement. Executive specifically confirms that Executive will continue to comply with the terms of any confidentiality or proprietary information agreements executed by Executive in favor of the Company.

**5.4 Non Disparagement.** The Company, its officers and directors and its authorized spokespersons and Executive agree not to make at any time any written or oral statements, representations or other communications that disparage or otherwise damage the reputation of the other, or any of its or his affiliates; provided, however, this provision shall not be deemed to restrict, in any way, either party from compliance with any federal, state or local laws or from testifying in any legal or administrative proceedings.

**5.5 Press Release.** In response to any inquiry regarding the effective date hereof, or the Executive's change in status with the Company, the Company will state that the employment relationship changed at the request of Executive. Executive has reviewed the press release and approved of its content.

## **ARTICLE 6**

### **GENERAL PROVISIONS**

**6.1 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 hereby submit to the exclusive jurisdiction and venue of California and federal courts of competent jurisdiction sitting in San Diego, California. The parties agree that any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in San Diego, California, before an arbitrator. The arbitration shall be administered by JAMS pursuant to its Employment Arbitration Rules and Procedure. Judgment on the award, if any, may be entered in any court having jurisdiction. This Section 6.1 shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction. The arbitrator may, in the award, allocate all or a part of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party. Neither party to this Agreement shall be prohibited from seeking injunctive relief in a judicial proceeding.

**6.2 Assignment; Successors Binding Agreement.**

- (a) Executive may not assign, pledge or encumber his interest in this Agreement or any part thereof.
- (b) 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 him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatees or other designee or, if there be no such designee, to his estate.

**6.3 Certain Reduction of Payments.** In the event that any payment or benefit received or to be received by Executive under this Agreement would result in all or a portion of such payment to be subject to the excise tax on "golden parachute payments" under Section 4999 of the Internal Revenue Code of 1986, as amended (the "**Code**"), then Executive's payment shall be either (a) the full payment or (b) such lesser amount which would result in no portion of the payment being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable Federal, state and local employment taxes, income taxes, and the excise tax imposed by Section 4999 of the Code, results in the receipt by Executive on an after-tax basis, of the greatest amount of the payment notwithstanding that all or some portion of the payment may be taxable under Section 4999 of the Code.

**6.4 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.: Chief Executive Officer

To Executive:

Paul W. Hawran  
P.O. Box 1162  
Rancho Santa Fe, California 92067

**6.5 Modification; Waiver; Entire Agreement.** 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. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

**6.6 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.

**6.7 Controlling Document.** In case of conflict between any of the terms and condition of this Agreement and the document herein referred to or agreement between Executive and the Company, the terms and conditions of this Agreement shall control.

**6.8 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 this Section 6.8 is not exclusive of any other remedy for the breach by Executive of the terms hereof.

**6.9 Counterparts.** This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same Agreement.

**6.10 Prevailing Party Expenses.** In the event that any action or proceeding is commenced to enforce the provisions of the Agreement, the court adjudicating such action or proceeding shall award to the prevailing party all costs and expenses thereof, including, but not limited to, all reasonable attorneys' fees, court costs, and all other related expenses.

Executed by the parties as of the day and year first above written.

**EXECUTIVE**

**NEUROCRINE BIOSCIENCES, INC**

By: /s/ Paul W. Hawran  
Paul W. Hawran

By: /s/ Gary A. Lyons  
Name: Gary A. Lyons  
Title: President and CEO

**Exhibit A**

**GENERAL RELEASE**

This **GENERAL RELEASE** (hereinafter "**Agreement**") is made and entered into by and between Paul W. Hawran (hereinafter "**Employee**") and Neurocrine Biosciences, Inc. (hereinafter "**Employer**"), and inures to the benefit of each of Employer's current, former and future subsidiaries, affiliates, related entities, employee benefit plans and their fiduciaries, predecessors, successors, officers, directors, shareholders, agents, employees and assigns.

**RECITALS**

**WHEREAS**, Employee and Employer amended and restated Employee's employment agreement on September 18, 2006.

**WHEREAS**, Employee and Employer wish permanently to resolve any and all disputes arising out of the amendment and restatement of Employee's employment agreement.

**NOW, THEREFORE**, for and in consideration of the execution of this release and the mutual covenants contained in the following paragraphs and those in the Amended and Restated Employment Agreement, dated September 18, 2006 (the "**Employment Agreement**"), Employer and Employee agree as follows:

**1. Incorporation of Recitals.** The Recitals and identification of the parties to, and beneficiaries of, this Agreement are incorporated by references as though fully set forth herein.

**2. No Admission of Liability.** The parties agree that this Agreement, 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 Agreement is a compromise of disputed claims that Employer denies any liability for any matter released herein and that Employer enters into this Agreement solely to avoid litigation and to buy its peace.

**3. Wages and Vacation Time Paid.** Employee acknowledges that Employee has received payment for all salary through the payment period immediately prior to the date hereof and accrued and used vacation time through such date.

**4. General Release.** Employee on behalf of Employee and Employee's heirs, executors, administrators, assigns and successors, fully and forever releases and discharges Employer and each of its current, former and future subsidiaries, related entities, employee benefit plans and their fiduciaries, predecessors, successors, officers, directors, shareholders, agents, employees and assigns (collectively, "**Releasees**"), with respect to any and all claims, liabilities and causes of action, of every nature, kind and description, in law, equity or otherwise, which have arisen,



occurred or existed at any time prior to the signing of this Agreement, including, without limitation, any and all claims, liabilities and causes of action arising out of or relating to Employee's employment with Employer or the amendment and restatement of Employee's employment agreement; provided, however, this Release is not and shall not be deemed a release or waiver of Employee's rights to indemnification as an officer or employee of the Company, or of any rights under the Company's stock option plans in which Executive participates as of the date hereof, except as otherwise specifically provided in the Employment Agreement.

**5. Knowing Waiver of All Employment-Related Claims.** Employee understands and agrees that Employee is waiving any and all rights Employee may have had, or now has, to pursue against any of the Releasees any and all remedies available to Employee under any employment-related causes of action, including without limitation, claims of wrongful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, discrimination, personal injury, physical injury, emotional distress, claims under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act, the Americans With Disabilities Act, the Federal Rehabilitation Act, the Family and Medical Leave Act, the California Fair Employment and Housing Act, the California Family Rights Act, the Equal Pay Act of 1963, the provisions of the California Labor Code and any other United States federal, state or local laws and regulations relating to employment, conditions of employment (including wage and hour laws) and/or employment discrimination.

**6. Waiver of Civil Code § 1542.** Employee expressly waives any and all rights and benefits conferred upon Employee by Section 1542 of the Civil Code of the State of California, which states 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.”**

Employee expressly agrees and understands that the release given by Employee pursuant to this Agreement applies to all unknown, unsuspected and unanticipated claims, liabilities and causes of action which Employee may have against Employer or any of the other Releasees as of the date of this Release.

**7. Severability of Release Provisions.** Employee agrees that if any provision of the release given by Employee under this Agreement is found to be unenforceable, it will not affect the enforceability of the remaining provisions and the courts may enforce all remaining provisions to the extent permitted by law.

**8. Promise to Refrain from Suit or Administrative Action.** Employee promises and agrees that Employee will never sue Employer or any of the other Releasees, or otherwise institute or participate in any legal or administrative proceedings against Employer or any of the other Releasees, with respect to any claim covered by the release provisions of this Agreement, including but not limited to claims arising out of Employee's employment with

Employer or the termination of that employment, unless Employee is compelled by legal process to do so.

**9. Integrated Agreement.** The parties acknowledge and agree that the Employment Agreement and this Agreement contains the entire agreement of the parties on the subject matter thereof. The parties further acknowledge and agree that parole evidence shall not be required to interpret the intent of the parties.

**10. Voluntary Execution.** The parties hereby acknowledge that they have read and understand this Agreement and that they sign this Agreement voluntarily and without coercion.

**11. Waiver, Amendment and Modification of Agreement.** The parties agree that no waiver, amendment or modification of any of the terms of this Agreement shall be effective unless in writing and signed by all parties affected by the waiver, amendment or modification. No waiver of any term, condition or default of any term of this Agreement shall be construed as a waiver of any other term, condition or default.

**12. Representation by Counsel.** The parties understand that they have the right to have been represented in negotiations for the preparation of this Agreement by counsel of their own choosing, and that they have entered into this Agreement voluntarily, without coercion, and based upon their own judgment and not in reliance upon any representations or promises made by the other party or parties or any attorneys, other than those contained within this Agreement. The parties further agree that if any of the facts or matters upon which they now rely in making this Agreement hereafter prove to be otherwise, this Agreement will nonetheless remain in full force and effect.

**13. Breach of Agreement.** In the event Employee shall breach in a material way any of the provisions of this Agreement, Employer shall have a right of action against Employee for all amounts paid hereunder.

**14. California Law.** The parties agree that this Agreement and its terms shall be construed under California law. The parties hereby submit to the jurisdiction and venue of California and federal courts of competent jurisdiction sitting in San Diego, California.

**15. Agreement to Arbitrate Claims Arising from Agreement.** The parties agree that, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in San Diego, California, before an arbitrator. The arbitration shall be administered by JAMS pursuant to its Employment Arbitration Rules and Procedure. Judgment on the award, if any, may be entered in any court having jurisdiction. This Section 15 shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction. The arbitrator may, in the award, allocate all or a part of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party. Neither party to this Agreement shall be prohibited from seeking injunctive relief in a judicial proceeding.

**16. Drafting.** The parties agree that this Agreement shall be construed without regard to the drafter of the same and shall be construed as though each party to this Agreement participated equally in the preparation and drafting of this Agreement.

**17. Counterparts.** This Agreement may be signed in counterparts and said counterparts shall be treated as though signed as one document.

**18. Period to Consider Terms of Agreement.** Employee acknowledges that this Agreement was presented to Employee on September 13, 2006, and that Employee is entitled to have twenty one (21) days' time in which to consider the Agreement. Employee acknowledges that Employee has had the opportunity to obtain the advice and counsel from the legal representative of Employee's choice and executes this Agreement having had sufficient time within which to consider its terms. Employee represents that if Employee executes this Agreement before twenty-one (21) days have elapsed, Employee does so voluntarily and voluntarily waives any remaining consideration period.

**19. Revocation of Agreement.** Employee understands that after executing this Agreement, Employee has the right to revoke it within seven (7) days after Employee's execution of it. Employee understands that this Agreement will not become effective and enforceable unless the seven (7) day revocation period passes and Employee does not revoke the Agreement in writing. Employee understands that this Agreement may not be revoked after the seven (7) day revocation period has passed. Employee understands that any revocation of this Agreement must be made in writing and delivered to Employer at 12790 El Camino Real, San Diego, California 92130, within the seven (7) day period.

Dated: September 18, 2006

/s/ Paul W. Hawran  
Paul W. Hawran

NEUROCRINE BIOSCIENCES, INC.

Dated: September 18, 2006

By: /s/ Gary A. Lyons  
Name: Gary A. Lyons

**Exhibit B**

**GENERAL RELEASE**

This **GENERAL RELEASE** (hereinafter "**Agreement**") is made and entered into by and between Paul W. Hawran (hereinafter "**Employee**") and Neurocrine Biosciences, Inc. (hereinafter "**Employer**"), and inures to the benefit of each of Employer's current, former and future subsidiaries, affiliates, related entities, employee benefit plans and their fiduciaries, predecessors, successors, officers, directors, shareholders, agents, employees and assigns.

**RECITALS**

**WHEREAS**, Employee was for a period of time an employee of Employer;

**WHEREAS**, Employee's employment with Employer was terminated effective April 1, 2007;

**WHEREAS**, Employee and Employer wish permanently to resolve any and all disputes arising out of Employee's employment with Employer or the cessation of that employment.

**NOW, THEREFORE**, for and in consideration of the execution of this Agreement and the mutual covenants contained in the following paragraphs and those in the Amended and Restated Employment Agreement, dated September 18, 2006 (the "**Employment Agreement**"), Employer and Employee agree as follows:

- 1. Incorporation of Recitals.** The Recitals and identification of the parties to, and beneficiaries of, this Agreement are incorporated by references as though fully set forth herein.
- 2. No Admission of Liability.** The parties agree that this Agreement, 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 Agreement is a compromise of disputed claims that Employer denies any liability for any matter released herein and that Employer enters into this Agreement solely to avoid litigation and to buy its peace.
- 3. Wages and Vacation Time Paid.** Employee acknowledges that Employee has received payment for all salary and accrued and unused vacation time and reimbursable expenses.
- 4. General Release.** Employee on behalf of Employee and Employee's heirs, executors, administrators, assigns and successors, fully and forever releases and discharges Employer and each of its current, former and future subsidiaries, related entities, employee benefit plans and

their fiduciaries, predecessors, successors, officers, directors, shareholders, agents, employees and assigns (collectively, “**Releasees**”), with respect to any and all claims, liabilities and causes of action, of every nature, kind and description, in law, equity or otherwise, which have arisen, occurred or existed at any time prior to the signing of this Agreement, including, without limitation, any and all claims, liabilities and causes of action arising out of or relating to Employee’s employment with Employer or the cessation of that employment; provided, however, this Release is not and shall not be deemed a release or waiver of Employee’s rights to indemnification as an officer or employee of the Company or of any rights under the Company’s stock option plans in which Executive participates at the date hereof, except as otherwise specifically provided in the Employment Agreement.

**5. Knowing Waiver of All Employment-Related Claims.** Employee understands and agrees that Employee is waiving any and all rights Employee may have had, now has, or in the future may have, to pursue against any of the Releasees any and all remedies available to Employee under any employment-related causes of action, including without limitation, claims of wrongful discharge, breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of public policy, defamation, discrimination, personal injury, physical injury, emotional distress, claims under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act, the Americans With Disabilities Act, the Federal Rehabilitation Act, the Family and Medical Leave Act, the California Fair Employment and Housing Act, the California Family Rights Act, the Equal Pay Act of 1963, the provisions of the California Labor Code and any other United States federal, state or local laws and regulations relating to employment, conditions of employment (including wage and hour laws) and/or employment discrimination.

**6. Waiver of Civil Code § 1542.** Employee expressly waives any and all rights and benefits conferred upon Employee by Section 1542 of the Civil Code of the State of California, which states 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.”**

Employee expressly agrees and understands that the Release given by Employee pursuant to this Agreement applies to all unknown, unsuspected and unanticipated claims, liabilities and causes of action which Employee may have against Employer or any of the other Releasees as of the date of this Release.

**7. Severability of Release Provisions.** Employee agrees that if any provision of the release given by Employee under this Agreement is found to be unenforceable, it will not affect the enforceability of the remaining provisions and the courts may enforce all remaining provisions to the extent permitted by law.

**8. Promise to Refrain from Suit or Administrative Action.** Employee promises and agrees that Employee will never sue Employer or any of the other Releasees, or otherwise institute or participate in any legal or administrative proceedings against Employer or any of the other Releasees, with respect to any claim covered by the release provisions of this

Agreement, including but not limited to claims arising out of Employee's employment with Employer or the termination of that employment, unless Employee is compelled by legal process to do so.

**9. Promise to Maintain Confidentiality of Employer's Confidential Information.** Employee acknowledges that due to the position Employee has occupied and the responsibilities Employee has had at Employer, Employee has received confidential information concerning Employer's products, procedures, customers, sales, prices, contracts, and the like. Employee hereby promises and agrees that, unless compelled by legal process, Employee will not disclose to others and will keep confidential all information Employee has received while employed by Employer concerning Employer's products and procedures, the identities of Employer's customers, Employer's sales, Employer's prices, the terms of any of Employer's contracts with third parties, and the like. Employee agrees that a violation by Employee of the foregoing obligation to maintain the confidentiality of Employer's confidential information will constitute a material breach of this Agreement. Employee specifically confirms that Employee will continue to comply with the terms of any confidentiality or proprietary information agreements executed by Employee in favor of Employer.

**10. Integrated Agreement.** The parties acknowledge and agree that the Employment Agreement and this Agreement contains the entire agreement of the parties on the subject matter thereof. The parties further acknowledge and agree that parole evidence shall not be required to interpret the intent of the parties.

**11. Voluntary Execution.** The parties hereby acknowledge that they have read and understand this Agreement and that they sign this Agreement voluntarily and without coercion.

**12. Waiver, Amendment and Modification of Agreement.** The parties agree that no waiver, amendment or modification of any of the terms of this Agreement shall be effective unless in writing and signed by all parties affected by the waiver, amendment or modification. No waiver of any term, condition or default of any term of this Agreement shall be construed as a waiver of any other term, condition or default.

**13. Representation by Counsel.** The parties understand that they have the right to have been represented in negotiations for the preparation of this Agreement by counsel of their own choosing, and that they have entered into this Agreement voluntarily, without coercion, and based upon their own judgment and not in reliance upon any representations or promises made by the other party or parties or any attorneys, other than those contained within this Agreement. The parties further agree that if any of the facts or matters upon which they now rely in making this Agreement hereafter prove to be otherwise, this Agreement will nonetheless remain in full force and effect.

**14. Breach of Agreement.** In the event Employee shall breach in a material way any of the provisions of this Agreement, Employer shall have a right of action against Employee for all amounts paid hereunder.

**15. California Law.** The parties agree that this Agreement and its terms shall be construed under California law. The Parties hereby submit to the jurisdiction and venue of California and federal courts of competent jurisdiction sitting in San Diego, California.

**16. Agreement to Arbitrate Claims Arising from Agreement.** The parties agree that any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in San Diego, California, before an arbitrator. The arbitration shall be administered by JAMS pursuant to its Employment Arbitration Rules and Procedure. Judgment on the award, if any, may be entered in any court having jurisdiction. This Section 16 shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction. The arbitrator may, in the award, allocate all or a part of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party. Neither party to this Agreement shall be prohibited from seeking injunctive relief in a judicial proceeding.

**17. Drafting.** The parties agree that this Agreement shall be construed without regard to the drafter of the same and shall be construed as though each party to this Agreement participated equally in the preparation and drafting of this Agreement.

**18. Counterparts.** This Agreement may be signed in counterparts and said counterparts shall be treated as though signed as one document.

**19. Period to Consider Terms of Agreement.** Employee acknowledges that this Agreement was presented to Employee on March 10, 2007 and that Employee is entitled to have twenty one (21) days' time in which to consider the Agreement. Employee acknowledges that Employee has had the opportunity to obtain the advice and counsel from the legal representative of Employee's choice and executes this Agreement having had sufficient time within which to consider its terms. Employee represents that if Employee executes this Agreement before twenty-one (21) days have elapsed, Employee does so voluntarily and voluntarily waives any remaining consideration period.

**20. Revocation of Agreement.** Employee understands that after executing this Agreement, Employee has the right to revoke it within seven (7) days after Employee's execution of it. Employee understands that this Agreement will not become effective and enforceable unless the seven (7) day revocation period passes and Employee does not revoke the Agreement in writing. Employee understands that this Agreement may not be revoked after the seven (7) day revocation period has passed. Employee understands that any revocation of this Agreement must be made in writing and delivered to Employer at 12790 El Camino Real, San Diego, California 92130, within the seven (7) day period.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Paul W. Hawran

NEUROCRINE BIOSCIENCES, INC.

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:



**EXHIBIT C**  
**STOCK OPTION RETURN**

<b>Grant Date</b>	<b>Grant Expiration</b>	<b>Grant Price</b>	<b>Exercisable Shares</b>
02/07/02	02/07/12	36.790	35,615
02/07/02	02/07/12	36.790	4,385
05/22/03	05/22/13	48.510	32,142
05/22/03	05/22/13	48.510	2,858
05/26/04	05/26/14	57.510	25,000
02/18/05	02/18/15	40.390	21,482
02/18/05	02/18/15	40.390	3,518
01/19/06	01/19/13	60.950	18,634
01/19/06	01/19/13	60.950	1,366
			<u>145,000</u>

**EMPLOYMENT AGREEMENT**

**THIS EMPLOYMENT AGREEMENT**, dated as of September 18, 2006 by and between NEUROCRINE BIOSCIENCES, INC., 12790 El Camino Real, San Diego, California 92130 (hereinafter the "Company"), and Timothy P. Coughlin, MBA, CPA (hereinafter "Executive").

**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 date hereof; and

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

**ARTICLE 1**

**TERM OF AGREEMENT**

**1.1 Commencement Date.** Executive's fulltime employment with the Company under this Agreement shall commence as of September 18, 2006 ("Commencement Date") and this Agreement shall expire after a period of three (3) years from the Commencement Date, unless renewed in accordance with paragraph 1.2 or terminated pursuant to Article 6.

**1.2 Renewal.** The term of this Agreement shall be automatically renewed for successive, additional three (3) year terms unless either party delivers written notice to the other at least ninety (90) days prior to the end of any term of an intention to terminate this Agreement or to renew it for a term of less than three (3) years but not less than (1) year. If the term of this Agreement is renewed for a term of less than three (3) years, then thereafter the term of this Agreement shall be automatically renewed for successive, additional identical terms unless either party delivers a written notice to the other of an intention to terminate this Agreement or to renew it for a different term of not less than one (1) year, such notice to be delivered at least ninety (90) days prior to the end of any term. The Company's failure to renew this Agreement at the end of any term shall be considered a termination without Cause as set forth in Section 6.4 below.

**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, 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 directed by the Chief Executive Officer (the "Chief Executive Officer").

**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 directed by the Chief Executive Officer. Executive shall discharge his responsibilities in a diligent and faithful manner, consistent with sound business practices and in accordance with the directives of the Chief Executive Officer.

**2.3 Other Activities.** Except upon the prior written consent of the 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 Compensation Committee of the Board and the Chief Executive Officer 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, the Company shall pay Executive an annual bonus as determined by the Company's Compensation Committee and the Chief Executive Officer based upon achievement of Executive in meeting personal goals approved by the Chief Executive Officer and achievement by the Company of corporate goals approved by the Board of Directors annually. Executive's personal goals and the Company's corporate goals will be set forth in writing by the Chief Executive Officer, respectively, within ninety (90) days after the start of the Company's fiscal year. The Chief Executive Officer, in his sole discretion, shall determine whether Executive's personal goals have been obtained. The Board of Directors shall, in its sole discretion, determine whether the corporate goals have been obtained.

**3.3 Equity.** Each year starting in 2007 and continuing for the term of this Agreement, the Executive will be eligible to receive a Stock Equity award under the Company's 2003 Incentive Stock Option Plan as amended, with the number of shares and exercise price as shall be determined by the Board of Directors.

**3.4 Withholdings.** All compensation and benefits payable to Executive hereunder and the Agreement shall be subject to all federal, state, local 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 the greater of four (4) weeks of annual paid vacation or the amount of annual paid vacation to which Executive may become entitled under the terms of Company's vacation policy for employees during the term of this Agreement.

**4.2 Benefits.** During the term of this Agreement, the Company shall also provide Executive with the usual 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, pension, bonus, stock, profit-sharing and savings plans and similar benefits made available generally to executives of the Company as such plans and benefits may be adopted by the Company. 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 procedure established by the Company.

**ARTICLE 5**  
**CONFIDENTIALITY**

**5.1 Proprietary Information and Inventions Agreement.** Executive represents and warrants that she has previously executed and delivered to the Company the Company's standard Proprietary Information and Inventions Agreement in form acceptable to the Company's counsel.

**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, she 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 By Death.** The period of employment shall terminate automatically upon the death of Executive. In such event, all stock based awards held by Executive at the time of termination will continue to vest for a period of six (6) months following termination. All stock based awards held by Executive that are vested at the time of termination or within six (6) months thereafter will be exercisable in accordance with their terms for a period of one year following termination. In addition, the Company shall pay to Executive's beneficiaries or his estate, as the case may be, any accrued Base Salary, any bonus compensation to the extent earned, any vested deferred compensation (other than pension plan or profit-sharing plan benefits which will be paid in accordance with the applicable plan), any benefits under any plans of the Company 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), but no other compensation or reimbursement of any kind, including, without limitation, severance compensation, and thereafter, the Company's obligations hereunder shall terminate.

**6.2 By Disability.** If Executive is prevented from properly performing his duties hereunder by reason of any physical or mental incapacity for a period of one hundred twenty (120) consecutive days, or for one hundred eighty (180) days in the aggregate in any three hundred and sixty-five (365) day period, then, to the extent permitted by law, the Company may terminate the employment of Executive at such time. In such event, all stock based awards held by Executive at the time of termination will continue to vest for a period of six (6) months following termination. All stock based awards held by Executive that are vested at the time of termination or within six (6) months thereafter will be exercisable in accordance with their terms for a period of one year following termination. In addition, the Company shall pay to Executive all Accrued Compensation, and shall continue to pay to Executive the Base Salary until such time as Executive shall become entitled to receive disability insurance payments under the disability insurance policy maintained by the Company, but no other compensation or reimbursement of any kind, including without limitation, severance compensation, and thereafter the Company's obligations hereunder shall terminate. Nothing in this Section shall affect Executive's rights under any disability plan in which she is a participant.

**6.3 By Company for Cause.** The Company may terminate the Executive's employment for Cause (as defined below) without liability at any time with or without advance notice to Executive. The Company shall pay Executive all Accrued Compensation, but no other compensation or reimbursement of any kind, including without limitation, severance compensation, and thereafter the Company's obligations hereunder shall terminate. 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 Executive which was performed in bad faith and to the material detriment of the Company; (b) Executive intentionally refuses or intentionally fails to act in accordance with any lawful and proper direction or order of the Chief Executive Officer; (c) Executive and habitually neglects the duties of employment; or (d) Executive 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 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.

**6.4 Termination Without Cause.** At any time, the Company may terminate the employment of Executive without liability other than as set forth below, for any reason not specified in Section 6.3 above, by giving thirty (30) days advance written notice to Executive. If the Company elects to terminate Executive pursuant to this Section 6.4:

(a) the Company shall pay to Executive all Accrued Compensation;

(b) the Company shall continue to pay to Executive as provided herein Executive's Base Salary over the period equal to nine (9) months from the date of such termination as severance compensation;

(c) the Company shall make a lump sum payment to Executive in an amount equal to a pro rata portion of the Executive's annual actual cash incentive bonus for Company's fiscal year preceding the year of termination based on the number of completed months of Executive's employment in the fiscal year plus nine (9);

(d) the vesting of all outstanding stock based awards held by Executive shall be accelerated so that the amount of shares vested under such awards shall equal that number of shares which would have been vested if the Executive had continued to render services to the Company for nine (9) continuous months after the date of his termination of employment; and

(e) the Company shall pay all costs which the Company would otherwise have incurred to maintain all of Executive's health and welfare, and retirement benefits (either on the same or substantially equivalent terms and conditions) if the Executive had continued to render services to the Company for nine (9) continuous months after the date of his termination of employment.

The Company shall have no further obligations to Executive other than those set forth in the preceding subparagraphs. During the period when such severance compensation is being paid to Executive, Executive shall not (i) engage, directly or indirectly, in providing services to any other business program or project that is competitive to a program or project being conducted by the Company or any Affiliated Company at the time of such employment termination (provided that Executive may own less than two percent (2%) of the outstanding securities of any publicly traded corporation), or (ii) hire, solicit, or attempt to solicit on behalf of himself or any other party or any employee or exclusive consultant of the Company. If the Company terminates this Agreement or the employment of Executive with the Company other than pursuant to Section 6.1, 6.2 or 6.3, then this section 6.4 shall apply.

**6.5 Constructive Termination** A Constructive Termination shall be deemed to be a termination of employment of Executive without cause pursuant to Section 6.4. For Purposes of this Agreement, a “Constructive Termination” means that the Executive voluntarily terminates his employment except in connection with the termination of his employment for death, disability, retirement, fraud, misappropriation, embezzlement (or any other occurrence which constitutes “Cause” under section 6.3) or any other voluntary termination of employment by Executive other than a Constructive Termination after any of the following are undertaken without Executive’s express written consent:

(a) the assignment to Executive of any duties or responsibilities which result in any diminution of position as judged against the duties and responsibilities assigned to executives with Executive’s position in the Company’s peer group of companies and shall not include (i) duties and responsibilities assigned to Executive with the understanding that as the Company grows and management staff increases in number, such duties and responsibilities will eventually be reassigned in a manner consistent with the Company’s peer group of companies, (ii) change in reporting relationship that does not change in any material way the Executive’s duties and responsibilities or (iii) any change in duties or responsibilities or reporting relationships that Executive does not identify as Constructive Termination to the Chief Executive Officer in writing within 15 days following the Chief Executive Officer’s proposal of such change to Executive;

(b) a reduction by the Company in Executive’s annual Base Salary by greater than five percent (5%);

(c) 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;

(d) any material breach by the Company of any provision of this Agreement; or

(e) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company.

**6.6 Termination Following Change in Control.** In the event of a termination Without Cause or Constructive Termination within six (6) months after a Change in Control (as defined below) or Executive’s voluntary termination within thirty (30) days following the six (6) month anniversary of a Change in Control, the Company shall pay to Executive a lump sum severance payment in an amount equal to one (1) times Executive’s then Base Salary plus annual actual cash incentive bonus for Company’s fiscal year preceding the year of termination. In addition, the Executive will receive at Executive’s option (i) accelerated vesting of all stock based awards held

by Executive by reason of the assumption or substitution of successor corporation stock based awards for the Executive's unvested Company stock based awards at the time of the Change in Control pursuant to the terms of the Company's equity incentive plans, as applicable, or (ii) a cash payment equal to the cash value of all unvested Company stock based awards held by Executive at the time of the Change in Control. In addition, the Executive will be reimbursed for the increase in federal and state income taxes payable by Executive by reason of the benefits provided under this Section 6.6.

**6.7 Change in Control.** For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during the term of Executive's employment hereunder, 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 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 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;

(c) 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 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 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

(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 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.

**6.8 Termination by Executive.** At any time, Executive may terminate his employment by giving thirty (30) days advance written notice to the Company. The Company shall pay Executive all Accrued Compensation, but no other compensation or reimbursement of any kind, including without limitation, severance compensation, and thereafter the Company's obligations hereunder shall terminate.

**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.

**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.

## **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) Executive may not assign, pledge or encumber his interest in this Agreement or any part thereof.

(b) 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 his 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 Certain Reduction of Payments.** In the event that any payment or benefit received or to be received by Executive under this Agreement would result in all or a portion of such payment to be subject to the excise tax on "golden parachute payments" under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), then Executive's payment shall be either (a) the full payment or (b) such lesser amount which would result in no portion of the payment being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable Federal, state and local employment taxes, income taxes, and the excise tax imposed by Section 4999 of the Code, results in the receipt by Executive on an after-tax basis, of the greatest amount of the payment notwithstanding that all or some portion of the payment may be taxable under Section 4999 of the Code.

**7.4 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, MBA, CPA

**7.5 Modification; Waiver; Entire Agreement.** 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. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

**7.6 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.

**7.7 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.

**7.8 Executive Acknowledgment.** Executive acknowledges (a) that she 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 she has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

**7.9 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.

**7.11 Prevailing Party Expenses.** In the event that any action or proceeding is commenced to enforce the provisions of the Agreement, the court adjudicating such action or proceeding shall award to the prevailing party all costs and expenses thereof, including, but not limited to, all reasonable attorneys' fees, court costs, and all other related expenses.

**Executed by the parties as of the day and year first above written.**

**TIMOTHY P. COUGHLIN**

/s/ Timothy P. Coughlin

**NEUROCRINE BIOSCIENCES, INC**

By: /s/ Gary A. Lyons

Gary A. Lyons

President & Chief Executive Officer

**FOR IMMEDIATE RELEASE**

Neurocrine Contacts:  
Elizabeth Foster or Claudia Woodworth  
(858) 617-7600

**NEUROCRINE ANNOUNCES ORGANIZATIONAL CHANGES**

San Diego, CA, September 19, 2006- Neurocrine Biosciences, Inc. (NASDAQ:NBIX) announced today that Kevin C. Gorman, Ph.D has been appointed Chief Operating Officer of Neurocrine Biosciences reporting to Gary Lyons, President and CEO. In this role, Dr. Gorman will work closely with Wendell Wierenga, Ph.D, Executive Vice President of Research and Development to oversee day to day scientific operations and preparations for the launch and commercialization of *indiplon*. In addition, Paul W. Hawran, Executive Vice President and Chief Financial Officer has elected to retire from full time status at the Company and has agreed to remain at the Company through the first quarter of 2007 to ensure a smooth and orderly transition for financial operations, while continuing as an advisor. Timothy P. Coughlin has been promoted from Vice President and Controller to Vice President and Chief Financial Officer of Neurocrine and will assume Paul Hawran's responsibilities.

Dr. Gorman, Executive Vice President and Chief Business Officer, has been a part of Neurocrine since its inception in 1993 as one of the original venture capitalists responsible for founding Neurocrine Biosciences. Throughout the Company's thirteen year history, he has been an instrumental member of the management team helping build Neurocrine from a research-driven start-up into a product development biopharmaceutical company with a broad, highly diversified R & D pipeline and a steady reserve of capital resources. In his former role as Executive Vice President and Chief Business Officer at Neurocrine, Dr. Gorman has been responsible for in-licensing and out-licensing of technologies and products, sales and marketing operations, corporate partnering activities and strategic planning. During this time, he was part of the team to successfully establish numerous strategic corporate partnerships to accelerate Neurocrine's internal drug discovery program, and as well as in-license compounds and technologies to complement Neurocrine's development pipeline.

"As we progress with concurrent tracks for the registration of *indiplon* and developing multiple compounds in mid-to-late stage clinical development, we are strengthening our senior operational management team to increase the capacity to drive the pipeline toward optimal success. I, along with our Board of Directors, have full confidence in Dr. Kevin Gorman, who through his experience, background and proven accomplishments, will work closely with Wendell Wierenga, Ph.D to oversee day to day scientific operations at Neurocrine," said Gary A. Lyons, President and CEO of Neurocrine Biosciences.

"We are grateful for Paul Hawran's leadership in building the capital resources, and putting in place the operations and infrastructure necessary to prepare the Company for future commercialization. Over the past 13 years, Paul Hawran's many contributions have been significant in funding our R & D progress while managing a well-controlled burn rate. We are pleased that Paul has agreed to remain with the Company to assist in the transition. Tim Coughlin has worked closely with Paul for the last several years, and combined with his previous

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experience in corporate accounting, finance and operations management of companies ranging in size from start-ups through Fortune 500, we believe that Tim is the ideal candidate to take over as CFO and will be a great addition to the senior management team, along with Kevin Gorman, Wendell Wierenga, Meg Valeur-Jensen, Ph.D EVP & General Counsel, and Rich Ranieri, SVP of Human Resources,” added Lyons.

In his new role as CFO, Timothy P. Coughlin, CPA, will be responsible for accounting, finance, investor relations and information technologies. Coughlin joined Neurocrine in 2002 from Catholic Health Initiatives, a fully integrated health delivery system company, where he served as Vice President Financial Services. Prior to that, he was a Senior Manager with the Health Sciences practice of Ernst & Young, LLP.

The Company also announced that it has extended the deadline for employees and consultants to tender their stock options to the Company and/or to withdraw from tender any options previously tendered in a stock option exchange program from 4:00 p.m. PDT to 9:00 p.m. PDT on Monday, September 25, 2006.

Neurocrine Biosciences, Inc. is a biopharmaceutical company focused on neurological and endocrine diseases and disorders. Our product candidates address some of the largest pharmaceutical markets in the world including insomnia, anxiety, depression, irritable bowel syndrome, and CNS related disorders.

Neurocrine Biosciences, Inc. news releases are available through the Company’s website via the Internet at <http://www.neurocrine.com>

*In addition to historical facts, this press release may contain forward-looking statements that involve a number of risks and uncertainties. Among the factors that could cause actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties associated with Neurocrine’s business and finances in general. Other risks are described in the Company’s report on Form 10-K for the year ended December 31, 2005 and the Company’s report on Form 10-Q for the quarter ended June 30, 2006. Neurocrine undertakes no obligation to update the statements contained in this press release after the date hereof.*

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