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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission file number 0-22705

NEUROCRINE BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**33-0525145**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
12790 EL CAMINO REAL, SAN DIEGO, CALIFORNIA	**92130**
(Address of principal executive office)	(Zip Code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer o Accelerated filer ☑ Non-accelerated filer o

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

The number of outstanding shares of the registrant's common stock, par value $0.001 per share, was 37,996,885 as of October 25, 2007.

NEUROCRINE BIOSCIENCES, INC.
FORM 10-Q INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 50,350	$ 80,981
Short-term investments, available-for-sale	74,483	101,623
Receivables under collaborative agreements	18	7,191
Other current assets	3,329	3,863
Total current assets	128,180	193,658
Property and equipment, net	84,631	91,378
Restricted cash	5,250	5,250
Prepaid royalty	94,000	94,000
Other non-current assets	5,437	5,391
Total assets	$ 317,498	$ 389,677
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 17,294	$ 15,627
Deferred revenues	36	—
Current portion of long-term debt	2,691	4,489
Total current liabilities	20,021	20,116
Long-term debt	47,438	49,152
Other liabilities	5,085	5,693
Total liabilities	72,544	74,961
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value; 110,000,000 shares authorized; issued and outstanding shares were 37,991,885 as of September 30, 2007 and 37,905,988 as of December 31, 2006	38	38
Additional paid-in capital	730,386	721,930
Reclassification of share based compensation liability (Note 8)	933	—
Accumulated other comprehensive income	272	99
Accumulated deficit	(486,675)	(407,351)
Total stockholders' equity	244,954	314,716
Total liabilities and stockholders' equity	$ 317,498	$ 389,677

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues:				
Sponsored research and development	$ 13	$ 348	$ 120	$ 6,503
License fees and milestones	500	726	500	6,811
Sales force allowance	—	—	—	16,480
Grant revenue	27	—	72	—
Total revenues	540	1,074	692	29,794
Operating expenses:				
Research and development	19,795	25,223	57,645	79,070
Sales, general and administrative	9,571	16,047	26,695	47,778
Total operating expenses	29,366	41,270	84,340	126,848
Loss from operations	(28,826)	(40,196)	(83,648)	(97,054)
Other income and (expense):				
Interest income and other income	2,413	2,442	6,869	7,862
Interest expense	(827)	(917)	(2,545)	(2,829)
Other expense, net	—	(472)	—	(472)
Total other income, net	1,586	1,053	4,324	4,561
Net loss	$(27,240)	$(39,143)	$(79,324)	$ (92,493)
Net loss per common share:				
Basic and diluted	$ (0.72)	$ (1.03)	$ (2.09)	$ (2.46)
Shares used in the calculation of net loss per common share:				
Basic and diluted	37,990	37,868	37,956	37,664

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	$ (79,324)	$ (92,493)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,238	7,987
Deferred revenues	36	(5,561)
(Gain)/Loss on disposal of fixed assets	(126)	476
Loan forgiveness on notes receivable from stockholder	—	50
Share-based compensation expense	7,757	12,666
Change in operating assets and liabilities:		
Accounts receivable and other current assets	7,707	1,240
Other non-current assets	(512)	(889)
Accounts payable and accrued liabilities	1,667	(5,914)
Other non-current liabilities	449	(97)
Net cash used in operating activities	(55,108)	(82,535)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(50,466)	(62,521)
Sales/maturities of short-term investments	78,245	162,661
Proceeds from the sale of property and equipment	126	—
Purchases of property and equipment	(491)	(3,024)
Net cash provided by investing activities	27,414	97,116
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of common stock	575	15,643
Principal payments on debt	(3,512)	(4,412)
Net cash (used in) provided by financing activities	(2,937)	11,231
Net (decrease) increase in cash and cash equivalents	(30,631)	25,812
Cash and cash equivalents at beginning of the period	80,981	49,948
Cash and cash equivalents at end of the period	$ 50,350	$ 75,760

See accompanying notes to the condensed consolidated financial statements.

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

1. BASIS OF PRESENTATION

The condensed consolidated financial statements included herein are unaudited. These statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions of the Securities and Exchange Commission (SEC) on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, these financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results of operations for the interim period shown in this report are not necessarily indicative of results expected for the full year. These financial statements should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and the financial statements and notes thereto for the year ended December 31, 2006 and the three and six months ended March 31 and June 30, 2007 included in our Annual Report on Form 10-K for the year ended December 31, 2006 and our Quarterly Reports on Form 10-Q for the three and six months ended March 31 and June 30, 2007, respectively, filed with the SEC.

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

2. ORGANIZATION AND SUMMARY OF BUSINESS

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

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

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

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

On June 12, 2007, the Company resubmitted its NDA for indiplon 5 mg and 10 mg capsules seeking clearance to market indiplon capsules for the treatment of insomnia. The FDA accepted the NDA resubmission and established a Prescription Drug User Fee Act (PDUFA) action date of December 12, 2007. The PDUFA action date is the date by which the FDA is expected to have completed its review of the resubmission and to document its assessment through the issuance of an action letter.

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

3. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

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

FASB Interpretation No. 48 (FIN 48), “Accounting for Uncertainty in Income Taxes, an interpretation of FASB No. 109”. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements in accordance with FASB Statement No. 109, “Accounting for Income Taxes”, and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. See Note 13.

4. SHARE-BASED COMPENSATION

The Company’s net loss for the three months ended September 30, 2007 and 2006 includes $2.6 million and $3.2 million, respectively, of compensation expense related to the Company’s share-based compensation awards. Share-based compensation expense recognized for the nine months ended September 30, 2007 and 2006 was $7.8 million and $12.7 million, respectively. As of September 30, 2007, total unrecognized estimated compensation cost related to non-vested stock options granted prior to that date was $10.4 million, which is expected to be recognized over a weighted average period of approximately 2 years. The compensation expense related to the Company’s share-based compensation arrangements is recorded as components of sales, general and administrative expense and research and development expense. The following is a summary of the components of the Company’s compensation expense related to share-based compensation (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Sales, general and administrative	$1.3	$1.6	$4.2	$7.2
Research and development	1.3	1.6	3.6	5.5

Cash received from stock option exercises for the nine months ended September 30, 2007 and 2006 was $0.6 million and $15.2 million, respectively. The Company issued approximately 76,000 shares of common stock related to stock option exercises and 10,000 shares of common stock related to stock bonus awards distributed to employees from the Neurocrine Biosciences, Inc. Nonqualified Deferred Compensation Plan during the nine months ended September 30, 2007.

Stock Option Assumptions

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Risk-free interest rate	4.45%	4.55%	4.81%	4.56%
Expected volatility of common stock	63.43%	66.00%	65.32%	62.52%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected option term	4.75 years	4.2 years	4.75 years	4.3 years

The Company estimates forfeiture rates for options based on past behavior for similar options with further consideration given to the class of employees to whom the options were granted.

5. USE OF ESTIMATES

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

6. SHORT-TERM INVESTMENTS AVAILABLE FOR SALE

Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in comprehensive income. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in interest income or expense. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

7. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” if indicators of impairment exist, the Company assesses the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through undiscounted future operating cash flows. If the carrying amount is not recoverable, the Company measures the amount of any impairment by comparing the carrying value of the asset to the present value of the expected future cash flows associated with the use of the asset.

The Company carries as a long-lived asset on its balance sheet, a prepaid royalty arising from its acquisition in February 2004 of Wyeth’s financial interest in indiplon. The Company’s current and historical operating and cash flow losses and the action letters on indiplon from the FDA are indicators of impairment for the prepaid royalty. However, the Company believes the future cash flows to be realized from the prepaid royalty will exceed the asset’s carrying value. The Company is pursuing approval of indiplon 5 mg and 10 mg capsules for sleep onset and intends to pursue approval of indiplon for sleep maintenance and to seek a commercialization partner. Accordingly, the Company has not recognized any impairment losses through September 30, 2007. However, events both within and outside of the Company’s control, such as competition from other insomnia therapeutic agents, disease prevalence, further FDA actions related to indiplon, the Company’s ability to partner indiplon, insomnia market dynamics and general market conditions may have an impact on the Company’s ability to recover the carrying value of this asset in the future.

8. DEFERRED COMPENSATION PLAN

On August 1, 2007, the Company amended and restated the Neurocrine Biosciences, Inc. Nonqualified Deferred Compensation Plan (the Plan). Under the terms of the amended and restated Plan, the Company is now required to distribute shares in order to settle any share-based compensation deferred into the Plan by participants. Additionally, participants can no longer diversify share-based awards that are placed into the Plan. In accordance with Financial Accounting Standards No. 123 (SFAS 123R), “Share-Based Payment” and EITF 97-14, “Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested”, the Company has reclassified the portion of the liability representing the Company’s obligation related to share-based compensation that had vested as of the date of the Plan modification to additional paid-in-capital. There was no effect on the Company’s previously reported net income or accumulated deficit.

9. LOSS PER COMMON SHARE

The Company computes net loss per share in accordance with SFAS No. 128, “Earnings Per Share.” Under the provisions of SFAS No. 128, basic net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and common equivalent shares outstanding during the period. Additionally, potentially dilutive securities, composed of incremental common shares issuable upon the exercise of stock options and warrants and the vesting of restricted stock units and awards, are excluded from historical diluted loss per share because of their anti-dilutive effect. Potentially dilutive securities totaled 1.5 million and 0.4 million for the three months ended September 30, 2007 and 2006, respectively and 1.6 million and 0.8 million for the nine months ended September 30, 2007 and 2006, respectively.

10. COMPREHENSIVE LOSS

Comprehensive loss is calculated in accordance with SFAS No. 130, “Comprehensive Income.” SFAS No. 130 requires the disclosure of all components of comprehensive loss, including net loss and changes in equity during a period from transactions and other events and circumstances generated from non-owner sources. The Company’s components of comprehensive loss consist of the net loss and unrealized gains and losses on short-term investments. For the three months ended September 30, 2007 and 2006, comprehensive loss was $27.6 million and $38.2 million, respectively. For the nine months ended September 30, 2007 and 2006, comprehensive loss was $79.2 million and $91.3 million, respectively.

11. REVENUE RECOGNITION

Revenues under collaborative research agreements and grants are recognized as research costs are incurred over the period specified in the related agreement or as the services are performed. These agreements are on a best-efforts basis and do not require scientific achievement as a performance obligation and provide for payment to be made when costs are incurred or the services are performed. All fees are nonrefundable to the collaborators. Upfront, nonrefundable payments for license fees, grants, sales force allowance and advance payments for sponsored research revenues received in excess of amounts earned are classified as deferred revenue and recognized as income over the contract or development period. Estimating the duration of the development period includes continual assessment of development stages and regulatory requirements. Milestone payments are recognized as revenue upon achievement of pre-defined scientific events, which require substantive effort, and for which achievement of the milestone was not readily assured at the inception of the agreement. Revenue related to the sales force allowance is recognized based on the related costs incurred to operate the sales force.

12. RESEARCH AND DEVELOPMENT

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

13. INCOME TAXES

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

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

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

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

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

14. LITIGATION

On June 19, 2007, Construction Laborers Pension Trust of Greater St. Louis filed a purported class action lawsuit in the United States District Court for the Southern District of California under the caption Construction Laborers Pension Trust of Greater St. Louis v. Neurocrine Biosciences, Inc. The complaint alleges, among other things, that the Company and certain of its officers and directors violated federal securities laws by making allegedly false and misleading statements regarding the progress toward FDA approval and the potential for market success of indiplon in the 15 mg dosage unit. On June 26, 2007, a second purported class action lawsuit with similar allegations was filed in the same court (Gopal Batra, Ph.D. v. Neurocrine Biosciences, Inc.). On October 16, 2007, both purported class action lawsuits were consolidated into one action under the caption In re Neurocrine Biosciences, Inc. Securities Litigation, 07-cv-1111-IEG-RBB. The court also selected a lead plaintiff and ordered the lead plaintiff to file a consolidated complaint within 45 days of October 16, 2007.

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

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

15. SUBSEQUENT EVENTS

On October 29, 2007, the Company entered into an amendment to its June 30, 1998 exclusive worldwide sublicense agreement with DOV Pharmaceutical, Inc. (DOV), under which the Company obtained the rights to indiplon for the treatment of insomnia. Among other things, this amendment modifies certain of the milestone provisions of the agreement and provides that certain of the royalties payable by the Company under the agreement may be prepaid upon the occurrence of specified future events. In connection with the amendment, the Company made a $1,000,000 payment to DOV.

On October 30, 2007, the Company and its affiliate Science Park Center LLC entered into a purchase agreement and escrow instructions with Veralliance Properties, Inc., relating to the sale of its facility and associated real property for a purchase price of $108,000,000. Upon the closing of the transaction, which is subject to customary closing conditions, the Company would lease back the facilities for an initial term of 10 years and retain certain options to repurchase the facilities.

On October 31, 2007, the Company entered into an exclusive license agreement with Dainippon Sumitomo Pharma Co. Ltd. (DSP), under which the Company licensed rights to indiplon to DSP and agreed to collaborate with DSP on the development and commercialization of indiplon in Japan. Pursuant to the license agreement, among other things, the Company will receive an up-front license fee of $20,000,000 and will be eligible to receive an additional $10,000,000 payment upon U.S Food and Drug Administration (FDA) approval of indiplon. The Company is also eligible to receive additional milestone payments upon specified future events related to the development and commercialization of indiplon in Japan. Should all milestones be achieved, then including the up-front license fee and the FDA approval milestone payment, the Company may be entitled to payments which total up to $135,000,000. Additionally, the Company is entitled to royalties from DSP on future sales of indiplon in Japan.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below in Part II, Item 1A under the caption "Risk Factors." The interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2006 and the three and six months ended March 31 and June 30, 2007 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, which are contained in our Annual Report on Form 10-K for the year ended December 31, 2006 and our Quarterly Reports on Form 10-Q for the three and six months ended March 31 and June 30, 2007, respectively.

OVERVIEW

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

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

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On June 12, 2007, we resubmitted our NDA for indiplon 5 mg and 10 mg capsules seeking clearance to market indiplon capsules for the treatment of insomnia. The FDA accepted the NDA resubmission and established a Prescription Drug User Fee Act (PDUFA)

date of December 12, 2007. The PDUFA action date is the date by which the FDA is expected to have completed its review of the resubmission and to document its assessment through the issuance of an action letter.

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

On October 29, 2007, we entered into an amendment to our June 30, 1998 exclusive worldwide sublicense agreement with DOV Pharmaceutical, Inc. (DOV), under which we obtained the rights to indiplon for the treatment of insomnia. Among other things, this amendment modifies certain of the milestone provisions of the agreement and provides that certain of the royalties payable by us under the agreement may be prepaid upon the occurrence of specified future events. In connection with the amendment, we made a $1,000,000 payment to DOV.

On October 30, 2007, we and our affiliate Science Park Center LLC entered into a purchase agreement and escrow instructions with Veralliance Properties, Inc., relating to the sale of our facility and associated real property for a purchase price of $108,000,000. Upon the closing of the transaction, which is subject to customary closing conditions, we would lease back the facilities for an initial term of 10 years and retain certain options to repurchase the facilities.

On October 31, 2007, we entered into an exclusive license agreement with Dainippon Sumitomo Pharma Co. Ltd. (DSP), under which we licensed rights to indiplon to DSP and agreed to collaborate with DSP on the development and commercialization of indiplon in Japan. Pursuant to the license agreement, among other things, we will receive an up-front license fee of $20,000,000 and will be eligible to receive an additional $10,000,000 payment upon U.S Food and Drug Administration (FDA) approval of indiplon. We are also eligible to receive additional milestone payments upon specified future events related to the development and commercialization of indiplon in Japan. Should all milestones be achieved, then including the up-front license fee and the FDA approval milestone payment, we may be entitled to payments which total up to $135,000,000. Additionally, we are entitled to royalties from DSP on future sales of indiplon in Japan.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenues under collaborative research and development agreements are recognized as costs are incurred over the period specified in the related agreement or as the services are performed. These agreements are on a best-efforts basis, and do not require scientific achievement as a performance obligation, and provide for payment to be made when costs are incurred or the services are performed. All fees are nonrefundable to the collaborators. Upfront, nonrefundable payments for license fees, grants, sales force allowance and advance payments for sponsored research revenues received in excess of amounts earned are classified as deferred revenue and recognized as income over the contract or development period. Estimating the duration of the development period includes continual assessment of development stages and regulatory requirements. Milestone payments are recognized as revenue upon achievement of pre-defined scientific events, which requires substantive effort, and for which achievement of the milestone was not readily assured at the inception of the agreement.

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

In accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), “Accounting for the Impairment or Disposal of Long-Lived Assets,” if indicators of impairment exist, we assess the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through undiscounted future operating cash flows. If impairment is indicated, we measure the amount of such impairment by comparing the carrying value of the asset to the estimated fair value of the related asset, which is generally determined based on the present value of the expected future cash flows.

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

value of this asset in the future. In the event that either the tablet or capsule or both formulations of indiplon are further delayed, are not eventually approved by the FDA or are approved by the FDA but not successfully commercialized, an impairment charge would likely occur. We will continue to monitor this long-lived asset on a quarterly basis.

We grant stock options to purchase our common stock to our employees and directors under the 2003 Incentive Stock Plan, as amended (the 2003 Plan) and to certain employees pursuant to Employment Commencement Nonstatutory Stock Option Agreements. We also grant certain employees stock bonuses and restricted stock units under the 2003 Plan. Additionally, we have outstanding options that were granted under option plans from which we no longer make grants. The benefits provided under all of these plans are subject to the provisions of revised Statement of Financial Accounting Standards No. 123 (SFAS 123R), "Share-Based Payment," which we adopted effective January 1, 2006. We elected to use the modified prospective application in adopting SFAS 123R and therefore have not restated results for prior periods. The valuation provisions of SFAS 123R apply to new awards and to awards that are outstanding on the adoption date and subsequently modified or cancelled. Our results of operations for the first nine months of 2007 and 2006 were impacted by the recognition of non-cash expense related to the fair value of our share-based compensation awards. Share-based compensation expense recognized under SFAS 123R for the three months ended September 30, 2007 and 2006 was $2.6 million and $3.2 million, respectively. Share-based compensation expense recognized under SFAS 123R for the nine months ended September 30, 2007 and 2006 was $7.8 million and $12.7 million, respectively.

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

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

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

On August 1, 2007, we amended and restated the Neurocrine Biosciences, Inc. Nonqualified Deferred Compensation Plan (the Plan). Under the terms of the amended and restated Plan, we are now required to distribute shares in order to settle any share-based compensation deferred into the Plan by participants. Additionally, participants can no longer diversify share-based awards that are placed into the Plan. In accordance with SFAS 123R and EITF 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested", we have reclassified the portion of the liability representing our obligation related to share-based compensation that had vested as of the date of the Plan modification to additional paid-in-capital. There was no effect on our previously reported net income or accumulated deficit.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

Revenues were approximately $0.5 million for the three months ended September 30, 2007 compared with $1.1 million for the same period last year. The decrease in revenues for the three months ended September 30, 2007, compared with the same period in 2006, resulted primarily from recognizing revenue in 2006 under the terminated collaboration agreement with Pfizer. During the third quarter of 2006, we recognized $1.1 million of revenue under the Pfizer collaboration agreement, comprised of $0.4 million in the form of sponsored development funding and $0.7 million resulting from amortization of up-front license fees. During the third quarter of 2007, we recognized $0.5 million in revenue related to the out-licensing of our IL-4 program.

Research and development expenses decreased to $19.8 million for the third quarter of 2007 compared with $25.2 million for the respective period in 2006. The $5.4 million decrease in research and development expenses was primarily due to cost savings related to our staff reduction in 2006. The decrease in research and development staff levels reduced personnel costs by $5.4 million from $13.1 million in the third quarter of 2006 to $7.7 million in the third quarter of 2007. Additionally, depreciation expense decreased by $0.5 million in the third quarter of 2007 compared to the same period in 2006, primarily due to computer and scientific equipment assets reaching the end of their economic lives. External development costs increased to $7.0 million in the third quarter of 2007 compared to $6.2 million in the same period last year. We started a new valnoctamide stereoisomers development program during 2007 which resulted in $1.1 million in external development costs during the third quarter of 2007. External development costs related to our GnRH program increased by $1.7 million in the third quarter of 2007 compared to the same period in 2006 primarily due to increased recruiting and enrollment efforts for our six-month DXA scan study. External development costs decreased by $1.7 million in the third quarter of 2007 compared to the same period in 2006 related to the cancelled APL and H1 programs. We currently have ten programs in various stages of research and development, including six programs in clinical

development. While we independently develop many of our product candidates, we are in collaborations for two of our programs.

Sales, general and administrative expenses decreased to $9.6 million for the third quarter of 2007 compared with $16.0 million during the same period last year. The $6.4 million decrease in expenses from 2006 to 2007 is primarily the result of cost savings related to the staff reductions in the third quarter of 2006.

Net loss for the third quarter of 2007 was $27.2 million, or $(0.72) per share, compared to a loss of $39.1 million, or $(1.03) per share, for the same period in 2006. Revenues during the third quarter of 2007 decreased compared to the same period in 2006 primarily due to the termination of our collaboration agreement with Pfizer in 2006. The decrease in revenues during the third quarter of 2007 was mitigated by cost savings from our severance program and other cost saving activities implemented during the third quarter of 2006.

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

Revenues were $0.7 million for the nine months ended September 30, 2007 compared with $29.8 million for the respective period last year. The decrease in revenues during the first nine months of 2007, compared with the respective period in 2006, resulted primarily from revenues recognized in 2006 under the collaboration agreement with Pfizer that was terminated in 2006. During the first nine months of 2006, we recognized $28.7 million in revenue from Pfizer, comprised of $6.4 million in the form of sponsored development funding, $5.8 million resulting from amortization of up-front license fees, and $16.5 million related to the sales force allowance for operating our sales force. Additionally, under our collaboration agreement with GlaxoSmithKline, we recognized $1.0 million in revenue during the first nine months of 2006 for progress related to our CRF program.

Research and development expenses decreased to $57.6 million for the first nine months of 2007 compared with $79.1 million for the respective period in 2006. This decrease in research and development expenses was primarily due to cost savings related to our staff reduction in the third quarter of 2006 and lower external development costs. The decrease in research and development staff levels reduced personnel costs by $12.4 million, from $36.8 million in the first nine months of 2006 to $24.4 million during the same period in 2007. External development costs decreased by $5.1 million to $16.3 million in the first nine months of 2007 compared to $21.4 million in the same period in 2006. Due to efforts expended in addressing the FDA action letters and resubmitting our NDA for indiplon 5 mg and 10 mg capsules, external development costs for our indiplon clinical program increased to $2.6 million in the first nine months of 2007 compared to $1.2 million during the same period in 2006. We started a new valnoctamide stereoisomers development program during 2007, which resulted in $2.1 million in external development costs during the first nine months of 2007. External development costs related to our Urocortin 2 and sNRI programs decreased by $2.3 million and $1.6 million, respectively, in the first nine months of 2007 compared to the same period in 2006. External development costs related to our subsequently cancelled APL and H1 programs included expenses of $6.8 million during the first nine months of 2006. Additionally, laboratory costs decreased by $2.6 million in the first nine months of 2007 compared to the same period in 2006, primarily due to the staff reductions mentioned above.

Sales, general and administrative expenses decreased to $26.7 million for the nine months ended September 30, 2007 compared with $47.8 million during the same period last year. The $21.1 million decrease in expenses from 2006 to 2007 resulted primarily from cost savings related to the staff reductions in the third quarter of 2006.

Other income decreased to $4.3 million for the first nine months of 2007 from $4.6 million during the first nine months of 2006. The decrease was primarily from lower average cash and investment balances which resulted in a decline in interest income earnings.

Net loss for the first nine months of 2007 was $79.3 million, or $(2.09) per share, compared to $92.5 million, or $(2.46) per share, for the same period in 2006. Revenues during the first nine months of 2007 have decreased significantly compared to the same period in 2006 primarily due to the termination of our collaboration agreement with Pfizer in 2006. Cost savings from our severance program during the third quarter of 2006 and other cost saving activities have offset this decrease in revenue.

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

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

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2007, our cash, cash equivalents, and short-term investments totaled $124.8 million compared with $182.6 million at December 31, 2006. The decrease in cash balances at September 30, 2007 resulted primarily from our net loss of $79.3 million, offset by a reduction in accounts receivable of $7.2 million.

Net cash used in operating activities during the first nine months of 2007 was $55.1 million compared with $82.5 million during the same period last year. The decrease in operating cash used during 2007 is primarily due to our staff reduction during the third quarter of 2006, which decreased our personnel costs by $31.6 million during the first nine months of 2007 compared to the same period in 2006, offset by a reduction in accounts receivable of $7.2 million.

Net cash provided by investing activities during the first nine months of 2007 was $27.4 million compared to $97.1 million for the first nine months of 2006. The fluctuation in net cash provided by investing activities resulted primarily from the timing differences in investment purchases, sales and maturities, and the fluctuation of our portfolio mix between cash equivalents and short-term investment holdings. In addition, purchases of property and equipment decreased from $3.0 million during the first nine months of 2006 to $0.5 million during the same period in 2007. Capital equipment purchases for the full year 2007 are expected to be less than $1.0 million.

Net cash used in financing activities during the first nine months of 2007 was $2.9 million compared to net cash provided by financing activities of $11.2 million for the respective period last year. This fluctuation resulted primarily from cash proceeds from the issuance of common stock upon exercise of options and purchases from our employee stock purchase program which totaled $15.6 million for the first nine months of 2006 compared to $0.6 million during the same period this year. We expect similar fluctuations to occur throughout the year, as the amount and frequency of stock-related transactions are dependent upon the market performance of our common stock.

On October 30, 2007, we and our affiliate Science Park Center LLC entered into a purchase agreement and escrow instructions relating to the sale of our facility and associated real property for a purchase price of $108.0 million. Upon the closing of the transaction, which is subject to customary closing conditions, we would lease back the facilities for an initial term of 10 years and retain certain options to repurchase the facilities. We anticipate that upon closing we will receive cash of approximately $60.0 million net of fees, expenses and existing indebtedness. On October 31, 2007, we entered into an exclusive license agreement with DSP relating to the development and commercialization of indiplon in Japan, pursuant to which we will receive an up-front license fee of $20.0 million.

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

We will require additional funding to continue our research and product development programs, to conduct preclinical studies and clinical trials, for operating expenses, to pursue regulatory approvals for our product candidates, for the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims, if any, as well as costs associated with litigation matters, product in-licensing and any possible acquisitions, and we may require additional funding to establish manufacturing and marketing capabilities in the future. We intend to seek additional funding through strategic alliances, and may seek additional funding through public or private sales of our securities, including equity securities. In addition, we have financed capital purchases and may continue to pursue opportunities to obtain additional debt financing in the future. However, additional equity or debt financing might not be available on reasonable terms, if at all, and any additional equity financings will be dilutive to our stockholders. If adequate funds are not available, we may be required to curtail significantly one or more of our research or development programs or obtain funds through arrangements with collaborators or others. This may require us to relinquish rights to certain of our technologies or product candidates. To the extent that we are unable to obtain third-party funding for such expenses, we expect that increased expenses will result in increased losses from operations. We cannot assure you that we will be successful in the development of our product candidates, or that, if successful, any products marketed will generate sufficient revenues to enable us to earn a profit.

INTEREST RATE RISK

We are exposed to interest rate risk on our short-term investments. The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in highly liquid and high quality government and other debt securities. To minimize our exposure due to adverse shifts in interest rates, we invest in short-term securities and ensure that the maximum average maturity of our investments does not exceed 36 months. If a 10% change in interest rates were to have occurred on September 30, 2007, this change would not have had a material effect on the fair value of our investment portfolio as of that date.

Due to the short holding period of our investments, we have concluded that we do not have a material financial market risk exposure.

FORWARD-LOOKING STATEMENTS

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

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

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 19, 2007, Construction Laborers Pension Trust of Greater St. Louis filed a purported class action lawsuit in the United States District Court for the Southern District of California under the caption Construction Laborers Pension Trust of Greater St. Louis v. Neurocrine Biosciences, Inc. The complaint alleges, among other things, that we and certain of our officers and directors violated federal securities laws by making allegedly false and misleading statements regarding the progress toward FDA approval and the potential for market success of indiplon in the 15 mg dosage unit. On June 26, 2007, a second purported class action lawsuit with similar allegations was filed in the same court (Gopal Batra, Ph.D. v. Neurocrine Biosciences, Inc.). On October 16, 2007, both purported class action lawsuits were consolidated into one action under the caption In re Neurocrine Biosciences, Inc. Securities Litigation, 07-cv-1111-IEG-RBB. The court also selected a lead plaintiff and ordered the lead plaintiff to file a consolidated complaint within 45 days of October 16, 2007.

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

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

ITEM 1A. RISK FACTORS

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

Risks Related to Our Company

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

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

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

On June 12, 2007, we resubmitted our NDA for indiplon 5 mg and 10 mg capsules seeking clearance to market indiplon capsules for the treatment of insomnia. The FDA accepted the NDA resubmission and established a Prescription Drug User Fee Act (PDUFA) date of December 12, 2007. The PDUFA action date is the date by which the FDA is expected to have completed its review of the resubmission and to document its assessment through the issuance of an action letter.

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

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

If we are unable to conduct the clinical trials to support a sleep maintenance claim for indiplon or if these clinical trials do not demonstrate the safety and efficacy of indiplon for sleep maintenance, we may not be able to resubmit the NDA for this indication. If we do obtain positive results from these clinical trials, we would then refile the NDA for indiplon for sleep maintenance. The process of preparing and resubmitting the NDA for indiplon tablets will require significant resources and could be time consuming and subject to unanticipated delays and cost. If we are unable to refile our NDA for indiplon tablets or the FDA refuses to accept or approve the resubmitted tablet NDA for any reason, our business and reputation would be harmed and our stock price would decline.

Even if our indiplon NDAs are approved, the FDA may determine that our data do not support elements of the labeling we have requested. In such a case, the labeling actually granted by the FDA could limit the commercial success of the product. The FDA could also require Phase IV, or post-marketing, trials to study the long-term effects of indiplon and could withdraw its approval based on the results of those trials. We face the risk that for any of the reasons described above, as well as other reasons set forth herein, indiplon may never be approved by the FDA or commercialized anywhere in the world.

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

We will require additional funding to continue our research and product development programs, to conduct preclinical studies and clinical trials, for operating expenses, to pursue regulatory approvals for our product candidates, for the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims, if any, as well as costs associated with litigation matters, product in-licensing and any possible acquisitions, and we may require additional funding to establish manufacturing and marketing capabilities in the future. We intend to seek additional funding through strategic alliances and our anticipated sale-leaseback transaction, and may seek additional funding through public or private sales of our securities, including equity securities. We believe that our existing capital resources, together with interest income, and future payments due under our strategic alliances and our anticipated sale-leaseback transaction, will be sufficient to satisfy our current and projected funding requirements for at least the next 12 months. However, the closing of our anticipated sale-leaseback transaction is subject to customary closing conditions and may not be completed as planned. In addition, these resources might be insufficient to conduct research and development programs as planned. If we cannot obtain adequate funds, we may be required to curtail significantly one or more of our research and development programs or obtain funds through additional arrangements with corporate collaborators or others that may require us to relinquish rights to some of our technologies or product candidates.

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

- continued scientific progress in our research and development programs;
- the magnitude of our research and development programs;
- progress with preclinical testing and clinical trials;
- the time and costs involved in obtaining regulatory approvals;
- the costs involved in filing and pursuing patent applications and enforcing patent claims;
- the costs associated with litigation matters;
- competing technological and market developments;
- the establishment of additional strategic alliances;
- the cost of commercialization activities and arrangements, including manufacturing of our product candidates; and
- the cost of product in-licensing and any possible acquisitions.

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

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

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

- fund substantially all third-party costs related to future indiplon development, manufacturing and commercialization activities (including costs related to approximately 27 million indiplon 5 mg and 10 mg capsules, approximately 12 million indiplon 15 mg tablets, and approximately 5 million cores for indiplon 15 mg tablets, all of which were manufactured prior to our receipt of the May 2006 FDA responses in anticipation of commercialization activities and are now expected to be destroyed. Subsequent to this, we have manufactured indiplon drug product for a 2008 product launch.);
- fund a 200-person Neurocrine sales force that would initially promote Zoloft® and, upon approval of the indiplon NDAs, co-promote indiplon in the United States (including expenditures related to indiplon sales force training activities that were scheduled prior to our receipt of the May 2006 FDA responses but ultimately did not occur);
- be responsible for obtaining all regulatory approvals outside of the United States and regulatory approvals in the United States after approval of the first indiplon NDA; and
- be responsible for sales and marketing of indiplon worldwide.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- selecting compounds for subsequent development as drug candidates;
- conducting preclinical studies and clinical trials and obtaining required regulatory approvals for these drug candidates; and
- manufacturing and commercializing any resulting drugs.

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

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

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

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

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

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

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

- be found ineffective or cause harmful side effects during preclinical studies or clinical trials;
- fail to receive necessary regulatory approvals on a timely basis or at all;
- be precluded from commercialization by proprietary rights of third parties;
- be difficult to manufacture on a large scale; or
- be uneconomical to commercialize or fail to achieve market acceptance.

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

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

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

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

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

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

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

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

- contract manufacturers may encounter difficulties in achieving volume production, quality control and quality assurance, and also may experience shortages in qualified personnel. As a result, our contract manufacturers might not be able to meet our clinical schedules or adequately manufacture our products in commercial quantities when required;
- switching manufacturers may be difficult because the number of potential manufacturers is limited. It may be difficult or impossible for us to find a replacement manufacturer quickly on acceptable terms, or at all;
- our contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to successfully produce, store or distribute our products; and
- drug manufacturers are subject to ongoing periodic unannounced inspection by the FDA, the DEA, and corresponding state agencies to ensure strict compliance with good manufacturing practices and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- developments related to the FDA approval process for indiplon;
- the results of our clinical trials;

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

Risks Related to Our Industry

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

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

In particular, human therapeutic products are subject to rigorous preclinical testing and clinical trials and other approval procedures of the FDA and similar regulatory authorities in foreign countries. The FDA regulates, among other things, the development, testing, manufacturing, safety, efficacy, record keeping, labeling, storage, approval, advertising, promotion, sale and distribution of biopharmaceutical products. Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each indication to establish the product candidate’s safety and efficacy. The approval process may take many years to complete and may involve ongoing requirements for post-marketing studies. Any FDA or other regulatory approval of our product candidates, once obtained, may be withdrawn. If our potential products are marketed abroad, they will also be subject to extensive regulation by foreign governments.

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

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

Competition may also arise from, among other things:

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

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

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

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

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

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

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

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

Because of the substantial length of time and expense associated with bringing new products through the development and regulatory approval processes in order to reach the marketplace, the pharmaceutical industry places considerable importance on obtaining patent and trade secret protection for new technologies, products and processes. Accordingly, we intend to seek patent protection for our proprietary technology and compounds. However, we face the risk that we may not obtain any of these patents and that the breadth of claims we obtain, if any, may not provide adequate protection of our proprietary technology or compounds.

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

In addition, although we own a number of patents, the issuance of a patent is not conclusive as to its validity or enforceability, and third parties may challenge the validity or enforceability of our patents. We cannot assure you how much protection, if any, will be given to our patents if we attempt to enforce them and they are challenged in court or in other proceedings. It is possible that a

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

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

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

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

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

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

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

ITEM 5. OTHER INFORMATION

On October 29, 2007, we entered into an amendment to our June 30, 1998 exclusive worldwide sublicense agreement with DOV, under which we obtained the rights to indiplon for the treatment of insomnia. Among other things, this amendment modifies certain of the milestone provisions of the agreement and provides that certain of the royalties payable by us under the agreement may be prepaid upon the occurrence of specified future events. In connection with the amendment, we made a $1,000,000 payment to DOV.

On October 30, 2007, we and our affiliate Science Park Center LLC entered into a purchase agreement and escrow instructions with Veralliance Properties, Inc., relating to the sale of our facility and associated real property for a purchase price of $108,000,000. Upon the closing of the transaction, which is subject to customary closing conditions, we would lease back the facilities for an initial term of 10 years and retain certain options to repurchase the facilities. A copy of the purchase agreement and escrow instructions is attached as Exhibit 10.3 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

On October 31, 2007, we entered into an exclusive license agreement with DSP, under which we licensed rights to indiplon to DSP and agreed to collaborate with DSP on the development and commercialization of indiplon in Japan. Pursuant to the license agreement, among other things, we will receive an up-front license fee of $20,000,000 and will be eligible to receive an additional $10,000,000 payment upon U.S Food and Drug Administration (FDA) approval of indiplon. We are also eligible to receive additional milestone payments upon specified future events related to the development and commercialization of indiplon in Japan. Should all milestones be achieved, then including the up-front license fee and the FDA approval milestone payment, we may be entitled to payments which total up to $135,000,000. Additionally, we are entitled to royalties from DSP on future sales of indiplon in Japan.

ITEM 6. EXHIBITS

3.1	Restated Certificate of Incorporation (1)
3.2	Certificate of Amendment to Certificate of Incorporation (2)
3.3	Bylaws (1)
3.4	Certificate of Amendment of Bylaws (3)
3.5	Certificate of Amendment of Bylaws (4)
10.1	Amended and Restated Promissory Note dated October 2, 2007 between Science Park Center LLC and Morgan Stanley Mortgage Capital Inc.
10.2	Neurocrine Biosciences, Inc. Nonqualified Deferred Compensation Plan, as amended
10.3	Purchase Agreement and Escrow Instructions dated October 30, 2007 among Science Park Center LLC, and Neurocrine Biosciences, Inc. and Veralliance Properties, Inc.
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934
32*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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

(2) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 9, 2006

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

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

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

SIGNATURES

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

Dated: November 2, 2007

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

Exhibit 10.1

AMENDED AND RESTATED PROMISSORY NOTE

THIS AMENDED AND RESTATED PROMISSORY NOTE (this "**Note**") is made as of this 2nd day of October, 2007 by and among SCIENCE PARK CENTER LLC, a California limited liability company, as maker, having its principal place of business at 12790 El Camino Real, San Diego, California 92130 ("**Borrower**"), and MORGAN STANLEY MORTGAGE CAPITAL INC., a New York corporation, as lender, having an address at 1221 Avenue of the Americas, 27th Floor, New York, New York 10020 ("**Lender**").

R E C I T A L S

WHEREAS, Science Park Center LLC, a California limited liability company, ("**Science Park**") and Teachers Insurance and Annuity Association of America, a New York Corporation ("**TIAA**"), are parties to that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing Statement, dated as of October 25, 2004, recorded on October 28, 2004, as Document No. 2004-1019903, in the San Diego County Recorder's Office (the "**Recorder's Office**"), as assigned by TIAA to Lender pursuant to that certain Assignment and Assumption of Interest Under Deed of Trust, dated as of March 1, 2007, and recorded on March 22, 2007 as Document No. 2007-0196204, with the Recorder's Office (as so assigned and as the same hereafter may be further amended, modified, supplemented, consolidated or assigned, the "**Mortgage**"), securing a loan made by TIAA to Science Park in the original principal amount of Forty-Nine Million Five Hundred Thousand and No/100 Dollars ($49,500,000.00) (the "**Original Loan**"), which Original Loan is evidenced by that certain Promissory Note, dated as of October 25, 2004, made by Science Park to TIAA, as endorsed by TIAA to Lender pursuant to that certain Allonge dated March 1, 2007 (as so endorsed, the "**Original Note**") (the Mortgage and the Original Note, together with the other loan documents entered into in connection with the Original Loan or otherwise included in the term "Loan Documents" as defined in the Mortgage, as assigned by TIAA to Lender, are collectively referred to herein as the "**Loan Documents**");

NOW, THEREFORE, in consideration of the foregoing Recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower covenants and agrees as follows:

(1) All recitals set forth above are true and correct and constitute a material part of this Note.

(2) Borrower acknowledges that it has no defenses, counterclaims or offsets with respect to any of its obligations contained in the Original Note.

(3) The outstanding principal balance of the Original Loan as of the date hereof is $47,774,467.84.

(4) The Original Note is hereby amended and restated in its entirety, to hereinafter read and provide as follows:

PROMISSORY NOTE

$49,500,000.00 San Diego, California
October 2, 2007

FOR VALUE RECEIVED, SCIENCE PARK CENTER LLC, a California limited liability company ("**Borrower**"), having its principal place of business at 12790 El Camino Real, San Diego, California 92130, promises to pay to MORGAN STANLEY MORTGAGE CAPITAL INC., a New York corporation, ("**Lender**"), having an address at 1221 Avenue of the Americas, 27th Floor, New York, New York 10020 or at such other place as Lender designates in writing, the principal sum of Forty-Nine Million Five Hundred Thousand Dollars ($49,500,000.00) (the principal sum or so much of the principal sum as may be advanced and outstanding from time to time, the "**Principal**"), in lawful money of the United States of America, with interest on the Principal from and after the date advanced at the fixed rate of six and forty-eight hundredths percent (6.48%) per annum (the "**Fixed Interest Rate**") and as otherwise provided herein.

This Promissory Note (the "**Note**") is secured by, among other things, the Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (the "**Deed of Trust**") dated the date of this Note made by Borrower for the benefit of Teachers Insurance and Annuity Association of America, ("TIAA") and assigned by TIAA to Lender pursuant to that certain Assignment and Assumption of Interest Under Deed of Trust, dated as of March 1, 2007, as security for the Loan. All capitalized terms not expressly defined in this Note will have the definitions set forth in the Deed of Trust.

Section 1. Payments of Principal and Fixed Interest.

(a) Borrower will make monthly installment payments ("**Debt Service Payments**") as follows:

(i) Intentionally Omitted.

(ii) On October 1, 2007, and on the first day of each succeeding calendar month through and including November 1, 2014 payments in the amount of Three Hundred Twelve Thousand Two Hundred Twenty-One and 25/100 Dollars ($312,221.25), each of which will be applied first to accrued interest on the Principal at the Fixed Interest Rate and then to the Principal.

(b) On November 1, 2014 (the "**Maturity Date**"), Borrower will pay the Principal in full together with accrued interest at the Fixed Interest Rate and all other amounts due under the Loan Documents.

Section 2. Certain Definitions. In addition to other definitions set forth elsewhere in this Note, the following definitions apply:

"**Default Discount Rate**" means the Discount Rate less 300 basis points.

"Discount Rate" shall mean the rate which, when compounded monthly, is equivalent to the Yield Maintenance Treasury Rate, when compounded semi-annually.

"Evasion Premium" means the greater of (i) an amount equal to the product of the Prepayment Percentage plus 300 basis points times the Prepayment Date Principal, or (ii) the difference between (x) the present value on the Prepayment Date of all scheduled principal and interest payments (including any principal payment due on the Prepayment Date) from the Prepayment Date through the Maturity Date determined by discounting such payments by the Default Discount Rate and (y) the principal balance of the Loan as of the Prepayment Date.

"Lockout Period" means the first thirty-six (36) months of the Term.

"Prepayment Date" shall mean the date on which prepayment is made.

"Prepayment Date Principal" means the Principal on the date as of which a Prepayment Premium or Evasion Premium is calculated (as specified below).

"Prepayment Percentage" means one percent (1%).

"Prepayment Premium" shall mean an amount equal to the greater of: (i) one percent (1%) of the principal amount of the Loan being prepaid or (ii) the difference between (x) the present value as of the Prepayment Date of all scheduled principal and interest payments (including the principal payment due on the Prepayment Date) from the Prepayment Date through the Maturity Date determined by discounting such payments at the Discount Rate and (y) the principal balance of the Loan as of the Prepayment Date. In no event, however, shall Lender be required to reinvest any prepayment proceeds in U.S. Treasury obligations or otherwise.

"Yield Maintenance Treasury Rate" shall mean the yield calculated by Lender by the linear interpolation of the yields, as reported in the Federal Reserve Statistical Release H.15-Selected Interest Rates under the heading U.S. Government Securities/Treasury Constant Maturities for the week ending prior to the Prepayment Date, of U.S. Treasury Constant Maturities with maturity dates (one longer or one shorter) most nearly approximating the Maturity Date. In the event Release H.I5 is no longer published, Lender shall select a comparable publication to determine the Yield Maintenance Treasury Rate.

Section 3. Prepayment Provisions.

(a) This Note may not be prepaid in whole or in part at any time, except as follows:

(i) This Note may be prepaid to the extent that casualty insurance proceeds or condemnation awards with respect to the Property are applied to the Debt in accordance with the Loan Documents, and, provided that there is no Event of Default under the Loan Documents, any such prepayments will be without premium. Unless Lender elects otherwise in its sole discretion, partial prepayments of Principal resulting from the application of such proceeds or awards to the Debt shall not reduce the amounts of subsequent monthly installments nor change the dates on which such installments are due (the effect of which may be to cause the Debt to repaid earlier than the Maturity Date).

(ii) Provided there is no Event of Default under the Loan Documents, this Note may be prepaid in full but not in part with the payment of the Prepayment Premium upon 60 days prior notice to Lender; provided, however, that such 60-day prior notice may specify a one calendar-week period during which the prepayment will occur, if such notice is followed by a second notice to Lender, received by Lender not later than ten days before the first Business Day of such week, which specifies the Business Day during such week on which prepayment will occur (and if such second notice is not timely received by Lender, the first Business Day of such week shall be deemed to be the date designated by Borrower for the prepayment).

(iii) Provided there is no Event of Default under the Loan Documents, this Note may be prepaid in full but not in part, without premium, during the last ninety (90) days of the Term, upon 30 days prior notice to Lender; provided, however, that such 30-day prior notice may specify a one calendar-week period during which the prepayment will occur, if such notice is followed by a second notice to Lender, received by Lender not later than ten days before the first Business Day of such week, which specifies the Business Day during such week on which prepayment will occur (and if such second notice is not timely received by Lender, the first Business Day of such week shall be deemed to be the date designated by Borrower for the prepayment).

(iv) In no event may this Note be prepaid without simultaneous prepayment in full of any other notes secured by the Loan Documents.

(v) Any prepayment received by Lender on a date other than a date on which Debt Service Payments are due shall include interest which would have accrued thereon to the next such date and such amounts (i.e., principal and interest prepaid by Borrower) shall be held by Lender as collateral security for the Loan in an interest bearing account, with interest accruing on such amounts to the benefit of Borrower; such amounts prepaid shall be applied to the Loan on the next date on which a Debt Service Payment is due with any interest on such funds paid to Borrower on such date provided no Event of Default then exists.

(b) After an Acceleration or upon any prepayment not permitted by the Loan Documents, any tender of payment of the amount necessary to satisfy the Debt accelerated, any judgment of foreclosure, any statement of the amount due at the time of foreclosure (including foreclosure by power of sale), any claim for amounts due under this Note, and any tender of payment made during any redemption period after foreclosure, will include an Evasion Premium, calculated as of the date of the Acceleration or the date of such unpermitted prepayment, as the case may be.

(c) [Intentionally omitted]

(d) Borrower acknowledges that:

(i) a prepayment without payment of the applicable Prepayment Premium or Evasion Premium (the "**Premiums**") will cause damage to Lender;

(ii) the Premiums are intended to compensate Lender for the loss of its investment and the expense incurred and time and effort associated with making the Loan, which will not be fully repaid if the Loan is prepaid without payment of the applicable Premium;

(iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by a prepayment after an Event of Default or any other prepayment not permitted by the Loan Documents; and

(iv) the Premiums represent Lender's and Borrower's reasonable estimate of Lender's damages for prepayment and are not a penalty.

(e) BORROWER HEREBY ACKNOWLEDGES AND AGREES THAT LENDER WOULD NOT LEND TO BORROWER THE LOAN EVIDENCED BY THIS NOTE WITHOUT (1) BORROWER'S WAIVER OF ANY RIGHTS IT MAY HAVE UNDER CALIFORNIA CIVIL CODE SECTION 2954.10 TO PREPAY THIS NOTE IN WHOLE OR IN PART, WITHOUT PENALTY, UPON ACCELERATION OF THE MATURITY DATE OF THIS NOTE, AND (2) BORROWER'S AGREEMENT, AS SET FORTH ABOVE, TO PAY LENDER THE APPLICABLE PREMIUM UPON THE SATISFACTION OF ALL OR ANY PORTION OF THE PRINCIPAL INDEBTEDNESS EVIDENCED HEREBY FOLLOWING THE ACCELERATION OF THE MATURITY DATE HEREOF BY REASON OF A DEFAULT HEREUNDER OR UNDER THE DEED OF TRUST INCLUDING, WITHOUT LIMITATION, A DEFAULT ARISING FROM THE CONVEYANCE OF ANY RIGHT, TITLE OR INTEREST IN THE PROPERTY ENCUMBERED BY THE DEED OF TRUST WHICH IS NOT PERMITTED THEREBY AND BORROWER HAS CAUSED THOSE PERSONS SIGNING THIS NOTE ON BORROWER'S BEHALF TO SEPARATELY EXECUTE THE AGREEMENT CONTAINED IN THIS PARAGRAPH, IN COMPLIANCE WITH CALIFORNIA CIVIL CODE SECTION 2954.10. BY PLACING ITS SIGNATURE BELOW, BORROWER ACKNOWLEDGES THAT (I) THE GENERAL PARTNERS, PRINCIPALS OR MEMBERS, AS THE CASE MAY BE, OF BORROWER ARE KNOWLEDGEABLE REAL ESTATE DEVELOPERS OR INVESTORS, (II) BORROWER FULLY UNDERSTANDS THE EFFECT OF THE ABOVE WAIVER, (III) THE MAKING OF THE LOAN BY LENDER AT THE RATE SET FORTH ABOVE IS SUFFICIENT CONSIDERATION FOR SUCH WAIVER, AND (IV) LENDER WOULD NOT MAKE THE LOAN WITHOUT SUCH WAIVER.

SCIENCE PARK CENTER LLC, a California limited liability company

By Neurocrine Biosciences, Inc., a Delaware corporation, its managing member

By: /s/ Timothy P. Coughlin
Name: Timothy P. Coughlin
Title: Vice President and CFO

Section 4. Intentionally Omitted.

Section 5. Events of Default:

(a) It is an **"Event of Default"** under this Note:

(i) if Borrower fails to pay any amount due, as and when required, under this Note or any other Loan Document and the failure continues for a period of 5 days; or

(ii) if an Event of Default occurs under and as defined in any other Loan Document.

(b) If an Event of Default occurs, Lender may declare all or any portion of the Debt immediately due and payable ("**Acceleration**") and exercise any of the other Remedies.

Section 6. Default Rate. Interest on the Principal will accrue at the Default Interest Rate from the date an Event of Default occurs.

Section 7. Late Charges.

(a) If Borrower fails to pay any Debt Service Payment when due or fails to pay any amount due under the Loan Documents on the Maturity Date (in either event, without giving consideration to any grace period contained in the Loan Documents), Borrower agrees to pay to Lender an amount (a "**Late Charge**") equal to five cents ($.05) for each one dollar ($1.00) of the delinquent payment;

(b) Borrower acknowledges that:

(i) a delinquent payment will cause damage to Lender;

(ii) the Late Charge is intended to compensate Lender for loss of use of the delinquent payment and the expense incurred and time and effort associated with recovering the delinquent payment;

(iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by the delinquency; and

(iv) the Late Charge represents Lender and Borrower's reasonable estimate of Lender's damages from the delinquency and is not a penalty.

Section 8. Limitation of Liability. This Note is subject to the limitations on liability set forth in the Article of the Deed of Trust entitled **"Limitation of Liability".**

Section 9. WAIVERS. **IN ADDITION TO THE WAIVERS SET FORTH IN THE ARTICLE OF THE DEED OF TRUST ENTITLED** "WAIVERS", **BORROWER WAIVES PRESENTMENT FOR PAYMENT, DEMAND, DISHONOR AND, EXCEPT AS EXPRESSLY SET FORTH IN THE LOAN DOCUMENTS, NOTICE OF ANY OF THE FOREGOING. BORROWER FURTHER WAIVES ANY PROTEST, LACK OF DILIGENCE OR DELAY IN COLLECTION OF THE DEBT OR ENFORCEMENT OF THE LOAN DOCUMENTS. BORROWER AND ALL INDORSERS, SURETIES AND GUARANTORS OF THE OBLIGATIONS CONSENT TO ANY EXTENSIONS OF TIME, RENEWALS, WAIVERS AND MODIFICATIONS THAT LENDER MAY GRANT WITH RESPECT TO THE OBLIGATIONS AND TO THE RELEASE OF ANY SECURITY FOR THIS NOTE AND AGREE THAT ADDITIONAL MAKERS MAY BECOME PARTIES TO THIS NOTE AND ADDITIONAL INDORSERS, GUARANTORS OR SURETIES MAY BE ADDED WITHOUT NOTICE AND WITHOUT AFFECTING THE LIABILITY OF THE ORIGINAL MAKER OR ANY ORIGINAL INDORSER, SURETY OR GUARANTOR.**

Section 10. Commercial Loan. The Loan is made for the purpose of carrying on a business or commercial activity or acquiring real or personal property as an investment or carrying on an investment activity and not for personal or household purposes.

Section 11. Usury Limitations. Borrower and Lender intend to comply with all Laws with respect to the charging and receiving of interest. Any amounts charged or received by Lender for the use or forbearance of the Principal to the extent permitted by Law, will be amortized and spread throughout the Term until payment in full so that the rate or amount of interest charged or received by Lender on account of the Principal does not exceed the Maximum Interest Rate. If any amount charged or received under the Loan Documents that is deemed to be interest is determined to be in excess of the amount permitted to be charged or received at the Maximum Interest Rate, the excess will be deemed to be a permitted prepayment of Principal when paid, without premium, and any portion of the excess not capable of being so applied will be refunded to Borrower. If during the Term the Maximum Interest Rate, if any, is eliminated, then for purposes of the Loan, there will be no Maximum Interest Rate.

Section 12. Applicable Law. This Note is governed by and will be construed in accordance with the Laws of the State of California, without regard to conflict of law provisions.

Section 13. Time of the Essence. Time is of the essence with respect to the payment and performance of the Obligations.

Section 14. Cross-Default. A default under any other note now or hereafter secured by the Loan Documents or under any loan document related to such other note constitutes a default under this Note and under the other Loan Documents. When the default under the other

note constitutes an Event of Default under that note or the related loan document, an Event of Default also will exist under this Note and the other Loan Documents.

Section 15. Construction. Unless expressly provided otherwise in this Note, this Note will be construed in accordance with the Exhibit attached to the Deed of Trust entitled **"Rules of Construction"**.

Section 16. Deed of Trust Provisions Incorporated. To the extent not otherwise set forth in this Note, the provisions of the Articles of the Deed of Trust entitled **"Expenses and Duty to Defend"**, **"Waivers"**, **"Notices"**, and **"Miscellaneous"** and the Section of the Deed of Trust entitled **"General Provisions Pertaining to Remedies"** are applicable to this Note and deemed incorporated by reference as if set forth at length in this Note.

Section 17. Joint and Several Liability: Successors and Assigns. If Maker consists of more than one entity, the obligations and liabilities of each such entity will be joint and several. This Note binds Borrower and its successors, assigns, heirs, administrators, executors, agents and representatives and inures to the benefit of Lender and its successors, assigns, heirs, administrators, executors, agents and representatives.

Section 18. Absolute Obligation. Except for the Section of this Note entitled **"Limitation of Liability"**, no reference in this Note to the other Loan Documents and no other provision of this Note or of the other Loan Documents will impair or alter the obligation of Borrower, which is absolute and unconditional, to pay the Principal, interest at the Fixed Interest Rate and any other amounts due and payable under this Note, as and when required.

IN WITNESS WHEREOF, Borrower has executed and delivered this Note as of the date first set forth above.

SCIENCE PARK CENTER LLC, a California limited liability company

By Neurocrine Biosciences, Inc., a Delaware corporation, its managing member

By: /s/ Timothy P. Coughlin
Name: Timothy P. Coughlin
Title: Vice President and CFO

Exhibit 10.2

AMENDED AND RESTATED
NEUROCRINE BIOSCIENCES, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN

As Amended and Restated on October 24, 2007

Table of Contents

AMENDED AND RESTATED
NEUROCRINE BIOSCIENCES, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

As Amended and Restated on October 24, 2007

Purpose

Neurocrine Biosciences, Inc., a Delaware corporation (the "Company") established, originally effective December 1, 1996, the Neurocrine Biosciences, Inc. Nonqualified Deferred Compensation Plan (the "Plan"), for the benefit of a select group of management and highly compensated Employees and Directors who contribute materially to the continued growth, development and future business success of the Company and its subsidiaries, if any, that sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA. The Company hereby amends and restates the Plan in its entirety effective October 24, 2007 as set forth herein.

This Plan shall consist of two plans, one for the benefit of a select group of management and highly compensated Employees of the Employers as described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and one for the benefit of Non-Employee members of the boards of directors of any Employer. To the extent required by law, the terms of this Plan applicable to Directors shall also constitute a separate written plan document with its terms set forth in the applicable portions of this Plan.

ARTICLE 1
DEFINITIONS

As used within this document, the following words and phrases have the meanings described in this Article 1 unless a different meaning is required by the context. Some of the words and phrases used in the Plan are not defined in this Article 1, but for convenience, are defined as they are introduced into the text. Words in the masculine gender shall be deemed to include the feminine gender. Any headings used are included for ease of reference only and are not to be construed so as to alter any of the terms of the Plan.

1.1 "Account Balance" shall mean, with respect to a Participant, a credit on the records of the Employer equal to the sum of (i) the Deferral Account balance, (ii) the Company Contribution Account balance, (iii) the Company Matching Account balance, and (iv) the RSU Account balance. The Account Balance, and each other specified account balance, shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.

1.2 "Account Balance Plan" means any non-qualified deferred compensation account balance plan (as defined in §31.3121(v)(2)-1(c)(1)(ii)(A) of the Treasury Regulations) sponsored by the Company, its subsidiaries or its affiliates that would be aggregated with the Plan for purposes of Section 409A.

1.3 "Accounts" of a Participant shall mean, as the context indicates, either or all of his or her Deferral Account, Company Contribution Account, Company Matching Account and RSU Account.

1.4 "Administrator" shall mean the Committee appointed pursuant to Article 9 to administer the Plan, or such other person or persons to whom the Committee has delegated its duties pursuant to Article 9.

1.5 “Annual Bonus” shall mean any cash compensation, in addition to Base Annual Salary, relating to services performed during any calendar year, whether or not paid in such calendar year or included on the Federal Income Tax Form W-2 for such calendar year, payable to a Participant as an Employee under any Employer’s annual bonus and cash incentive plans, excluding stock options, restricted stock, restricted stock units and other equity awards.

1.6 “Annual Company Contribution Amount” shall mean, for any one Plan Year, the amount determined in accordance with Section 3.4(b).

1.7 “Annual Company Matching Amount” for any one Plan Year shall be the amount determined in accordance with Section 3.4(c).

1.8 “Annual Deferral Amount” shall mean that portion of a Participant’s Base Annual Salary, Annual Bonus and Director Fees that a Participant elects to defer, and is deferred, in accordance with Article 3, for any one Plan Year. In the event of a Participant’s Retirement, Termination of Service as a result of his or her Disability or death or a Termination of Service prior to the end of a Plan Year, such year’s Annual Deferral Amount shall be the actual amount withheld prior to such event.

1.9 “Annual Installment Method” shall be an annual installment payment over the number of years selected by the Participant in accordance with this Plan, which shall in no event exceed fifteen (15) years, calculated as follows: The applicable portion of the Account Balance of the Participant (or the applicable portion of the Specified Date Payout Account Balance, in the event of a Specified Distribution Date election made pursuant to Section 4.1) shall be calculated as of the close of business three (3) business days prior to the last business day of the year or the date of the Specified Distribution Date. The annual installment shall be calculated by multiplying this balance by a fraction, the numerator of which is one, and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if the Participant elects a ten (10) year Annual Installment Method, the first payment shall be 1/10 of the applicable portion of the Account Balance (or the Specified Date Payout Account Balance, in the event of a Specified Distribution Date election), calculated as described in this definition. The following year, the payment shall be 1/9 of the applicable portion of the Account Balance (or the applicable portion of the Specified Date Payout Account Balance, in the event of a Specified Distribution Date election), calculated as described in this definition. Each annual installment shall be paid within sixty (60) days following each anniversary of the day the distributions are scheduled to commence.

1.10 “Base Annual Salary” shall mean the annual cash compensation relating to services performed during any calendar year, whether or not paid in such calendar year or included on the Federal Income Tax Form W-2 for such calendar year, excluding bonuses, commissions, overtime, fringe benefits, stock options, relocation expenses, incentive payments, non-monetary awards, Director Fees and other fees, automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee’s gross income). Base Annual Salary shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or non qualified plans of any Employer and shall be calculated to include amounts not otherwise included in the Participant’s gross income under Code Sections 125, 132(f), 402(e)(3), 402(h), or 403(b) pursuant to plans established by any Employer; *provided, however,* that all such amounts will be included in compensation only to the extent that, had there been no such plan, (i) the amount would have been payable in cash to the Employee; and (ii) the Participant’s contributions, deferrals and the Company related withholding obligations under all Company plans, including the Plan, do not exceed 100% of the Employee’s total compensation

1.11 “Beneficiary” shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 6, that are entitled to receive benefits under this Plan upon the death of a Participant.

1.12 “Beneficiary Designation Form” shall mean the form established from time to time by the Administrator that a Participant completes, signs and returns to the Administrator to designate one or more Beneficiaries.

1.13 “Board” shall mean the board of directors of the Company.

1.14 “Cause” shall mean, with respect to a Participant, the occurrence of any of the following (in each case determined by the Participant’s Employer (or the Employer’s Board of Directors, if the Participant is the Employer’s Chief Executive Officer)):

(a) any intentional action or intentional failure to act by a Participant which was performed in bad faith and to the material detriment of the Participant’s Employer;

(b) Participant’s intentional refusal or intentional failure to act in accordance with any lawful and proper direction or order of the Chief Executive Officer (or the Employer’s Board of Directors, if the Participant is the Employer’s Chief Executive Officer);

(c) Participant’s willful and habitual neglect of the duties of employment; or

(d) Participant’s conviction of a felony crime involving moral turpitude;

provided, that in the event any of the foregoing events is capable of being cured, the Employer (or the Employer’s Board of Directors, if the Participant is the Employer’s Chief Executive Officer) shall provide written notice to Participant describing the nature of such event and Participant shall thereafter have ten (10) business days to cure such event.

1.15 A “Change in Control” shall be deemed to occur if any of the following events shall occur:

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

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

(c) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Exchange Act, disclosing that any “person” (as such term is used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) has become the “beneficial owner” (as defined in Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the then-outstanding voting securities of the Company;

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

(e) during any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority thereof unless the election or the nomination for election by the Company's shareholders of each Director of the Company first elected during such period was approved by a vote of at least two-thirds (2/3) of the Directors of the Company then still in office who were Directors of the Company at the beginning of such period;

provided, that for purposes of distribution of Post-409A Deferrals under Section 4.7(b), "Change in Control" shall be limited to the foregoing events that also qualify as one or more of the following events:

(f) the acquisition by any one person, or more than one person acting as a group (within the meaning of Q&A-12(b) of Internal Revenue Service Notice 2005-1, of ownership of stock of the Company that, together with stock held by such person or group constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company; provided, however, that if any one person or more than one person acting as a group, is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons is not considered to be a Change in Control. such foregoing definition of Change in Control shall be deemed amended to the extent necessary to comply with the provisions of Section 409A.

(g) Either (i) the acquisition by one person or more than one person acting as a group during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons of ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the stock of the Company or (ii) the replacement of a majority of the members of the Board during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board prior to the date of the appointment or election; or

(h) The acquisition by one person or more than one person acting as a group during the twelve (12) month period ending on the date of the most recent acquisition, assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

Notwithstanding the foregoing, whether a Change in Control has occurred for purposes of distributions of Post-409A Deferrals shall be determined in accordance with Section 409A.

1.16 "Change in Control Benefit" shall mean the benefit set forth in Section 4.7.

1.17 "Claimant" shall have the meaning set forth in Section 10.1.

1.18 “Code” shall mean the Internal Revenue Code of 1986, as it may be amended from time to time. Reference to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes such section.

1.19 “Committee” shall mean the Compensation Committee of the Board or another committee or subcommittee of the Board appointed to administer the Plan pursuant to Article 9.

1.20 “Company” shall mean Neurocrine Biosciences, Inc, a Delaware corporation, and any successor to all or substantially all of the Company’s assets or business.

1.21 “Company Contribution Account” shall mean (i) the sum of all of a Participant’s Annual Company Contribution Amounts, plus (ii) the hypothetical deemed investment earnings and losses credited or charged in accordance with all the applicable provisions of this Plan that relate to the Participant’s Company Contribution Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant’s Company Contribution Account.

1.22 “Company Matching Account” shall mean (i) the sum of all of a Participant’s Annual Company Matching Amounts, plus (ii) the hypothetical deemed investment earnings and losses credited or charged in accordance with all the applicable provisions of this Plan that relate to the Participant’s Company Matching Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant’s Company Matching Account.

1.23 “Company Stock Measurement Fund” shall mean the Measurement Fund which shall be deemed invested in the Company’s Stock. Participants will have no rights as stockholders of the Company with respect to allocations made to their RSU Accounts which are deemed invested in the Company Stock Measurement Fund.

1.24 “Deduction Limitation” shall mean the following described limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided, this limitation shall be applied to all distributions that are “subject to the Deduction Limitation” under this Plan. If an Employer determines in good faith that there is a reasonable likelihood that any compensation paid to a Participant for a taxable year of the Employer would not be deductible by the Employer solely by reason of the limitation under Code Section 162(m), then to the extent deemed necessary by the Employer to ensure that the entire amount of any distribution to the Participant pursuant to this Plan is deductible, the Employer may defer all or any portion of a distribution under this Plan. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Section 3.6 below. The amounts so deferred and amounts credited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant’s death) at the earliest possible date, as determined by the Employer in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Employer during which the distribution is made will not be limited by Section 162(m), or if earlier, the date that is twenty-four (24) months following the date on which the distribution was first distributable to the Participant pursuant to the provisions of this Plan.

1.25 “Deferral Account” shall mean (i) the sum of all of a Participant’s Annual Deferral Amounts, plus (ii) the hypothetical deemed investment earnings and losses credited or charged in accordance with all the applicable provisions of this Plan that relate to the Participant’s Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account.

1.26 "Dependent" means the Participant's dependent as defined in Section 152 of the Code without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B) of the Code.

1.27 "Director" shall mean any member of the board of directors of any Employer.

1.28 "Director Fees" shall mean the annual fees paid by any Employer, including retainer fees and meetings fees, as compensation for serving on the board of directors.

1.29 "Disability" shall mean a mental or physical disability as determined by the Administrator in accordance with standards and procedures similar to those under the Company's broad-based regular long-term disability plan, if any. At any time that the Company does not maintain such a long-term disability plan, "Disability" shall mean the inability of a Participant, as determined by the Administrator, substantially to perform such Participant's regular duties and responsibilities due to a medically determinable physical or mental illness which has lasted, or can reasonably be expected to last, for a period of six (6) consecutive months, but only to the extent that such definition does not violate the Americans with Disabilities Act. Notwithstanding the foregoing, for purposes of distributions of Post-409A Deferrals under Section 4.6, Disability shall be limited to any medically determinable mental or physical impairment, which can be expected to result in death or to last for a continuous period of not less than twelve (12) months, rendering a Participant (i) unable to engage in any substantial gainful activity, or (ii) eligible to receive income replacement benefits for a period of not less than three (3) months under the Company's accident and health plan, if any.

1.30 "Disability Benefit" shall mean the benefit set forth in Section 4.6.

1.31 "Election Form" shall mean the form established from time to time by the Administrator that a Participant completes, signs and returns to the Administrator to make an election under the Plan, or any equivalent electronic election procedures established by the Administrator.

1.32 "Employee" shall mean a person who is an employee of any Employer.

1.33 "Employer(s) " shall mean the Company and/or any of its subsidiaries (now in existence or hereafter formed or acquired) that have been selected by the Board to participate in the Plan and have adopted the Plan as a sponsor.

1.34 "Equity Plan" shall mean the Company's 2003 Incentive Stock Plan and any successor equity incentive plan adopted by the Company.

1.35 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time. Reference to a section of ERISA shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes such section.

1.36 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended. Reference to a section of the Exchange Act shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes such section.

1.37 "Excise Tax Limitation" shall mean the following described limitation on a benefit applicable to Pre-409A Deferrals that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided, this limitation shall be applied to all distributions of Pre-409A Deferrals that are "subject to the Excise Tax Limitation" under this Plan. If an Employer determines in good faith that there is a reasonable likelihood that any distribution to be paid to a Participant pursuant to

this Plan of a Pre-409 Deferral would not be deductible by the Employer solely because all or a portion of the distribution would constitute an "excess parachute payment" within the meaning of Code Section 280G, as determined consistent with the proposed regulations issued by the Internal Revenue Service under Code Section 280G, then to the extent deemed necessary by the Employer to ensure that the entire amount of any such distribution to the Participant pursuant to this Plan is deductible, the Employer may defer all or any portion of such distribution under this Plan. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Section 3.6 below. The amounts so deferred and amounts credited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Employer in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Employer during which the distribution is made will not be limited or, if earlier, the date that is twenty-four (24) months following the date on which the distribution was first distributable to the Participant pursuant to the provisions of this Plan.

1.38 "Key Employee" shall mean for purposes of this Plan, and in accordance with Section 409A, a key employee as set forth below and as defined in Section 416(i) of the Code, without regard to paragraph (5) thereof, of a corporation any stock in which is publicly traded on an established securities market or otherwise. An Employee will be considered a Key Employee if such Employee is at any time during the 12-month period ending on the "Key Employee Identification Date," which is December 31st:

(a) An officer of the Company having an annual compensation greater than $130,000, as adjusted at the same time and in the same manner as under Section 415(d) of the Code, except that the base period shall be the calendar quarter beginning July 1, 2001 (which amount is $135,000 for the Plan Year beginning January 1, 2005, $140,000 for the Plan Year beginning January 1, 2006, and $145,000 for the Plan Year beginning January 1, 2007). Not more than fifty (50) employees or, if less, the greater of three (3) employees or ten percent (10%) of the Company's employees shall be considered as officers for purposes of this subsection;

(b) A five percent owner of the Company; or

(c) A one percent owner of the Company having an annual compensation from the Company of more than $150,000.

Whether an Employee is a five percent owner or a one percent owner shall be determined in accordance with Section 416(i)(1)(B) of the Code.

1.39 "Measurement Fund" shall mean the investment fund or funds selected by the Administrator from time to time.

1.40 "Non-Employee Director" shall mean a Director who is not an Employee of the Company.

1.41 "Participant" shall mean any Employee or Director (i) who is selected to participate in the Plan, (ii) who elects to participate in the Plan, (iii) who signs an Election Form and a Beneficiary Designation Form, (iv) whose signed Election Form and Beneficiary Designation Form are accepted by the Administrator, and (v) who commences participation in the Plan. A spouse or former spouse of a Participant shall not be treated as a Participant in the Plan or have an Account Balance under the Plan, even if he or she has an interest in the Participant's benefits under the Plan as a result of applicable law or property settlements resulting from legal separation or divorce.

1.42 "Performance-Based Compensation" means compensation deferrable under the Plan, if any, that meets the requirements of performance-based compensation specified in Section 409A(a)(4)(B)(iii) of the Code and regulations and other guidance promulgated thereunder. Performance-Based Compensation shall be designated as such by the Company as contingent upon the satisfaction of performance goals and must relate to services performed by the Participant during a designated incentive period of at least twelve (12) months. The performance goals must be pre-established by the Company in writing no later than ninety (90) days after the commencement of the performance period, and the outcome must be substantially uncertain at the time the criteria are established.

1.43 "Plan" shall mean this Amended and Restated Neurocrine Biosciences, Inc. Nonqualified Deferred Compensation Plan, which shall be evidenced by this instrument, as amended from time to time.

1.44 "Plan Year" shall mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.

1.45 "Post-409A Deferrals" means any portion of a Participant's Accounts which as of December 31, 2004 were not earned and vested within the meaning of Internal Revenue Service Notice 2005-1, together with earnings and losses allocable to such amounts. The Plan shall maintain separate accounting for Post-409A Deferrals. Post-409A Deferrals shall be subject to Section 409A.

1.46 "Pre-409A Deferrals" means the portions of a Participant's Account that were earned and vested as of December 31, 2004 within the meaning of Internal Revenue Service Notice 2005-1, together with any earnings and losses allocable to such amounts. The Plan shall maintain separate accounting for Pre-409A Deferrals. Pre-409A Deferrals are not subject to the provisions of the Plan applicable to Post-409A Deferrals that are intended to reflect compliance with Section 409A.

1.47 "Pre-Retirement Survivor Benefit" shall mean the benefit set forth in Section 4.3.

1.48 "Retirement", "Retire(s)" or "Retired" for purposes of Pre-409A Deferrals shall mean, with respect to an Employee, severance from employment from all Employers, and with respect to a Director who is not an Employee, severance of his or her directorships with all Employers, for any reason other than a leave of absence, death or Disability on or after the earlier of the attainment of (a) age sixty-five (65) or (b) age fifty-five (55) with a minimum of five (5) Years of Service. For purposes of Post-409A Deferrals "Retirement" shall mean a Separation From Service for any reason other than death or Disability on or after the earlier of the attainment of (a) age sixty-five (65) or (b) age fifty-five (55) with a minimum of five (5) Years of Service.

1.49 "Retirement Benefit" shall mean the benefit set forth in Section 4.2.

1.50 "RSU Account" shall mean (i) the sum of all of a Participant's RSU Deferral Amounts, plus (ii) the hypothetical deemed investment earnings and losses credited or charged in accordance with all the applicable provisions of this Plan that relate to the Participant's RSU Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's RSU Account.

1.51 "RSU Award" shall mean any restricted stock unit award or other deferred issuance stock award granted by the Company to a Participant that is eligible to be deferred under the Plan in accordance with the terms of such award.

1.52 “RSU Deferral Amount” shall be the amount determined in accordance with Section 3.4(d).

1.53 “Rule 16b-3” shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

1.54 “Section 409A” shall mean Internal Revenue Code Section 409A and any regulations and other applicable guidance promulgated thereunder.

1.55 “Securities Act” shall mean the Securities Act of 1933, as amended.

1.56 “Separation From Service” shall mean a “separation from service” determined in a manner consistent with Section 409A, and the following provisions, to the extent applicable:

(i) While a Participant is on military leave, sick leave, or other bona fide leave of absence authorized by the Company (such as temporary employment by the government) if the period of such leave does not exceed six months, or if longer, so long as the Participant’s right to reemployment with the Company is provided either by statute or by contract, the Participant shall continue to be considered to be providing services to the Company and shall not be deemed to have a Separation From Service. If a Participant’s period of leave of absence exceeds six months and the Participant’s right to reemployment is not provided either by statute or by contract, the Participant’s employment relationship will be deemed to terminate so that the Participant shall have a Separation From Service on the first date immediately following such six-month period. The Participant’s deferral election shall be cancelled as soon as administratively practicable following such Separation From Service and the Participant will receive a distribution in accordance with the provisions of Section 4.5.

(ii) If the Participant provides insignificant services to the Company, the Participant will be deemed to have incurred a Separation From Service. For this purpose, a Participant is considered to be providing insignificant services if he or she provides services at an annual rate that is less than twenty percent of the services rendered by such individual, on average, during the immediately preceding three calendar years of employment (or such lesser period of employment) or the annual remuneration for such services is less than twenty percent of the average annual remuneration earned during the final three full calendar years of employment (or such less period of employment).

(iii) If a Participant continues to provide services to the Company in a capacity other than as an employee, the Participant will not be deemed to have a Separation From Service if the Participant is providing services at an annual rate that is at least fifty percent of the services rendered by such individual, on average, during the immediately preceding three calendar years of employment (or such lesser period of employment) and the annual remuneration for such services is at least fifty percent of the average annual remuneration earned during the final three full calendar years of employment (or such less period of employment).

Additionally, the following shall also apply if a Participant serves as both a Director and an Employee, to the extent required by Section 409A:

(iv) Upon Participant’s cessation of service as a Director of all Employers, a Separation From Service will occur only with respect to the portion of the Account attributable to deferred Director Fees, plus net amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to such deferrals, less all distributions made to the Participant

or his or her Beneficiary pursuant to this Plan that relate to such deferrals (collectively the "Director Deferrals");

(v) Upon Participant's severing of employment with all Employers, a Separation From Service will occur only with respect to the portion of the Account that is not attributable to Director Deferrals; and

(vi) The Plan shall maintain separate accounting for Director Deferrals.

1.57 "Specified Date Payout Account Balance" shall mean, with respect to a Participant, a credit on the records of the Employer equal to the sum of (i) the amount deferred by the Participant and/or Employer contributions made on his or her behalf and with respect to which a Specified Distribution Date was elected pursuant to Section 4.1, plus (ii) amounts credited or debited in the manner provided in Section 3.6 on such amount. The Specified Date Payout Account Balance shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.

1.58 "Specified Distribution Date" means the specified future date indicated on the Participant's Election Form pursuant to an election made under Section 4.1.

1.59 "Specified Employee" means for purposes of this Plan, and in accordance with Section 409A, a "Key Employee" as defined in Section 1.38 of the Plan. If a person is a Key Employee, the person is treated as a Specified Employee for the 12-month period beginning on the April 1st that first follows the Key Employee Identification Date, as defined in Section 1.38 of the Plan.

1.60 "Stock" shall mean Neurocrine Biosciences, Inc. common stock.

1.61 "Termination Benefit" shall mean with respect to Pre-409A Deferrals the benefit set forth in Section 4.4, and with respect to Post-409A Deferrals the benefit set forth in Section 4.5.

1.62 "Termination of Service" shall have the meaning applicable to such term as specified below:

(a) For Pre-409 Deferrals "Termination of Service" shall mean the severing of employment with all Employers, or service as a Director of all Employers, voluntarily or involuntarily, for any reason other than Retirement, Disability, death or an authorized leave of absence. If a Participant is both an Employee and a Director, a Termination of Service shall occur only upon the termination of the last position held.

(b) For Post-409A Deferrals, "Termination of Service" means a Participant's "Separation From Service" for purposes of Section 409A from the Company for any reason other than death, Disability or Retirement.

1.63 "Trust" shall mean one or more trusts established pursuant to that certain Trust Agreement, dated as of January 1, 2004, between the Company and Reliance Trust Company, as amended from time to time, or any successor trust agreement.

1.64 "Unforeseeable Financial Emergency" shall mean a severe financial hardship of the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's beneficiary or the Participant's Dependent; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance,

for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Administrator. "Unforeseeable Financial Emergency" may include, for example, the imminent foreclosure of or eviction from the Participant's primary residence or the need to pay for medical expenses, including non-refundable deductibles, as well as for the costs of prescription drug medication and the need to pay for the funeral expenses of a spouse, beneficiary or Dependent.

1.65 "Years of Service" shall mean each twelve (12) month period during which a Participant is employed by an Employer, whether or not continuous, and including periods commencing prior to the effective date of this Plan; provided, however, that in the case of a Participant whose employment with an Employer has been interrupted by a period of twelve (12) consecutive months or more (a "Break in Service"), his or her Years of Service prior to such Break in Service shall be disregarded for any purpose under the Plan.

ARTICLE 2
SELECTION, ENROLLMENT, ELIGIBILITY

2.1 Selection by Administrator. Participation in the Plan shall be limited to a select group of management and highly compensated Employees and Non-Employee Directors of the Employers, as determined by the Administrator in its sole discretion on an annual basis prior to the commencement of each Plan Year. Subject to the requirements of Article 11, from that group, the Administrator shall select on an annual basis, in its sole discretion, Employees and Non-Employee Directors to participate in the Plan.

2.2 Enrollment Requirements. As a condition to participation, each selected Employee or Non-Employee Director shall complete, execute and return to the Administrator an Election Form and a Beneficiary Designation Form. In addition, the Administrator shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.

2.3 Eligibility; Commencement of Participation. Provided an Employee or Non-Employee Director selected to participate in the Plan has met all enrollment requirements set forth in this Plan and required by the Administrator, including returning all required documents to the Administrator within the specified time period, that Employee or Non-Employee Director shall commence participation in the Plan on the day on which his or her Election Form first becomes effective or the date on which a contribution is first credited to his or her Company Contribution Account or Company Matching Account, whichever occurs first.

2.4 Termination of Participation and/or Pre-409A Deferrals. If the Administrator determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated Employees, as membership in such group is determined in accordance with Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, or as a Non-Employee Director, the Administrator shall have the right, in its sole discretion, (1) to prevent the Participant from making deferral elections for future Plan Years and/or (b) immediately distribute the portion of the Participant's Account Balance attributable to Pre-409A Deferrals as a Termination Benefit pursuant to Section 4.4(a) and terminate the Participant's participation in the Plan with respect to such Pre-409A Deferrals.

ARTICLE 3
DEFERRAL COMMITMENTS/COMPANY CONTRIBUTIONS/CREDITING/TAXES

3.1 Election to Defer; Effect of Election Form. Subject to the terms and conditions set forth herein and such terms and conditions as the Administrator may determine, Participants may elect to defer

Base Annual Salary, Annual Bonus and/or Director Fees by timely completing and delivering to the Administrator an Election Form prior to the beginning of each Plan Year during such period as may be established by the Administrator in its discretion for such elections. After a Plan Year commences, such deferral election shall be irrevocable and shall continue for the entire Plan Year and subsequent years unless otherwise provided in this Plan; *provided, however,* that a deferral election shall terminate with respect to future Plan Years upon the execution and timely submission of a newly completed Election Form during a subsequent election period, which new election will apply to future Plan Year(s). Additionally, subject to the terms and conditions set forth herein and such additional terms and conditions as the Administrator may determine, Participants may elect to defer RSU Awards by timely completing and delivering to the Administrator an Election Form in accordance with procedures established by the Administrator.

(a) Base Annual Salary, Annual Bonus and/or Director Fees. Subject to any terms and conditions imposed by the Administrator, Participants may elect to defer, under the Plan, Base Annual Salary, Annual Bonus and/or Director Fees. For these elections to be valid with respect to deferrals of Base Annual Salary, Annual Bonus and/or Director Fees, the Election Form must be completed and signed by the Participant, timely delivered to the Administrator no later than December 31 of the year immediately preceding the Plan Year for which the deferral election is to be effective and accepted by the Administrator. If no such Election Form is timely delivered for a Plan Year, the Annual Deferral Amount shall be zero for that Plan Year.

(b) Performance-Based Compensation. Notwithstanding the foregoing and subject to any terms and conditions imposed by the Administrator, in the case of any Performance-Based Compensation, Participants may elect to defer such compensation by timely completing and delivering to the Administrator an Election Form no later than six (6) months before the end of the service period applicable to the Performance-Based Compensation, or during such earlier period as may be established by the Administrator in its discretion for making such elections; provided that at the time such election is made (A) such compensation has not yet become readily ascertainable, and (B) the Participant has performed services continuously from the later of (i) the beginning of the performance period, or (ii) the date the performance goals are established through the date of filing of the Election Form.

(c) First Plan Year. Notwithstanding the foregoing, in the case of the first Plan Year in which a Participant becomes eligible to participate in this Plan, elections may be made within thirty (30) days after the date the Participant first becomes eligible to participate in this Plan. Such election will become irrevocable thirty (30) days after the Participant becomes eligible to participate in the Plan, and shall only be effective with respect to compensation attributable to services to be performed after the election becomes irrevocable. Unless the Participant's election can comply with the requirements in Section 3.1(b) for "Performance-Based Compensation," any deferral of Annual Bonus earned with respect to such initial year of eligibility shall be limited to a fraction of such Annual Bonus, with the numerator of the fraction being the number of days remaining in the performance period after the election becomes irrevocable and the denominator of which is the total number of days in the performance period. The deferral election cannot be for the first year that the Participant first becomes eligible to participate in the Plan if the Participant previously was eligible to participate in any other Account Balance Plan. For purposes of the initial eligibility election, a Participant who previously ceased to be eligible to participate in the Plan will also be treated as being initially eligible to participate in the Plan if the Participant has not been eligible to participate in the Plan (other than the accrual of earnings) at any time during the 24-month period ending on the date the Participant again becomes eligible to participate in the Plan.

(d) RSU Awards. Subject to any terms and conditions imposed by the Administrator, Participants may elect to defer RSU Awards under the Plan. For these elections to be valid, the Election Form must be completed and signed by the Participant, timely delivered to and accepted by the Administrator either (i) no later than thirty (30) days following the grant date of the RSU Award (which may not vest any earlier than thirteen (13) months following its grant date), or (ii) such deferral election must otherwise be in compliance with the requirements of Section 409A.

3.2 Minimum Deferrals for Base Annual Salary, Annual Bonus and/or Director Fees. For each Plan Year, with respect to deferrals of Base Annual Salary, Annual Bonus and/or Director Fees, the minimum percentage of each component of compensation that may be deferred is 5%. If an election is made for less than such minimum percentage, or if no election is made, the percentage deferred shall be zero.

3.3 Maximum Deferral. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, up to one hundred percent (100%) of his or her Base Annual Salary, Annual Bonus and/or Director Fees. A Participant's Annual Deferral Amount may be automatically reduced if the Administrator determines that such action is necessary to meet federal or state tax withholding obligations. A Participant may elect to defer up to one hundred percent (100%) of his or her RSU Awards.

3.4 Accounts; Crediting of Deferrals. Solely for record keeping purposes, the Administrator shall establish a Deferral Account, a Company Contribution Account, a Company Matching Account and a RSU Account for each Participant. A Participant's Accounts shall be credited with the deferrals made by him or her or on his or her behalf by his or her Employer under this Article 3 and shall be credited (or charged, as the case may be) with the hypothetical or deemed investment earnings and losses determined pursuant to Section 3.6, and charged with distributions made to or with respect to him or her.

(a) Annual Deferral Amounts. For each Plan Year, the Base Annual Salary portion of the Annual Deferral Amount shall be withheld and credited to the Participant's Deferral Account at the time of each regularly scheduled Base Annual Salary payroll in the percentage specified by the Participant in the Election Form, as adjusted from time to time for increases and decreases in Base Annual Salary. The Annual Bonus and/or Director Fees portion of the Annual Deferral Amount shall be withheld and credited to the Participant's Deferral Account at the time the Annual Bonus and/or Director Fees are or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself.

(b) Annual Company Contribution Amount. For each Plan Year, an Employer, in its sole discretion, may, but is not required to, credit any amount it desires to any Participant's Company Contribution Account under this Plan, which amount shall be for that Participant the Annual Company Contribution Amount for that Plan Year. The amount so credited to a Participant may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive an Annual Company Contribution Amount for that Plan Year. The Annual Company Contribution Amount, if any, shall be credited to Participants' Company Contribution Accounts on the date declared by the Employer.

(c) Annual Company Matching Amount. For each Plan Year, an Employer, in its sole discretion, may, but is not required to, credit any amount it desires to any Participant's Company Matching Account under this Plan, which amount shall be for that Participant the Annual Company Matching Amount for that Plan Year. The amount so credited to a Participant

may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive an Annual Company Contribution Amount for that Plan Year. The Annual Company Contribution Amount, if any, shall be credited to Participants' Company Matching Accounts on the date declared by the Employer.

(d) RSU Deferral Amount. Each time a Participant timely elects to defer a RSU Award in accordance with Section 3.1(d), an equivalent number of shares of Company common stock subject to such RSU Award shall be credited to the Participant's RSU Account.

3.5 Vesting.

(a) A Participant shall at all times be one hundred percent (100%) vested in his or her Deferral Account.

(b) A Participant shall vest in his or her RSU Account in accordance with the vesting schedule applicable to the particular RSU Award (including provisions in any separately applicable employment or severance arrangement with the Participant), which may vary among Participants and among RSU Awards. In the event of the Participant's death, Disability, Retirement or Termination of Service prior to the date on which all RSU Awards have vested, the unvested portion of such RSU Award shall be forfeited and no Employer or the Plan shall be liable for the distribution of such shares under the Plan to such Participant; provided, however, that such forfeiture shall not apply with respect to any portion of the RSU Award with respect to which vesting is accelerated upon such event in accordance with the vesting schedule applicable to such RSU Award. Any shares credited to a Participant's RSU Account by his or her Employer that are forfeited by such Participant pursuant to the preceding sentence shall cease to be liabilities of the Employer or the Plan and such shares shall be immediately debited from the Participant's RSU Account.

(c) Employer contributions credited to a Participant's Company Contribution Account under Section 3.4(b) of the Plan or to a Participant's Company Matching Account under Section 3.4(c) of the Plan and any hypothetical or deemed investment earnings and losses attributable to these contributions shall become vested or nonforfeitable as determined by the Administrator from time to time. The vesting schedule may vary among Participants.

(d) In addition, a Participant shall be one hundred percent (100%) vested in his or her Company Contribution Account and Company Matching Account, including any deemed investment earnings and losses attributable to these accounts, immediately prior to the effective date of a Change in Control, and immediately upon his or her death or Disability. In the event of a Participant's Retirement or Termination of Service prior to the date on which all Employer contributions in such Participant's Company Contribution Account and Company Matching Account have vested pursuant to this Section 3.5, the unvested portion of such Employer contributions shall be forfeited and no Employer or the Plan shall be liable for the payment of such unvested amounts under the Plan to such Participant. Any amounts credited to a Participant's Company Contribution Account and Company Matching Account by his or her Employer on his or her behalf which are forfeited by such Participant pursuant to the preceding sentence shall cease to be liabilities of the Employer or the Plan and such amounts shall be immediately debited from the Participant's Company Contribution Account and Company Matching Account and credited to such Employer.

3.6 Earnings Credits or Losses. In accordance with, and subject to, the rules and procedures that are established from time to time by the Administrator, in its sole discretion, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:

(a) Election of Measurement Funds. A Participant, in connection with his or her initial deferral election in accordance with Section 3.1 above, shall elect, on the Election Form, one or more Measurement Fund(s) (as described in Section 3.6(c) below) to be used to determine the additional amounts to be credited (or charged, as the case may be) to his or her Account Balance, unless changed in accordance with the next sentence. The Participant may (but is not required to) elect, by submitting an Election Form to the Administrator that is accepted by the Administrator, to add or delete one or more Measurement Fund(s) to be used to determine the additional amounts to be credited (or charged, as the case may be) to his or her Account Balance, or to change the portion of his or her Account Balance allocated to each previously or newly elected Measurement Fund. If an election is made in accordance with the previous sentence, it shall become effective as soon as administratively practicable and shall continue thereafter until changed in accordance with the previous sentence. Changes may be made to allocations at any time during the Plan Year.

(b) Proportionate Allocation. In making any election described in Section 3.6(a) above, the Participant shall specify on the Election Form, in increments of whole percentage points (1%), the percentage of his or her Account Balance to be allocated to a Measurement Fund (as if the Participant was making an investment in that Measurement Fund with that portion of his or her Account Balance).

(c) Measurement Funds. The Administrator shall from time to time select types of Measurement Funds and specific Measurement Funds for deemed investment designation by Participants for the purpose of crediting or charging hypothetical or deemed investment earnings and losses to his or her Account Balance. As necessary, the Administrator may, in its sole discretion, discontinue, substitute or add a Measurement Fund. The Administrator shall notify the Participants of the types of Measurement Funds and the specific Measurement Funds selected from time to time. Notwithstanding anything to the contrary set forth herein, the Company Stock Measurement Fund is not available for elective investment designations by Participants.

(d) Crediting or Debiting Method. The performance of each elected Measurement Fund (either positive or negative) will be determined by the Administrator, in its sole discretion, based on the performance of the Measurement Funds themselves. A Participant's Account Balance shall be credited or debited as frequently as is administratively feasible, but no less often than monthly, based on the performance of each Measurement Fund selected by the Participant, as determined by the Administrator in its sole discretion.

(e) No Actual Investment. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement Fund, the allocation to his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company or the Trustee (as that term is defined in the Trust), in its own discretion, decides to invest funds in any or all of the Measurement Funds, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Employer or the Trust; the Participant

shall at all times remain an unsecured creditor of the Employers. Any liability of an Employer to any Participant, former Participant, or Beneficiary with respect to a right to payment shall be based solely upon contractual obligations created by the Plan. The Company, the Board, the Administrator, any Employer and any individual or entity shall not be deemed to be a trustee of any amounts to be paid under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and an Employer and a Participant, former Participant, Beneficiary or any other individual or entity. Neither the Company nor any Employer in any way guarantees any Participant's Account Balance against loss or depreciation, whether caused by poor investment performance, insolvency of a deemed investment or by any other event or occurrence. In no event shall any Employee, officer, Director or stockholder of the Company or any Employer be liable to any individual or entity on account of any claim arising by reason of the Plan provisions or any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary or other individual or entity to be entitled to any particular tax consequences with respect to the Plan or any credit or payment hereunder.

(f) Company Contribution Accounts. Notwithstanding any other provision of this Plan to the contrary, Company Contribution Amounts may only be allocated to the Measurement Funds designated by the Administrator from time to time, in its sole discretion.

(g) RSU Account. Notwithstanding any other provision of this Plan to the contrary, RSU Deferral Amounts shall be automatically allocated to the Company Stock Measurement Fund and may not be allocated to any other Measurement Fund.

3.7 Distributions. Any distribution with respect to a Participant's Account Balance shall be charged to the appropriate account as of the date such payment is made by the Employer or the trustee of the Trust which may be established for the Plan.

ARTICLE 4
DISTRIBUTIONS

4.1 Specified Distribution Date Payout Election.

(a) Election of Specified Date Payout. A Participant may irrevocably elect to receive a distribution from the Plan of his or her vested Specified Date Payout Account Balance on a Specified Distribution Date. Subject to the Deduction Limitation and the other terms and conditions of this Plan, any elected Specified Distribution Date may not be earlier than five (5) years from January 1 of the Plan Year following the Plan Year in which the Annual Deferral Amount or RSU Award is actually deferred or the Employer contribution is actually credited to the Participant's account (the "Earliest Specified Distribution Date"), and the Specified Distribution Date may not be later than the date on which the Participant reaches age seventy (70). By way of example, if a Specified Distribution Date is elected for amounts or awards that are deferred in the Plan Year commencing January 1, 2003, the Specified Distribution Date could be no earlier than January 1, 2009. A Participant shall elect on each Election Form whether the Specified Date Payout Account Balance applicable to the Specified Distribution Date election shall be paid in a lump sum or pursuant to an Annual Installment Method over a period of up to fifteen (15) years commencing on the Specified Distribution Date. If a Participant does not elect to have his or her Specified Date Payout Account Balance paid in accordance with the Annual Installment Method, then such benefit shall be payable in a lump sum. The lump sum payment shall be made, or the Annual Installment Method payments shall commence, no later than the fifteenth day of the third month following the Specified Distribution Date designated by the

Participant. Any payment made shall be subject to the Deduction Limitation. Notwithstanding anything to the contrary set forth herein, Specified Date Payout Account Balances that are less than $50,000 at any time on or after the Specified Distribution Date shall be immediately paid in a lump sum notwithstanding any Annual Installment Method payment election provided, however, that no payment acceleration shall occur prior to January 1, 2008 pursuant to this provision.

(b) Redeferrals. The following provisions shall govern any redeferral election made with respect to amounts elected to be distributed on a Specified Distribution Date:

(i) For Pre-409A Deferrals, a Participant may annually change his or her Specified Distribution Date election to an allowable alternative payout method by submitting a new Election Form to the Administrator during such period as may be established by the Administrator in its discretion for such elections, provided, however, that such change shall not be given any effect until at least twelve (12) months after the date on which the new election is made and only if such new Election Form is submitted to and accepted by the Administrator in its sole discretion at least thirteen (13) months prior to the scheduled payout date of the distribution to be modified. The Election Form most recently accepted by the Administrator shall govern the payout of the Participant's benefits under the Plan.

(ii) For Post-409A Deferrals, a Participant may modify the Specified Distribution Date or revoke a previous election with respect thereto by submitting a new Election Form; *provided* that any such modification or revocation shall not be given any effect until at least twelve (12) months after the date on which the new election is made and only if (i) such new Election Form is submitted to and accepted by the Administrator in its sole discretion at least thirteen (13) months prior to the Specified Distribution Date to be modified or revoked and (ii) any newly elected Specified Distribution Date designated in such form is at least five (5) years following the original Specified Distribution Date of the distribution to be deferred.

(c) Other Benefits Take Precedence Over Specified Date Payout Election. Should an event occur that triggers a benefit under Section 4.2, 4.3, 4.4, 4.5, 4.6 or 4.7, any Specified Date Payout Account Balance that is subject to a Specified Distribution Date election under Section 4.1 shall not be paid in accordance with Section 4.1 but shall be paid in accordance with the other applicable Section.

4.2 Retirement Benefit.

(a) Retirement Benefit. A Participant who Retires shall receive, as a Retirement Benefit, his or her vested Account Balance. A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Retirement Benefit in a lump sum or pursuant to an Annual Installment Method over a period of up to fifteen (15) years. If a Participant does not make any election with respect to the payment of the Retirement Benefit, then such benefit shall be payable in a lump sum. The lump sum payment shall be made, or installment payments shall commence, no later than sixty (60) days after the date the Participant Retires. Any payment made shall be subject to the Deduction

Limitation. Notwithstanding anything to the contrary set forth herein, Account Balances that are less than $50,000 at any time on or after the date that distributions are scheduled to commence shall be immediately paid in a lump sum notwithstanding any Annual Installment Method payment election; provided, however, that no payment acceleration shall occur prior to January 1, 2008 pursuant to this provision.

(b) Death Prior to Completion of Retirement Benefit. If a Participant dies after Retirement but before the Retirement Benefit is paid in full, the Participant's unpaid Retirement Benefit payments shall be paid to the Participant's Beneficiary in a lump sum that is equal to the Participant's unpaid remaining vested Account Balance as of the date of the Participant's death. Any lump sum payment shall be made no later than sixty (60) days after the date of the Participant's death. Any payment made shall be subject to the Deduction Limitation.

(c) Redeferrals of Retirement Benefits

(i) Redeferral Elections for Pre-409A Deferrals. For Pre-409A Deferrals, a Participant may annually change his or her election with respect to Retirement Benefit distributions to an allowable alternative payout method by submitting a new Election Form to the Administrator during such period as may be established by the Administrator in its discretion for such elections, provided, however, that such change shall not be given any effect until at least twelve (12) months after the date on which the new election is made and only if such new Election Form is submitted to and accepted by the Administrator in its sole discretion at least thirteen (13) months prior to the scheduled payout date of the distribution to be modified. The Election Form most recently accepted by the Administrator shall govern the payout of the Participant's benefits under the Plan.

(ii) Redeferral Elections for Post-409A Deferrals. For Post-409A Deferrals, a Participant may not change his or her election with respect to Retirement Benefit distributions.

(d) Post-409A Deferrals and 6 Month Delay in Payment of Retirement Benefit to Specified Employees. Notwithstanding any provision in Section 4.2(a) above, if a Participant is a Specified Employee as of the date of his or her Retirement, solely with regard to the portion of the Account Balance attributable to Post-409A Deferrals, if any, the lump sum payment shall be made, or installment payments shall commence, no earlier than six (6) months after the date of the Participant's Retirement. Any amounts otherwise payable during the six (6) month period following the Retirement of the Specified Employee will accrue and be paid out as soon as administratively practicable following the six (6) month delay period. Any installment payments otherwise payable after the six (6) month delay following the Retirement of a Specified Employee will be paid on the corresponding annual anniversaries of the first actual distribution date to the Specified Employee.

4.3 Pre-Retirement Survivor Benefit. If a Participant dies before he or she receives complete payment of benefits pursuant to this Article 4, such Participant's Beneficiary shall receive a Pre-Retirement Survivor Benefit equal to the Participant's vested Account Balance as of the date of the Participant's death (after giving effect to any accelerated vesting as a result of the Participant's death pursuant to Section 3.5). The Pre-Retirement Survivor Benefit shall be paid to the Participant's

Beneficiary in a lump sum. Any lump sum payment shall be made no later than sixty (60) days after the date of the Participant's death. Any payment made shall be subject to the Deduction Limitation.

4.4 Termination of Service Benefit for Pre-409A Deferrals.

(a) Pre-409A Deferrals and Termination of Service Other Than For Cause. With respect to Pre-409A Deferrals, if a Participant experiences a Termination of Service for any reason other than as a result of a termination by the Company for Cause prior to his or her becoming entitled to receive benefits by reason of any other sections of this Article 4, such Participant shall receive a Termination Benefit, which shall be equal to the Participant's vested Account Balance as of the date on which he or she experiences a Termination of Service. A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Termination Benefit pursuant to this Section 4.4(a) in a lump sum or pursuant to an Annual Installment Method over a period of up to fifteen (15) years. If a Participant does not make any election with respect to the payment of the Termination Benefit pursuant to this Section 4.4(a), then such benefit shall be payable in a lump sum. The lump sum payment shall be made, or installment payments shall commence, no later than sixty (60) days after the date of the Participant experiences a Termination of Service. Any payment made shall be subject to the Deduction Limitation. Notwithstanding anything to the contrary set forth herein, Account Balances that are less than $50,000 at any time on or after the date that distributions are scheduled to commence shall be immediately paid in a lump sum notwithstanding any Annual Installment Method payment election provided, however, that no payment acceleration shall occur prior to January 1, 2008 pursuant to this provision.

(b) Pre-409A Deferrals and Termination of Service For Cause. With respect to Pre-409A Deferrals, if a Participant experiences a Termination of Service as a result of a termination by the Company for Cause prior to his or her becoming entitled to receive benefits by reason of any other sections of this Article 4, such Participant shall receive an accelerated lump sum payment of a portion of the Termination Benefit, which shall be equal to the Participant's vested Account Balance attributable to Pre-409A Deferrals as of the date on which he or she experiences a Termination of Service. The lump sum payment of vested Pre-409A Deferrals shall be made no later than sixty (60) days after the date of the Participant's Termination of Service. Any payment made shall be subject to the Deduction Limitation.

(c) Pre-409A Deferrals and Redeferrals of Termination Benefits. For Pre-409A Deferrals, a Participant may annually change his or her election with respect to Termination Benefit distributions to an allowable alternative payout method by submitting a new Election Form to the Administrator during such period as may be established by the Administrator in its discretion for such elections, provided, however, that such change shall not be given any effect until at least twelve (12) months after the date on which the new election is made and only if such new Election Form is submitted to and accepted by the Administrator in its sole discretion at least thirteen (13) months prior to the scheduled payout date of the distribution to be modified. The Election Form most recently accepted by the Administrator shall govern the payout of the Participant's benefits under the Plan.

4.5 Termination of Service Benefit for Post-409A Deferrals.

(a) Termination of Service Benefit for Post-409A Deferrals With respect to Post-409A Deferrals, if a Participant experiences a Termination of Service prior to his or her becoming entitled to receive benefits by reason of any other sections of this Article 4, such Participant shall receive a Termination Benefit, which shall be equal to the Participant's vested Account Balance

as of the date on which he or she experiences a Termination of Service. A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Termination Benefit pursuant to this Section 4.5 in a lump sum or pursuant to an Annual Installment Method over a period of up to fifteen (15) years. If a Participant does not make any election with respect to the payment of the Termination Benefit pursuant to this Section 4.5, then such benefit shall be payable in a lump sum. The lump sum payment shall be made, or installment payments shall commence, no later than sixty (60) days after the date of the Participant experiences a Termination of Service. Any payment made shall be subject to the Deduction Limitation. Notwithstanding anything to the contrary set forth herein, Account Balances that are less than $50,000 at any time on or after the date that distributions are scheduled to commence shall be immediately paid in a lump sum notwithstanding any Annual Installment Method payment election provided, however, that no payment acceleration shall occur prior to January 1, 2008 pursuant to this provision.

(b) Post-409A Deferrals and 6 Month Delay in Payment of Termination of Service Benefit to Specified Employees. Notwithstanding any provision in Section 4.5(a) above, if a Participant is a Specified Employee as of the date of his or her Termination of Service, the lump sum payment shall be made, or installment payments shall commence, no earlier than six (6) months after the date of the Participant's Termination of Service. Any amounts otherwise payable during the six (6) month period following the Termination of Service of the Specified Employee will accrue and be paid out as soon as administratively practicable following the six (6) month delay period. Any installment payments otherwise payable after the six (6) month delay following the Termination of Service of a Specified Employee will be paid on the corresponding annual anniversaries of the first actual distribution date to the Specified Employee.

(c) Redeferral Elections for Post-409A Deferrals. For Post-409A Deferrals, a Participant may not change his or her election with respect to Termination Benefit distributions.

4.6 Disability Benefit.

(a) Distribution of Disability Benefit. In the event of the Participant's Disability, as determined by the Administrator, the Participant shall receive a Disability Benefit, which shall be equal to the Participant's vested Account Balance as of the date on which he or she experiences a Disability (after giving effect to any accelerated vesting as a result of the Participant's Disability pursuant to Section 3.5). A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Disability Benefit in a lump sum or pursuant to an Annual Installment Method over a period of up to fifteen (15) years. If a Participant does not make any election with respect to the payment of the Disability Benefit, then the Participant shall be deemed to have elected to have the Disability Benefit paid in a lump sum. The lump sum payment shall be made, or installment payments shall commence, no later than sixty (60) days after the date of the Participant's Disability. Any payment made shall be subject to the Deduction Limitation. Notwithstanding anything to the contrary set forth herein, Account Balances that are less than $50,000 at any time on or after the date that distributions are scheduled to commence shall be immediately paid in a lump sum notwithstanding any Annual Installment Method payment election provided, however, that no payment acceleration shall occur prior to January 1, 2008 pursuant to this provision.

(b) Administrator Discretion to Accelerate Disability Benefits for Pre-409A Deferrals. Notwithstanding a Participant's election, for Pre-409A Deferrals the Administrator may decide, in its sole discretion, whether the Disability Benefit shall be paid in a lump sum or pursuant to an Annual Installment Method.

(c) Redeferrals of Disability Benefits

(i) Redeferral Elections for Pre-409A Deferrals. For Pre-409A Deferrals, a Participant may annually change his or her election with respect to Disability Benefit distributions to an allowable alternative payout method by submitting a new Election Form to the Administrator during such period as may be established by the Administrator in its discretion for such elections, provided, however, that such change shall not be given any effect until at least twelve (12) months after the date on which the new election is made and only if such new Election Form is submitted to and accepted by the Administrator in its sole discretion at least thirteen (13) months prior to the scheduled payout date of the distribution to be modified. The Election Form most recently accepted by the Administrator shall govern the payout of the Participant's benefits under the Plan.

(ii) Redeferral Elections for Post-409A Deferrals. For Post-409A Deferrals, a Participant may not change his or her election with respect to Disability Benefit distributions.

4.7 **Change in Control Benefit.**

(a) Change in Control Benefit for Pre-409A Deferrals. For Pre-409A Deferrals, the Committee may, in its sole discretion, determine that a Participant shall receive a Change in Control Benefit, which shall be equal to the Participant's vested Account Balance in the event of a Change in Control (after giving effect to any accelerated vesting as a result of the Participant's Disability pursuant to Section 3.5). A Participant's Change in Control Benefit shall be paid in a lump sum. The lump sum payment shall be made immediately prior to the Change in Control. Any payment made shall be subject to the Deduction Limitation and the Excise Tax Limitation on distributions. Should the Committee decide to pay a Change in Control Benefit, any Pre-409A Deferral that is subject to an existing payout election under Section 4.1, 4.2, 4.3, 4.4, 4.5 or 4.6 shall not be paid in accordance with such Section but shall be paid in accordance with this Section 4.7(a).

(b) Change in Control Benefit for Post-409A Deferrals. For Post-409A Deferrals, the Committee may, in its sole discretion, determine that a Participant shall receive a Change in Control Benefit, which shall be equal to the Participant's vested Account Balance in the event of a Change in Control (after giving effect to any accelerated vesting as a result of the Participant's Disability pursuant to Section 3.5). A Participant's Change in Control Benefit shall be paid in a lump sum. The lump sum payment shall be made immediately prior to the Change in Control. Any payment made shall be subject to the Deduction Limitation on distributions. Any Change in Control Benefit that the Committee determines to pay in accordance with this Section 4.7(b) shall result in a termination of the Plan and all other Account Balance Plans, and the Committee's determination to pay the Change in Control Benefit must be made within the 30 days preceding the Change in Control. Should the Committee decide to pay a Change in Control Benefit, any Post-409A Deferral that is subject to an existing payout election under Section 4.1, 4.2, 4.3, 4.4, 4.5 or 4.6 shall not be paid in accordance with such Section but shall be paid in accordance with this Section 4.7(b).

4.8 Form of Distributions. Distributions of the Account Balance not including the portion of the Account Balance allocated to the Company Stock Measurement Fund shall be paid to Participants in

cash. The portion of the Account Balance allocated to the Company Stock Measurement Fund shall be paid to Participant's in an equivalent number of shares of the Company's common stock credited to the Participant's Account. The source of shares of Company common stock distributed pursuant to this Plan shall be the Equity Plan. Any portion of the Account Balance designated to be distributed in shares of Company common stock, but which is not equal to the value of one whole share of Company common stock shall instead be paid to the Participant in cash.

4.9 Change In Company Shares. If any capitalization adjustment is made to outstanding awards granted under the Company's Equity Plan pursuant to Section 15(a) of the Company's 2003 Incentive Stock Plan or any other similar provision in a successor equity incentive plan, then such adjustments shall automatically apply to the number of shares credited to the RSU Account attributable to such awards as appropriate in order to prevent dilution or enlargement of the benefits intended to be made available under the Plan.

ARTICLE 5
UNFORESEEABLE FINANCIAL EMERGENCIES; WITHDRAWAL ELECTION

5.1 Withdrawal Payout/Suspensions for Unforeseeable Financial Emergencies. If a Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Administrator to (i) suspend any deferrals required to be made by a Participant and/or (ii) receive a partial or full payout from the Plan. The payout shall not exceed the lesser of the Participant's vested Account Balance, calculated as if such Participant were receiving a Termination Benefit, or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency. If, subject to the sole discretion of the Administrator, the petition for a suspension and/or payout is approved, suspension shall take effect upon the date of approval and any payout shall be made within sixty (60) days of the date of approval. The payment of any amount under this Section 5.1 shall be subject to the Deduction Limitation.

Whether a Participant is faced with an Unforeseeable Financial Emergency shall be determined by the Administrator on the relevant facts and circumstances of each case, but, in any case, a distribution on account of unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not cause severe financial hardship), or by cessation of deferrals under the Plan. The Participant will be required to certify that the need cannot be reasonably met from other sources (not taking into account amounts available under any qualified employer plan, or amounts available another nonqualified deferred compensation plan due to an Unforeseeable Financial Emergency).

If the Participant qualifies for an Unforeseeable Financial Emergency distribution under this Section or has received a hardship distribution pursuant to Treasury Regulation Section 1.401(k)-1(d)(3) (or its successor) under the Company's qualified retirement plan, the Participant shall not be eligible to participate in the Plan for the remainder of the Plan Year during which the payout is paid and the subsequent Plan Year.

5.2 Withdrawal Election. A Participant (or, after a Participant's death, his or her Beneficiary) may elect, at any time, to withdraw all or a portion of his or her vested Account Balance attributable to Pre-409A Deferrals, calculated as if there had occurred a Termination of Service as of the day of the election, less a withdrawal penalty equal to ten percent (10%) of such amount (the net amount shall be referred to as the "Withdrawal Amount"). This election can be made at any time. The Participant (or his or her Beneficiary) shall make this election by giving the Administrator advance written notice of the election in a form determined from time to time by the Administrator. The Participant (or his or her Beneficiary) shall be paid the Withdrawal Amount within sixty (60) days of his

or her election. Once the Withdrawal Amount is paid, the Participant shall not be eligible to participate in the Plan for the subsequent Plan Year that commences immediately following the Plan Year during which the Withdrawal Amount is paid. The payment of this Withdrawal Amount shall be subject to the Deduction Limitation.

5.3 No Discretionary Distributions. Except as expressly provided herein, the Administrator shall not exercise discretion with respect to the timing or form of distributions from the Plan, but shall make distributions at the time and in the form elected by the Participant on the Election Form or as otherwise specified in the Plan. Notwithstanding anything to the contrary set forth herein, the Administrator retains the right, in its sole discretion, to delay or accelerate distributions under the Plan to the extent permitted by Section 409A.

ARTICLE 6
BENEFICIARY DESIGNATION

6.1 Beneficiary. Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a beneficiary upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates.

6.2 Beneficiary Designation; Change. A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Administrator or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Administrator's rules and procedures, as in effect from time to time. Upon the acceptance by the Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Administrator shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Administrator prior to his or her death.

6.3 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided in Sections 6.1 and 6.2 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.

6.4 Doubt as to Beneficiary. If the Administrator has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Administrator shall have the right, exercisable in its discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to the Administrator's satisfaction.

6.5 Discharge of Obligations. The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge all Employers and the Administrator from all further obligations under this Plan with respect to the Participant, and that Participant's Election Form shall terminate upon such full payment of benefits.

ARTICLE 7

7.1 Acceleration of Payments. Payments of the portion of the Account Balance attributable to Post-409A Deferrals may be accelerated only upon the occurrence of an event specified in this Article 7.

7.2 Compliance with Ethics Agreements and Legal Requirements. A payment may be accelerated as may be necessary to comply with ethics agreements with the Federal government or as may be reasonably necessary to avoid the violation of Federal, state, local or foreign ethics law or conflicts of laws, in accordance with the requirements of Section 409A.

7.3 Corporate Events. A payment may be accelerated in the Administrator's discretion in connection with any of the following events, in accordance with the requirements of Section 409A: (i) a corporate dissolution taxed under Section 331 of the Code, (ii) with the approval of a bankruptcy court pursuant to 11 U.S.C. Section 503(b)(1)(A); (iii) in connection with a Change in Control event as further specified in Section 4.7(b); (iv) the termination and liquidation of the Plan and any other Account Balance Plan; and (v) such other events and conditions as permitted by Section 409A.

7.4 Offset. A payment may be accelerated in the Administrator's discretion as satisfaction of a debt of the Participant to the Company, where such debt is incurred in the ordinary course of the service relationship between the Participant and the Company, the entire amount of the reduction in any of the Company's taxable years does not exceed $5,000, and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

ARTICLE 8
TERMINATION, AMENDMENT OR MODIFICATION

8.1 Suspension. The Plan may be suspended or "frozen" at any time by the Company so that Participants may not make new elections for additional contributions to the Plan. In the event that the Plan is suspended or "frozen," benefits shall be held in the Plan and paid out in accordance with the terms of the Plan.

8.2 Termination.

(a) Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all of its participating Employees and Non-Employee Directors, by action of its board of directors or similar governing body.

(b) With respect to Pre-409A Deferrals, upon the termination of the Plan with respect to any Employer, the participation of the affected Participants who are employed by that Employer, or in the service of that Employer as Directors, shall terminate and the portion of their Account Balances attributable to Pre-409A Deferrals shall be paid to the Participants in a lump sum within sixty (60) days following the plan termination. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination; *provided, however,* that with respect to Pre-409A Deferrals, in the event of a Plan termination the Employer shall have the right to accelerate installment payments without a premium or prepayment penalty by paying the Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the

present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).

(c) With respect to Post-409A Deferrals, the Plan may be terminated and liquidated at any time by the Company, provided that, to the extent required by Section 409A: (i) the termination and liquidation does not occur proximate to a downturn in the financial health of the Company; (ii) all other Account Balance Plans are terminated with respect to all Participants, (iii) no Participant Account Balances are paid, other than those otherwise payable under the terms of the Plan absent a termination of the Plan, within 12 months of the termination of the Plan, (iv) all Participant Account Balances are paid within 24 months of the termination of the Plan, and (v) the Company does not adopt another Account Balance Plan with respect to the Plan's Participants at any time for a period of three years following the date of termination of the Plan. Additionally, the Plan may be terminated with respect to Post-409A Deferrals pursuant to the provisions set forth in Section 4.7(b) of the Plan.

8.3 Amendment. An Employer may, at any time, amend or modify the Plan in whole or in part with respect to that Employer by the action of its board of directors or similar governing body; *provided, however,* that no amendment or modification shall be effective to decrease or restrict the value of a Participant's Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Service as of the effective date of the amendment or modification or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification. The amendment or modification of the Plan shall not affect any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification; *provided, however,* that with respect to the portion of the Account Balance attributable to Pre-409A Deferrals the Employer shall have the right to accelerate installment payments by paying such portion of the Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).

Notwithstanding any provisions of this Section 8.3 to the contrary, the Administrator may amend the Plan at any time, in any manner, if the Administrator determines any such amendment is required to ensure that the Plan is characterized as providing deferred compensation for a select group of management or highly compensated employees and as described in ERISA Sections 201(2), 301(a)(3) and 401(a)(1) or to otherwise conform the Plan to the provisions of any applicable law, including ERISA and the Code.

Notwithstanding any provision of the Plan to the contrary, in the event that the Administrator determines that any provision of the Plan may cause amounts deferred under the Plan to become immediately taxable to any Participant under Section 409A, the Administrator may (i) adopt such amendments to the Plan and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Administrator determines necessary or appropriate to preserve the intended tax treatment of the Plan benefits provided by the Plan and/or (ii) take such other actions as the Administrator determines necessary or appropriate to comply with the requirements of Section 409A.

ARTICLE 9
ADMINISTRATION

9.1 Administrator Duties. The Committee appointed pursuant to Section 9.3 shall be the Administrator and shall conduct the general administration of the Plan in accordance with the Plan and shall have all the necessary power and authority to carry out that function. Members of the Administrator may be Participants under this Plan. Any individual serving on the Administrator who is a Participant shall not vote or act on any matter relating solely to himself or herself. Among the Committee's necessary powers and duties are the following:

(a) Except to the extent provided otherwise by Article 12, to delegate all or part of its function as Administrator to others and to revoke any such delegation.

(b) To determine questions of eligibility of Participants and their entitlement to benefits, subject to the provisions of Articles 10 and 12.

(c) To select and engage attorneys, accountants, actuaries, trustees, appraisers, brokers, consultants, administrators, physicians or other persons to render service or advice with regard to any responsibility the Administrator has under the Plan, or otherwise, to designate such persons to carry out fiduciary responsibilities (other than trustee responsibilities) under the Plan, and (with the Committee, the Employers and their officers, Directors, trustees and Employees) to rely upon the advice, opinions or valuations of any such persons, to the extent permitted by law, being fully protected in acting or relying thereon in good faith.

(d) To interpret the Plan for purpose of the administration and application of the Plan, in a manner not inconsistent with the Plan or applicable law and to amend or revoke any such interpretation.

(e) To administer the Plan's claims procedures as provided in Article 10 and Appendix A.

9.2 Binding Effect of Decisions. The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

9.3 Committee. The Committee shall consist solely of two or more Non-Employee Directors appointed by and holding office at the pleasure of the Board, each of whom is both a "non-employee director" as defined by Rule 16b-3 and an "outside director" for purposes of Section 162(m) of the Code. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may be filled by the Board.

9.4 Indemnification. All Employers shall indemnify and hold harmless any of their officers, Directors, Committee members or Employees who are involved in the administration of the Plan against any and all claims, losses, damages, expenses or liabilities arising out of the good faith performance of their administrative functions.

9.5 Employer Information. To enable the Administrator to perform its functions, each Employer shall supply full and timely information to the Administrator on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or

Termination of Service of its Participants, and such other pertinent information as the Administrator may reasonably require.

ARTICLE 10
CLAIMS PROCEDURES

10.1 Presentation of Claim. Any application for benefits, inquiries about the Plan or inquiries about present or future rights under the Plan must be submitted to the Administrator in writing by a Participant or Beneficiary of a deceased Participant, or his or her authorized representative, (the "Claimant") in accordance with the Plan's claims procedures. The Claimant must deliver to the Administrator a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant. The claims procedures applicable to Disability related claims are set forth on the attached Appendix A. The claims procedures applicable to non-Disability related claims are as set forth in this Article 10.

10.2 Notification of Decision. The Administrator shall consider a Claimant's claim within a reasonable time, and shall notify the Claimant in writing:

(a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or

(b) that the Administrator has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:

(i) the specific reason(s) for the denial of the claim, or any part of it;

(ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;

(iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and

(iv) an explanation of the claim review procedure set forth in Section 9.3 below, including a statement that the Claimant does not have the right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review, and that arbitration pursuant to the terms of Section 10.6 of the Plan is the Claimant's sole remedy following an adverse decision on review.

The notice of denial shall be given within a reasonable time period but no later than ninety (90) days after the claim is filed, unless special circumstances require an extension of time for processing the claim. If such extension is required, written notice shall be furnished to the Claimant within ninety (90) days of the date the claim was filed stating the special circumstances requiring an extension of time and the date by which a decision on the claim can be expected, which shall be no more than one hundred eighty (180) days from the date the claim was filed.

10.3 Review of a Denied Claim. Within sixty (60) days after receiving a notice from the Administrator that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly

authorized representative) may file with the Administrator a written request for a review of the denial of the claim. Thereafter, but not later than thirty (30) days after the review procedure began, the Claimant (or the Claimant's duly authorized representative):

(a) may review and/or copy, free of charge, pertinent documents, records and other information relevant to the Claimant's claim;

(b) may submit issues, written comments or other documents, records and information relating to the claim; and/or

(c) may request a hearing, which the Administrator, in its sole discretion, may grant.

10.4 Decision on Review. The Administrator shall render its decision on review promptly, and not later than sixty (60) days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Administrator's decision must be rendered within one hundred twenty (120) days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

(a) specific reasons for the decision;

(b) specific reference(s) to the pertinent Plan provisions upon which the decision was based;

(c) a statement that the Claimant is entitled to receive upon request and free of charge reasonable access to and copies of all documents, records and other information relevant to the Claimant's claim for benefits;

(d) a statement that the Claimant does not have the right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review, and that arbitration pursuant to the terms of Section 10.6 of the Plan is the Claimant's sole remedy; and

(e) such other matters as the Administrator deems relevant.

10.5 Designation. The Administrator may designate any other person of its choosing to make any determination otherwise required under this Article 10.

10.6 Arbitration.

(a) A Claimant whose appeal has been denied under Section 10.4 shall have the right as his or her sole remedy to submit said claim to final and binding arbitration before a single arbitrator in San Diego, California, pursuant to the rules of the American Arbitration Association. Any such requests for arbitration must be filed by written demand to the American Arbitration Association within sixty (60) days after receipt of the decision regarding the appeal. The arbitrator's decision shall be final and binding upon the parties, and may be entered and enforced in any court of competent jurisdiction by either of the parties; provided, however, that the arbitrator shall not have any power to alter, amend, modify or change any of the terms of this Plan nor to grant any remedy which is either prohibited by the terms of this Plan or not available in a court of law. The arbitrator shall have the power to grant temporary, preliminary and permanent relief, including without limitation, injunctive relief and specific performance.

(b) The Company will pay the direct costs and expenses of the arbitration. The Claimant and the Company are responsible for their respective attorneys' fees incurred in connection with the arbitration; however, to the extent permitted by law, the arbitrator may, in his or her discretion, award reasonable attorneys' fees to the prevailing party.

ARTICLE 11
TRUST

11.1 Establishment of the Trust. The Company shall establish the Trust. All benefits payable under this Plan to a Participant shall be paid directly by the Employer(s) from the Trust. To the extent that such benefits are not paid from the Trust, the benefits shall be paid from the general assets of the Employer(s). The Trust, if any, shall be an irrevocable grantor trust which conforms to the terms of the model trust as described in IRS Revenue Procedure 92 64, I.R.B. 1992 33. The assets of the Trust are subject to the claims of each Employer's creditors in the event of its insolvency. Except as provided under the Trust agreement, neither the Company nor an Employer shall be obligated to set aside, earmark or escrow any funds or other assets to satisfy its obligations under this Plan, and the Participant and/or his or her designated Beneficiaries shall not have any property interest in any specific assets of the Company or an Employer other than the unsecured right to receive payments from the Employer, as provided in this Plan.

11.2 Interrelationship of the Plan and the Trust. The provisions of the Plan shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.

11.3 Investment of Trust Assets. The Trustee of the Trust shall be authorized, upon written instructions received from the Administrator or investment manager appointed by the Administrator, to invest and reinvest the assets of the Trust in accordance with the applicable Trust Agreement, including the disposition of Stock and reinvestment of the proceeds in one or more investment vehicles designated by the Administrator.

11.4 Distributions From the Trust. Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Plan.

ARTICLE 12
PROVISIONS RELATING TO SECURITIES LAWS

12.1 Designation of Participants. With respect to any Employee or Non-Employee Director who is then subject to Section 16 of the Exchange Act, only the Committee may designate such Employee or Non-Employee Director as a Participant in the Plan.

12.2 Action by Committee. With respect to any Participant who is then subject to Section 16 of the Exchange Act, any function of the Administrator under the Plan relating to such Participant shall be performed solely by the Committee, if and to the extent required to ensure the availability of an exemption under Section 16 of the Exchange Act for any transaction relating to such Participant under the Plan.

12.3 Compliance with Section 16. Notwithstanding any other provision of the Plan or any rule, instruction, election form or other form, the Plan and any such rule, instruction or form shall be

subject to any additional conditions or limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b 3) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, such provision, rule, instruction or form shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

ARTICLE 13
MISCELLANEOUS

13.1 Status of Plan. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.

13.2 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of any Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

13.3 Employer's Liability. An Employer's liability for the payment of benefits shall be defined only by the Plan and the Election Form(s), as entered into between the Employer and a Participant. An Employer shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Election Form(s).

13.4 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise. The benefits which a Participant may accrue under this Plan are not subject to the terms of any Qualified Domestic Relations Order (as that term is defined in Section 414(p) of the Code) with respect to any Participant, and the Administrator, the Board, the Committee, the Company and any Employer shall not be required to comply with the terms of such order in connection with this Plan. Notwithstanding the foregoing, the withholding of taxes from Plan payments, the recovery of Plan overpayments of benefits made to a Participant or Beneficiary, the transfer of Plan benefit rights from the Plan to another plan, or the direct deposit of Plan payments to an account in a financial institution (if not actually a part of an arrangement constituting an assignment or alienation) shall not be construed as an assignment or alienation under this Section 13.4 and shall be permitted under the Plan.

13.5 Tax Withholding.

(a) Annual Deferral Amounts. For each Plan Year in which an Annual Deferral Amount is being withheld from a Participant, the Participant's Employer(s) shall be entitled to require payment by the Participant of any sums required by federal, state or local tax law to be

withheld with respect to the deferral, in amounts and in a manner to be determined in the sole discretion of the Employer(s).

(b) RSU Deferral Amounts. When an Employee Participant becomes vested in a portion of his or her RSU Award, the Participant's Employer(s) shall be entitled to require payment by the Participant of the Participant's share of FICA and other employment taxes, and any other sums required by federal, state or local tax law to be withheld with respect to such vesting, in amounts and in a manner to be determined in the sole discretion of the Employer(s).

(c) Company Matching Amounts and Company Contribution Amounts. When a Participant becomes vested in a portion of his or her Company Matching Account and/or Company Contribution Account, the Participant's Employer(s) shall be entitled to require payment by the Participant of any sums required by federal, state or local tax law to be withheld with respect to such vesting, in amounts and in a manner to be determined in the sole discretion of the Employer(s).

(d) Distributions. The Participant's Employer(s), or the trustee of the Trust, shall withhold from any payments made to a Participant under this Plan all federal, state and local income, employment and other taxes required to be withheld by the Employer(s), or the trustee of the Trust, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Employer(s) and the trustee of the Trust.

(e) Satisfaction of Tax Obligations. The Administrator, in its sole discretion, may allow a Participant to pay to his or her Employer(s) any amounts required to be withheld by the Employer(s) in connection with the Plan in cash, by deduction of such amounts from other compensation payable to the Participant, or to have such amounts withheld from his or her deferrals, vested Account Balance or distributions.

13.6 Coordination with Other Benefits. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for Employees of the Participant's Employer(s). The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

13.7 Compliance. A Participant shall have no right to receive payment with respect to the Participant's Account Balance until all legal and contractual obligations of the Employer(s) relating to establishment of the Plan and the making of such payments shall have been complied with in full.

13.8 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of any Employer, either as an Employee or a Director, or to interfere with the right of any Employer to discipline or discharge the Participant at any time.

13.9 Furnishing Information. A Participant or his or her Beneficiary will cooperate with the Administrator by furnishing any and all information requested by the Administrator and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Administrator may deem necessary.

13.10 Governing Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of California without regard to its conflicts of laws principles.

13.11 Notice. Any notice or filing required or permitted to be given to the Administrator under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Chief Financial Officer
Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130

with a copy to:

Secretary
Neurocrine Biosciences, Inc.
12790 El Camino Real
San Diego, CA 92130

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

13.12 Successors. The provisions of this Plan shall bind and inure to the benefit of the Participant's Employer and its successors and assigns and the Participant and the Participant's designated Beneficiaries.

13.13 Spouse's Interest. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

13.14 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

13.15 Incompetent. If the Administrator determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Administrator may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Administrator may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

13.16 Court Order. The Administrator is authorized to make any payments directed by court order in any action in which the Plan or the Administrator has been named as a party. In addition, if a

court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Administrator, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.

13.17 Distribution of Deferrals in the Event of Taxation.

(a) In General. If, for any reason, all or any portion of a Participant's benefits under this Plan becomes taxable to the Participant prior to receipt, a Participant may petition the Administrator for a distribution of that portion of his or her benefit that has become taxable. Upon the grant of such a petition, which grant shall not be unreasonably withheld, a Participant's Employer shall distribute to the Participant immediately available funds in an amount equal to the Federal Insurance Contributions Act ("FICA") tax imposed under Code Sections 3101 and 3121(v)(2) on amounts deferred under the Plan (the "FICA Amount") as well as income tax at source on wages imposed under Code Section 3401 with respect to his or her benefit, as well as the additional income tax at source on wages attributable to the pyramiding Code Section 3401 wages and taxes (which aggregate amounts shall not exceed the lesser of (i) a Participant's unpaid Account Balance under the Plan or (ii) the aggregate amount required to satisfy the tax liability. If the petition is granted, the tax liability distribution shall be made within ninety (90) days of the date when the Participant's petition is granted. Such a distribution shall affect and reduce the benefits to be paid under this Plan.

(b) Trust. If the Trust terminates in accordance with the provisions of the Trust and benefits are distributed from the Trust to a Participant in accordance with such provisions, the Participant's benefits under this Plan shall be reduced to the extent of such distributions

13.18 Insurance. The Employers, on their own behalf or on behalf of the trustee of the Trust, and, in their sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Employers or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Employers shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Employers have applied for insurance.

13.19 Scrivener's Error. Notwithstanding any other provision of the Plan to the contrary, if there is a scrivener's error in properly transcribing this Plan, it shall not be a violation of the Plan terms to operate the Plan in accordance with its proper provisions, rather than in accordance with the terms of the Plan, pending correction of the Plan through Plan amendment. In addition, any provisions of the Plan improperly added as a result of scrivener's error shall be considered null and void as of the date such error occurred.

13.20 Compliance With Section 409A. With respect to Post-409A Deferrals, this Plan is intended to comply with the requirements of Section 409A. With respect to Post-409A Deferrals, the Plan Committee shall interpret the Plan provisions in a manner consistent with the requirements of Section 409A. To the extent one or more provisions of this Plan do not comply with Section 409A, such provision shall be automatically and immediately voided, and shall be amended as soon as administratively feasible and shall be administered to so comply.

13.21 Disclaimer. It is the parties intention that this arrangement comply with the provisions of Section 409A. Notwithstanding the foregoing or anything else to the contrary in the Plan, the Company

shall have no liability to any Participant should any provision of the Plan fail to satisfy the requirements of Section 409A.

IN WITNESS WHEREOF, the Company has signed this amended and restated Plan document as of October 24, 2007.

Neurocrine Biosciences, Inc., a Delaware corporation

By: /s/ Timothy P. Coughlin

Title: Vice President and Chief Financial Officer

Appendix A

Disability Claims Procedures

The following claim procedures shall apply only for Disability benefits payable under the Plan. An Authorized Representative may act on a Participant's or a beneficiary's behalf in pursuing a benefit claim or appeal of an Adverse Benefit Determination.

1. Definitions. For purposes of these claims procedures, the following definitions shall apply:

A. "Adverse Benefit Determination" means any of the following:

(i) a denial, reduction, or termination of a benefit by the Plan, or a failure of the Plan to provide or make payment (in whole or in part) for a benefit; and

(ii) a denial, reduction, or termination of a benefit by the Plan, or a failure of the Plan to provide or make payment (in whole or in part) for a benefit resulting from the application of any utilization review.

B. "Authorized Representative" means an individual who is authorized to represent a Participant or beneficiary with respect to any claims or appeals filed pursuant to these procedures. Whether an individual is an Authorized Representative will be determined by the Administrator in accordance with reasonable procedures established by the Plan.

C. "Claimant" means a Participant or beneficiary who has submitted a claim for benefits in accordance with these claims procedures.

D. "Health Care Professional" means a physician or other health care professional who is licensed, accredited, or certified to perform specified health services consistent with applicable state law.

E. "Relevant Records" means any document, record, or other information that:

(i) the Administrator relied upon in making a benefit determination for the Claimant's claim;

(ii) was submitted, considered, or generated in the course of making the benefit determination for a claim, without regard to whether such document, record, or other information was relied upon in making the benefit determination;

(iii) demonstrates compliance with the administrative processes and safeguards required pursuant to Department of Labor Regulations in making the benefit determination for a claim; or

(iv) constitutes a statement of policy or guidance with respect to the Plan concerning the denied treatment option or benefit for a Claimant's diagnosis, without regard to whether such advice or statement was relied upon in making the benefit determination.

2. Claims Procedure- Disability Claims. In the case of a Disability claim, the Administrator will notify the Claimant of the Plan's Adverse Benefit Determination within a reasonable time, but not later than forty-five (45) days after the Plan receives the claim. The Plan may extend this period for up to thirty (30) days, provided that the Administrator both (i) determines that such an extension is necessary due to matters beyond the control of the Plan, and (ii) notifies the Claimant, prior to the expiration of the initial forty-five (45) day period, of the circumstances requiring the extension of time and the date by which the Plan expects to make a decision.

If, prior to the end of the first thirty (30) day extension period, the Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within the first thirty (30) day extension period, the period for making a determination may be extended for an additional thirty (30) days. Such additional extension is permitted only if (i) the Administrator notifies the Claimant, prior to the end of the first thirty (30) day extension, of the circumstances requiring the second thirty (30) day extension and (ii) the Administrator notifies the Claimant of the date the Plan expects to render the decision.

Any notice of extension will explain the standards on which the Claimant's entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve these issues. A Claimant will be given at least forty-five (45) days to provide the requested information.

3. Calculating Time Periods For Claims Procedure. The time within which a benefit determination is required to be made will begin at the time a claim is filed in accordance with these procedures, without regard to whether all the information necessary to make a benefit determination accompanies the filing. In the event that the time within which a benefit determination is required to be made is extended due to the Claimant's failure to submit information necessary to decide a claim, the period for making the benefit determination will be suspended from the date on which the Administrator sends the notification of extension to the Claimant until the date on which the Claimant responds to the request for additional information.

4. Notice of Benefit Determination. The Administrator will provide the Claimant with written or electronic notification of any Adverse Benefit Determination. If the notice of an Adverse Benefit Determination is provided electronically, such notice will comply with the standards imposed by the Department of Labor Regulations.

Any notice of Adverse Benefit Determination will set forth, in a manner calculated to be understood by the Claimant:

A. the specific reason or reasons for the Adverse Benefit Determination;

B. references to the specific Plan provisions on which the Adverse Benefit Determination is based;

C. a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary;

D. a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an Adverse Benefit Determination on review; and

E. if an internal rule, guideline, protocol, or other similar criterion was relied upon in making the Adverse Benefit Determination, either (i) the specific rule, guideline, protocol, or other similar criterion, or (ii) a statement that such a rule, guideline, protocol, or other similar criterion was relied upon in making the Adverse Benefit Determination and that a copy of such rule, guideline, protocol, or other criterion will be provided free of charge to the Claimant upon request.

5. Review Procedure. If the Claimant receives an Adverse Benefit Determination, the Claimant may appeal the Adverse Benefit Determination within one hundred eighty (180) days after the Claimant's receipt of the notice of Adverse Benefit Determination. The Claimant must make any appeal in writing. The appeal must be addressed to the Review Panel of the Administrator.

During the one hundred eighty (180) day period, the Claimant may:

A. submit written comments, documents, records, and other information relating to the claim for benefits; and

B. request and receive, free of charge, reasonable access to, and copies of, all Relevant Records.

The Review Panel shall consist of one or more individuals who are neither the individuals who made the initial Adverse Benefit Determination, nor the subordinate of any of such individuals. The review of the Claimant's appeal will not give deference to the initial Adverse Benefit Determination. The review will take into account all comments, documents, records, and other information that the Claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

In deciding the appeal of an Adverse Benefit Determination that is based in whole or in part on a medical judgment, the Review Panel will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional must be an individual who is neither the individual who was consulted in connection with the initial Adverse Benefit Determination, nor the subordinate of such individual.

The Review Panel will provide the Claimant with the identification of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the Claimant's Adverse Benefit Determination, without regard to whether the advice was relied upon in making the benefit determination.

6. Timing of Notice of Benefit Determination on Review. In the case of a Disability claim, the Administrator will notify the Claimant of the Plan's benefit determination on review within a reasonable period, but not later than forty-five (45) days after the Plan receives the Claimant's request for review of an Adverse Benefit Determination. The Administrator may extend this period for up to an additional forty-five (45) days if the Administrator determines that special circumstances exist, such as the need to hold a hearing.

If the Administrator determines that an extension is required, the Administrator will provide the Claimant written notice of the extension before the end of the initial forty-five (45) day

period. The extension notice will describe the special circumstances requiring the extension and the date by which the Plan expects to make a decision on the Claimant's appeal.

7. Calculating Time Periods for Review Procedure. The period of time within which a benefit determination on review is required to be made shall begin at the time an appeal is filed in accordance with Section 5 of these claims procedures, without regard to whether all the information necessary to make a benefit determination on review accompanies the filing.

8. Notice of Benefit Determination on Review. The Administrator will provide the Claimant with written or electronic notification of the Plan's benefit determination on review. Any electronic notification shall comply with the Department of Labor Regulations.

In the case of an Adverse Benefit Determination, the notification will set forth, in a manner calculated to be understood by the Claimant:

A. the specific reason or reasons for the Adverse Benefit Determination;

B. reference to the specific Plan provisions on which the benefit determination is based;

C. a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all Relevant Records;

D. a statement of the Claimant's right to bring an action under Section 502(a) of ERISA;

E. if an internal rule, guideline, protocol, or other similar criterion was relied upon in making the Adverse Benefit Determination, either the specific rule, guideline, protocol, or other similar criterion, or a statement that such rule, guideline, protocol, or other similar criterion was relied upon in making the Adverse Benefit Determination and that a copy of the rule, guideline, protocol, or other similar criterion will be provided free of charge to the Claimant upon request; and

F. the following statement: "You and your plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact the local U.S. Department of Labor Office and your State insurance regulatory agency."

9. Administration. The Administrator will establish rules and procedures, consistent with the Plan and with ERISA, as necessary and appropriate in carrying out its responsibilities in reviewing benefit claims. The Administrator may require an applicant who wishes to submit additional information in connection with an appeal from the denial of benefits to do so at the applicant's own expense.

10. Exhaustion of Remedies. No legal action for benefits under the Plan may be brought until the Claimant (i) has submitted a written application for benefits in accordance with the procedures described above, (ii) has been notified by the Administrator that the application is denied, (iii) has filed a written request for a review of the application in accordance with the appeal procedure described above, and (iv) has been notified in writing that the Administrator has denied the appeal.

Exhibit 10.3

PURCHASE AGREEMENT AND ESCROW INSTRUCTIONS

This Purchase Agreement and Escrow Instructions (this "Agreement") is entered into as of October 30, 2007, between **Neurocrine Biosciences, Inc**., a Delaware corporation ("NBI"), and **Science Park Center, LLC**, a Delaware limited liability company (jointly and severally, "Seller"), on the one hand, and **Veralliance Properties, Inc**., a California corporation ("Buyer"), on the other, who agree and, to the extent applicable instruct Escrow Holder, as follows:

1. Purchase and Sale. In accordance with and subject to this Agreement, Seller shall sell the Property to Buyer, and Buyer shall purchase the Property from Seller. For purposes of this Agreement, the following terms have the following meanings:

"Broker" means Phase III Properties (Neil Fox & Mike Gerrity). The parties acknowledge, agree and consent to the Broker's dual representation of both Buyer and Seller. If and when the Close of Escrow occurs in accordance with this Agreement, Buyer shall pay the Broker a commission in the amount of 0.45% of the Purchase Price as compensation in full. In no event shall Seller be liable to pay a commission or any other fees or charges to Broker.

"Closing Date" means November 30, 2007 (or such earlier date as may be mutually agreed upon by Seller and Buyer).

"Deposit" means $1.5 million, plus all interest accrued on the funds, and is due within two business days after Escrow opens.

"Escrow Holder" and **"Title Company"** means First American Title Insurance Company.

"**Existing Loan**" means the loan made by Morgan Stanley Mortgage Capital Inc., a New York corporation (the "Existing Lender") (as successor-in-interest to Teachers Insurance and Annuity Association of America), in the original principal amount of $49.5 million (the "Existing Loan"), which is secured by a deed of trust on Parcel #1 dated as of October 25, 2004 (the "Existing Trust Deed"), and recorded in the real property records of the county in which the Real Property is located (the "Official Records"). The Existing Loan is evidenced, guaranteed, or secured by the Existing Trust Deed, a Promissory Note, and various other documents (each as amended and modified to date, the "Existing Loan Documents"). If the Prepayment Charges (defined below) are reduced to an amount equal to or less than $1.8 million, Buyer may not assume the Existing Loan and must pay the Prepayment Charges as part of the Purchase Price. Otherwise, Buyer shall assume, on the Close of Escrow, all obligations under the Existing Loan, in accordance with documents acceptable to Buyer and the holder of the Existing Loan, which documents shall release Seller of all further liability under the Existing Loan and the Existing Loan Documents (the "Assumption Documents"). If Buyer assumes the Existing Loan, then Buyer shall pay all fees and costs, including all assumption fees required by the holder of the Existing Loan, in connection with the assumption of the Existing Loan by Buyer (collectively, the "Assumption Costs"). At Buyer's request, Seller shall use commercially reasonable good faith efforts to facilitate Buyer's assumption of the Existing Loan. So long as Buyer is diligently pursuing the assumption of the Existing Loan, the Closing Date will be extended as necessary to facilitate such assumption, but to no later than December 10, 2007.

"Investigation Period" means the period beginning on the opening of Escrow and expiring on November 26, 2007.

"**NBI Lease**" means a lease to become effective on the Close of Escrow with the terms and conditions summarized in the attached ***Exhibit A***, between NBI, as tenant, and Buyer's designee who acquires Parcel 1 at the Close of Escrow, as landlord. Seller shall provide Buyer a proposed form of the NBI Lease

incorporating the terms of Exhibit A (and with customary office lease provisions) within two business days after the opening of escrow and Buyer and Seller shall thereafter diligently and in good faith agree on the form of the NBI Lease before expiration of the Investigation Period.

"**Prepayment Charges**" means the yield maintenance charges and such other prepayment fees and costs charged for prepayment of the Existing Loan in full at the Close of Escrow if Buyer does not assume the Existing Loan.

"Property" means: the real estate in the City and County of San Diego, California, commonly known as 12790 El Camino Real, on which is located a 78,693 square foot, three story office building and single level cafeteria, and 12780 El Camino Real, on which is located a 128,722 square foot, three story lab/R&D building (collectively, "Parcel #1), and vacant land of approximately 4.27 acres, with entitlements for a three story office building of 92,585 square feet ("Parcels #2 and #3"), all of which parcels are more particularly described on the attached ***Exhibit B*** (Parcels #1, #2 and #3 are collectively the "Land"), along with all improvements now or later constructed in, on or under the Land (the "Improvements"), all of Seller's interest in all easements, licenses, and other interests appurtenant to the Land, and all personal property related to the Land and Improvements described on the attached ***Exhibit C*** (or the schedule attached to such exhibit). The Property will not include the personal property of NBI that is not described on the attached ***Exhibit C***. The Property also will not include any of Seller's interest in leases or rental agreements (all of which Seller shall terminate as of the Close of Escrow) or any property management agreements, none of which may bind the Property after the Close of Escrow. Buyer acknowledges that the Property is currently subject to certain service contracts (the "Service Contracts") which will be assigned and transferred to Buyer and assumed by Buyer as described in and pursuant to the provisions of ***Exhibit C***; provided, however, any Service Contracts not desired to be assumed by Buyer (the "Terminable Contracts") shall be terminated by Seller prior to the Close of Escrow provided Buyer gives Seller written notice of such election at least 30 days prior to the Close of Escrow. Notwithstanding anything to the contrary, Buyer shall assume the Thyssen-Krupp elevator service contract and the York chillers service contract.

"Purchase Price" means $108 million, plus either (a) the Prepayment Charges which Buyer shall pay to Seller, or (b) the Assumption Costs, which Buyer shall pay to Existing Lender, as applicable. The Deposit and, if Buyer assumes the Existing Loan in full at the Close of Escrow, the outstanding balance of the Existing Loan will be credited towards the Purchase Price.

2. Escrow Opening and Closing.

2.1. Escrow. Within two business days after Buyer and Seller's mutual execution of this Agreement, Seller shall cause an escrow ("Escrow") to be opened with Escrow Holder for the purpose of facilitating the consummation of this Agreement. The provisions of this Agreement constitute instructions to Escrow Holder; provided, however, Buyer and Seller also shall execute any additional mutual instructions Escrow Holder may require, consistent with this Agreement. Any inconsistency between any such further mutual instructions and this Agreement must be resolved in a manner consistent with this Agreement and the provisions of this Agreement prevail unless Buyer and Seller expressly waive the inconsistent provision in a writing specifically referring to the fact of the inconsistency and the intent to waive it.

2.2. Closing Date. Escrow Holder shall cause the Close of Escrow on the Closing Date in accordance with Article 6 below. If, for any reason other than Buyer's or Seller's default, the Close of Escrow does not occur on the Closing Date, then Buyer or Seller may cancel Escrow by written notice to Escrow Holder and to the other party, at which point Escrow and the subject transaction and this Agreement become terminated, except for the obligations to (i) pay any escrow cancellation and title charges, (ii) indemnify in the manner provided for in this Agreement, and (iii) to maintain confidentiality as provided by this Agreement. All monies and documents in Escrow Holder's possession must be distributed by Escrow Holder in

accordance with the provisions of this Agreement and such additional mutual instructions as the parties may mutually agree upon. The parties shall immediately thereafter sign such instructions and other instruments as may be necessary to effect the cancellation of this Escrow, and each party shall pay half of the escrow cancellation and title charges. BUYER AND SELLER ACKNOWLEDGE AND AGREE THAT TIME IS OF THE ESSENCE TO THIS PROVISION AND THAT THE TIME DEADLINE SET FORTH IN THIS SECTION 2.2 FOR THE CLOSING DATE AND STRICT COMPLIANCE THEREWITH CONSTITUTE A MATERIAL PART OF THE CONSIDERATION TO SELLER AND BUYER FOR THIS AGREEMENT.

3. Conditions Precedent.

3.1. Conditions Precedent Benefiting Buyer. Buyer's obligations under this Agreement are subject to the satisfaction of, or Buyer's waiver or approval of, the following conditions precedent (collectively, "Buyer's Conditions") on or before the expiration of the applicable contingency period provided for below (collectively, the "Contingency Periods").

(a) Due Diligence Investigation. Buyer has the Investigation Period within which to approve of the physical, developmental, and economic status and feasibility of the Property. The matters subject to Buyer's approval include engineering studies, soils tests, environmental surveys, entitlements, physical inspections, and interviews of providers and on-site employees/agents. Buyer acknowledges that Seller has furnished to Buyer the items listed on the attached ***Exhibit D*** (the "Due Diligence Documents"). Buyer hereby acknowledges that Seller has not made and does not make any representation or warranty regarding the truth, accuracy or completeness of such third party documents or the sources thereof. Seller has not undertaken any independent investigation as to the truth, accuracy or completeness of such third party documents and is providing such third party documents solely as an accommodation to Buyer for informational purposes only.

To further facilitate Buyer's investigation and analysis of the Property, Seller grants Buyer the right to enter all parts of the Property (through Buyer's agents, employees, and independent contractors), during normal business hours after reasonable notice, to conduct such inspections, reviews, examinations, interviews, and tests on the Property as Buyer deems necessary or desirable to investigate the physical condition or economic status of the Property (but Buyer may not unreasonably disrupt the operation of NBI's business). The inspections, reviews, examinations, and tests must be conducted at Buyer's sole cost and the results thereof are the property of Buyer. Buyer shall, at Buyer's sole cost, promptly repair any physical damage resulting from its activities on the Property. Buyer shall indemnify Seller from all claims, costs, liens, actions and judgments resulting directly from Buyer's investigation under this paragraph caused by Buyer; provided, however, Buyer will not have any liability on account of any loss or liability resulting from Buyer's or any of its employee's, agent's or independent contractor's mere discovery or disclosure of any matter or condition affecting any aspect of the Property. This indemnification shall survive the Close of Escrow or earlier termination of this Agreement. Buyer may not conduct intrusive physical testing at the Property without Seller's prior consent (which may not unreasonably be withheld or delayed). Seller shall use commercially reasonable efforts to provide Buyer, as soon as possible during the Investigation Period, an estoppel from the owner's association or Declarant, if applicable, with respect to CC&Rs governing the Property, in form and substance reasonably prescribed by Buyer, indicating the amount of regular and special assessments, the association's contemplation of any new assessments or changes to the existing assessments, confirmation that all dues and assessments are paid current, and indicating any violations or potential violations of the CC&Rs by Seller or the Property.

If Buyer determines, in Buyer's sole discretion, that it is feasible for Buyer to purchase the Property, Buyer shall deliver to Seller written notice waiving or approving of this due diligence condition (the "Approval Notice") on or before the expiration of the Investigation Period. If Buyer delivers fails to deliver

the Approval Notice to Seller before the expiration of the Investigation Period, then this Agreement shall terminate, Escrow Holder shall return the Deposit to Buyer (less 1/2 of the escrow and title cancellation charges), and Seller and Buyer shall be released from all obligations under this Agreement, except for the obligations to (a) pay 1/2 of the escrow and title cancellation charges, (b) indemnify as expressly set forth in this Agreement to survive such termination, and (c) maintain confidentiality as required under this Agreement. Immediately after the expiration of the Investigation Period, provided that Buyer has delivered a Approval Notice to Seller, the Deposit shall become nonrefundable liquidated damages in the event of Buyer's breach as specifically provided in Article 9 below.

(b) Title. Promptly after the mutual execution of this Agreement, Buyer shall obtain at its sole cost (and Seller shall facilitate) a preliminary report for the Property issued after the date of this Agreement by Title Company, along with legible copies of all documents referenced therein (the "Title Report") and an update and recertification of the Existing Survey. Buyer has until the fifth day before expiration of the Investigation Period (the "Title Review Deadline") to approve or disapprove the status of title to the Property. If Buyer disapproves of any of the exceptions to title identified in the Title Report or on any survey ("Disapproved Title Exception") and evidences its disapproval by giving written notice of such disapproval to Seller on or before the Title Review Deadline, then Seller shall have until the third business day after receipt of Buyer's notice of Disapproved Title Exceptions to notify Buyer and Escrow Holder as to any of the Disapproved Title Exceptions that Seller elects (in its sole and absolute discretion) to cure, or cause to be eliminated from the Title Policy, on or before the Close of Escrow. In the event Seller fails to deliver such notice to Buyer and Escrow Holder, then Seller shall be deemed to have elected to not cure or cause to be eliminated from the Title Policy all of the Disapproved Title Exceptions. "Uncured Title Objections" means any Disapproved Title Exceptions with respect to which Seller does not elect (or is deemed to have not elected) to cure, or cause to be eliminated, on or before the Close of Escrow. If, as of the expiration of the Investigation Period, there remain any Uncured Title Objections, then Buyer shall, before the expiration of the Investigation Period, notify Seller and Escrow Holder of Buyer's election (in its sole and absolute discretion to either (A) waive any such Uncured Title Objection and proceed to the Close of Escrow, or (B) terminate this Agreement, in which event the Deposit shall be returned to Buyer (less 1/2 of any escrow and title charges), and Seller and Buyer shall be released from all obligations under this Agreement and neither Seller nor Buyer shall have any rights under this Agreement, except for the obligations to (i) pay any escrow cancellation and title charges, (ii) indemnify as expressly set forth in this Agreement to survive such termination, and (iii) maintain confidentiality as required under this Agreement. If Buyer fails to timely make the election under clause (A) or (B), then Buyer shall be deemed to have elected to terminate this Agreement in accordance with the preceding clause (B). Any Uncured Title Objections which Buyer waives under clause (A) above shall be deemed to be approved by Buyer as a permitted exception on the Title Policy. Notwithstanding the foregoing, Seller shall eliminate, before the Close of Escrow, all of the following (except for those unknown to Seller as of the date of this Agreement that were not caused or permitted by Seller or its agents and except for the lien of the Existing Loan if Buyer assumes the Existing Loan in accordance with this Agreement): monetary encumbrances, notices of pending actions, mechanic's and design professional liens, all special assessments, all taxes and regular assessments due or payable before the Close of Escrow (including any assessments that may be paid in full before the Close of Escrow), and possessory rights of others (other than NBI under the NBI Lease), and Buyer need not specifically disapprove of the foregoing because they are deemed "Disapproved Title Exceptions" that are not Uncured Title Objections.

Before the Close of Escrow, Title Company must be unconditionally committed to issue Buyer, as of the Close of Escrow, a 2006 ALTA Extended Coverage Owner's Policy of Title Insurance, insuring Buyer in the amount of the Purchase Price that title to the Real Property is vested in Buyer on the Close of Escrow, subject only to those exceptions to title described in the Title Report other than the Disapproved Title Exceptions (except for the Uncured Title Objections to the extent deemed approved by Buyer in the preceding paragraph), and to any items caused or permitted to be placed of record by Buyer as of the Close of Escrow, and, unless Buyer provides the Title Company with an ALTA survey of the Real

Property acceptable to the Title Company, a general exception for matters that would be revealed by a current survey of the Real Property(the "Title Policy").

(c) No Breach, Adverse Actions or Changes. The representations and warranties of Seller contained in this Agreement must have been accurate and complete in all respects when made, and be accurate and complete in all respects as of the Closing Date and Seller must have performed all of its obligations under this Agreement. As of the Closing Date, there may not then be pending or threatened, any material litigation, administrative proceeding, investigation or other form of governmental enforcement, executive or legislative proceeding in any way related to, directed at or otherwise affecting the use, operation or occupancy of any portion of the Property. If Buyer elects to assume the Existing Loan, the holder of the Existing Loan must have executed the applicable Assumption Documents.

(d) Release from Contracts. Seller shall have provided Buyer with copies of the termination notices sent by Seller to terminate the Terminable Contracts**.**

Any one or more of the foregoing Buyer's Conditions may be waived by Buyer on or before the Closing Date, but no such waiver is effective unless specifically contained in a written instrument executed by Buyer and delivered to Seller or Escrow Holder. No waiver may be implied from any act or omission of Buyer nor may a waiver of any one item constitute a waiver of any other item.

3.2. Condition's Precedent Benefiting Seller. Seller's obligations under this Agreement are subject to the satisfaction of, or Seller's written waiver or approval of, the following condition precedent: Buyer shall have duly performed each and every undertaking and agreement to be performed by Buyer under this Agreement, including without limitation delivering to Escrow Holder the documents and funds described in this Agreement.

3.3 Failure of Conditions Precedent. If any condition precedent set forth in this Article 3 is neither satisfied nor waived by the Closing Date, then the party benefited by such condition may terminate the Escrow and this Agreement by giving a written notice of termination to the other party and to Escrow Holder specifying the condition that has not been satisfied. Upon any such termination, any non-defaulting party shall be released from all obligations under this Agreement except for obligations to (a) pay any escrow cancellation and title charges, (ii) indemnify in the manner expressly provided for in this Agreement, and (iii) maintain confidentiality as required under this Agreement. If any condition precedent set forth in Section 3.1 is neither satisfied nor waived by the Closing Date, and provided the failure of such condition precedent is due to no breach of this Agreement by Buyer, then the Deposit shall be returned to Buyer less ½ of any escrow cancellation and title charges.

4. Buyer's Closing Deliveries. On or before the Closing Date, Buyer shall deliver to Escrow Holder (a) funds in the amount required of Buyer under this Agreement; (b) the NBI Lease executed by Buyer's Designee who is acquiring Parcel #1 at the Close of Escrow; (c) if Buyer elects to assume the Existing Loan, the Assumption Documents executed by Buyer and the holder of the Existing Loan, and (d) any documents reasonably required by Title Company or Escrow Holder to consummate the subject transaction.

5. Seller's Closing Deliveries. Seller shall deliver the following to Escrow Holder before the Closing Date: (a) a grant deed duly executed and acknowledged by Seller substantially in the form of the attached ***Exhibit E***, conveying fee simple title to the Real Property to Buyer, but with the transfer tax separately stated (the "Deed"); (b) the NBI Lease executed by NBI and an Assignment and Bill of Sale executed by Seller and substantially in the form of the attached ***Exhibit C***; (c) a customary affidavit duly executed and acknowledged by Seller, certifying under penalty of perjury Seller's United States taxpayer identification number and that Seller is not a foreign person, in accordance with Section 1445 of the Internal Revenue Code of 1986, as amended (the Foreign Investment in Real Property Tax Act) and such California FTB forms and other

customary evidence that Seller is not subject to any tax withholding requirements in connection with the transaction contemplated by this Agreement, all in a form and of a substance satisfactory to Seller; (d) an IRS Form W-9 to comply with Section 6045(e) of the Internal Revenue Code; and (e) if Buyer elects to assume the Existing Loan, the Assumption Documents executed by Seller; and (f) all assignments, reconveyances, and other documents and instruments, as reasonably requested by Buyer, that may be necessary or appropriate for Seller to comply with its obligations under this Agreement and to effect the transactions contemplated by this Agreement (in form reasonably acceptable to Seller) and all other documents reasonably required by Title Company or Escrow Holder in order to consummate the subject transaction.

6. Closing Escrow. Buyer and Seller shall reasonably cooperate to produce at least one business day prior to the Closing Date, a schedule of prorations in accordance with the provisions of this Agreement which is as complete and accurate as is then reasonably possible. All prorations which can be so reasonably estimated shall be made through the Close of Escrow. All other prorations and any adjustments to such schedule shall be made by Buyer and Seller within thirty (30) days following the Close of Escrow or such later time as may be reasonably required, in the exercise of due diligence to obtain the necessary information. Any net credit due one party from the other as the result of such post-Close of Escrow prorations and adjustments shall be paid to the other in cash immediately upon the parties' written agreement to a final schedule of post-Close of Escrow adjustments and prorations. On the Closing Date, provided all conditions to the Close of Escrow have been satisfied (or waived by the party to this Agreement who benefits from such condition), and that Escrow Holder is prepared to perform all of the following, Escrow Holder shall promptly perform all of the following (the "Close of Escrow"): (a) cause the Deed to be recorded with the Official Records of San Diego County, California; (b) pay the costs and apply the prorations in accordance with Articles 7 and 8 below; (c) cause the Title Policy to be issued and delivered to Buyer; and (d) disburse to Seller (after making appropriate adjustments for costs and prorations as provided in this Agreement), all funds deposited with Escrow Holder by Buyer in payment of the Purchase Price and disburse to Buyer all of the other deliveries of Seller made pursuant to Article 5 above. On the Close of Escrow, Seller shall deliver to Buyer possession of the Property, free of the rights of any other person or individual, other than the rights of NBI as described in the Lease

7. Costs. Seller shall pay (a) one-half of Escrow Holder's fee, (b) documentary transfer and stamp taxes, surtaxes and fees payable in connection with the recordation of the Deed, (c) the cost of the Title Policy, excluding the cost of the Extended coverage and any endorsements requested by Buyer, and (d) Escrow Holder's customary charges to a seller for document drafting, recording and miscellaneous charges. Buyer shall pay (i) one-half of Escrow Holder's fee, (ii) the cost of the additional premium charged for the Title Policy on account of the Extended Coverage and any endorsements requested by Buyer, and (iii) Escrow Holder's customary charges to a buyer for document drafting, recording and miscellaneous charges.

8. Prorations. General and special county and city real property taxes and assessments ("Taxes") must be prorated between Buyer and Seller, as of the Close of Escrow, on the basis of the actual number of days during the month in which the Close of Escrow occurs and based on the most recent official tax bills or notice of valuation available to the general public for the fiscal year in which the Close of Escrow occurs, and to the extent the tax bills do not accurately reflect the actual Taxes assessed against the Property (or any portion of the Property), then Buyer and Seller shall adjust such actual Taxes between Buyer and Seller, outside of Escrow, as soon as reasonably possible following the Close of Escrow. Because the NBI Lease is a triple-net lease, no items other than Taxes will be prorated between Buyer and Seller.

9. **LIQUIDATED DAMAGES. IF BUYER BREACHES THIS AGREEMENT RESULTING IN THE FAILURE OF ESCROW TO CLOSE, THEN SELLER WILL BE DAMAGED AND WILL BE ENTITLED TO COMPENSATION FOR THOSE DAMAGES. SUCH DAMAGES WILL, HOWEVER, BE EXTREMELY DIFFICULT AND IMPRACTICAL TO ASCERTAIN FOR THE FOLLOWING REASONS: (1) DAMAGES TO WHICH SELLER**

WOULD BE ENTITLED IN A COURT OF LAW WILL BE BASED IN PART ON THE DIFFERENCE BETWEEN THE ACTUAL VALUE OF THE PROPERTY AT THE TIME SET FOR THE CLOSE OF ESCROW AND THE PURCHASE PRICE AS SET FORTH IN THIS AGREEMENT; (2) PROOF OF THE AMOUNT OF SUCH DAMAGES WILL BE BASED ON OPINIONS OF VALUE OF THE PROPERTY, WHICH CAN VARY BY SIGNIFICANT AMOUNTS; AND (3) IT IS IMPOSSIBLE TO PREDICT AS OF THE DATE OF THE EXECUTION OF THIS AGREEMENT WHETHER THE VALUE OF THE PROPERTY WILL INCREASE OR DECREASE AS OF THE DATE SET FOR THE CLOSE OF ESCROW. BUYER AND SELLER DESIRE TO FIX THE AMOUNT OF DAMAGES FOR WHICH BUYER MIGHT BE LIABLE SHOULD BUYER BREACH THIS AGREEMENT. BUYER AND SELLER WISH TO AVOID THE COSTS AND LENGTHY DELAYS WHICH WOULD RESULT IF SELLER FILED A LAWSUIT TO COLLECT ITS DAMAGES FOR A BREACH OF THIS AGREEMENT. THEREFORE, IF ESCROW FAILS TO CLOSE DUE TO BUYER'S DEFAULT UNDER THIS AGREEMENT, BUYER'S DEPOSIT, TOGETHER WITH ANY INTEREST THEREON, SHALL BE DEEMED TO CONSTITUTE A REASONABLE ESTIMATE OF SELLER'S DAMAGES UNDER THE PROVISIONS OF SECTION 1671 OF THE CALIFORNIA CIVIL CODE AND SELLER'S EXCLUSIVE REMEDY IF ESCROW FAILS TO CLOSE AS A RESULT OF BUYER'S DEFAULT AND BUYER HAS NO OTHER LIABILITY TO SELLER UNDER THIS AGREEMENT FOR DAMAGES, SPECIFIC PERFORMANCE OR OTHERWISE (AND SELLER ACCORDINGLY WAIVES CALIFORNIA CIVIL CODE SECTIONS 1680 AND 3389); PROVIDED, HOWEVER, THAT THE PARTIES AGREE THAT, IN NO EVENT, SHALL THIS LIQUIDATED DAMAGES PROVISION LIMIT ANY REMEDIES SELLER HAS WITH RESPECT TO ANY BREACH OF BUYER'S OBLIGATIONS UNDER ANY OF THE INDEMNITY PROVISIONS OF THIS AGREEMENT OR TO SELLER'S RIGHT TO ATTORNEYS' FEES AND COSTS IN ENFORCING THIS PROVISION. BECAUSE THE BENEFITS TO SELLER AND BUYER OF THIS LIQUIDATED DAMAGES PROVISION WOULD BE LOST IF, AFTER A BREACH BY BUYER, BUYER DISPUTES THE FACT OF SUCH BREACH, THE LIQUIDATED DAMAGES SHALL CONSTITUTE SELLER'S EXCLUSIVE REMEDY IF, BUT ONLY IF, AFTER A BREACH OF BUYER'S OBLIGATIONS HEREUNDER, BUYER DOES NOT DISPUTE THE FACT OF SUCH BREACH OR SELLER'S RIGHT TO THE LIQUIDATED DAMAGES. IF BUYER DOES DISPUTE THE FACT OF SUCH BREACH, SELLER SHALL BE ENTITLED EXERCISE ALL OTHER AVAILABLE REMEDIES.

BY INITIALING THIS PROVISION IN THE SPACES BELOW, SELLER AND BUYER EACH SPECIFICALLY AFFIRM THEIR RESPECTIVE AGREEMENTS CONTAINED IN THIS SECTION 9.

/s/ DR	/s/ TC
Buyer's Initials	**Seller's Initials**

10. Buyer's Representation and Warranties. The matters set forth in this Section 10 constitute representations and warranties by Buyer which shall be true and correct as of the mutual execution of this Agreement and, except as otherwise disclosed to Seller, as of the Close of Escrow.

10.1 Authority. The execution and delivery of this Agreement have been duly authorized and approved by all requisite action and the consummation of the transactions contemplated have been duly authorized and approved by all requisite action of Buyer, and no other authorizations or approvals will be necessary in order to enable Buyer to enter into or to comply with the terms of this Agreement. The person(s) signing this Agreement and any documents and instruments in connection herewith on behalf of

Buyer have full power and authority to do so, and upon delivery to and execution by Seller this Agreement shall be a valid and binding obligation of Buyer.

10.2 No Violation. To the best of Buyer's actual knowledge without investigation or inquiry, the execution, delivery and performance by Buyer of this Agreement and such other instruments and documents to be executed and delivered in connection herewith does not, and will not, result in any violation of or conflict with any provisions of any agreement of Buyer or any mortgage, deed of trust, indenture, lease, security agreement, or other instrument, covenant, obligation, or agreement to which Buyer is subject.

10.3 OFAC. Buyer and its owner(s) with more than a 25% ownership interest in Buyer (i) are currently and have been at all times in full compliance with all Patriot Act Related Laws, and (ii) are not and have never been a Person (A) that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order, (B) owned or controlled by, or acting for or on behalf of, any Person that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order, (C) with whom a party is prohibited from dealing or otherwise engaging in any transaction by any anti-money laundering law, (D) who commits, threatens or conspires to commit or support "terrorism" as defined in the Executive Order, (E) that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Department of the Treasury, Office of Foreign Assets Control at its official website, http://www.ustreas.gov/offices/enforcement/ofac/ or at any replacement website or other replacement official publication of such list, or (F) who is an Affiliate of a Person listed above. ***"Executive Order***" means Executive Order No. 13224 — Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001, as amended from time to time. "***Patriot Act***" means Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107 56). "***Patriot Act Related Laws***" means those laws, regulations, orders and sanctions, state and federal, criminal and civil, that (a) limit the use and/or seek the forfeiture of proceeds from illegal transactions, (b) limit commercial transactions with designated countries or individuals believed to be terrorists, narcotic dealers or otherwise engaged in activities contrary to the interests of the U.S., (c) require identification and documentation of the parties with whom a financial institution conducts business, or (d) are designed to disrupt the flow of funds to terrorist organizations. For purposes of clarification, Patriot Act Related Laws shall be deemed to include the Executive Order, the Patriot Act, the Bank Secrecy Act (31 U.S.C. §§ 5311 et seq.), the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 et seq.), the Trading with the Enemy Act (50 U.S.C. Appx. 1 et seq.), the Cuban Democracy Act (22 U.S.C.§§ 6001-10), the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act (22 U.S.C. 6021-91), the Iraq Sanctions Act of 1990 (Pub. L. 101-513), the Terrorism Sanctions Regulations (31 C.F.R. Part 595), the Antiterrorism and Effective Death Penalty Act of 1996 (8 U.S.C. § 1189, 18 U.S.C. § 2332b and 18 U.S.C. § 2332d), the Terrorism List Governments Sanctions Regulations (31 C.F.R. Part 596), the Foreign Terrorist Organizations Sanctions Regulations (31 C.F.R. Part 597), the United Nations Participation Act (22 U.S.C. § 287c), and the International Security and Development Cooperation Act (22 U.S.C. §§ 2349 aa-9); each as amended, and the sanctions regulations promulgated pursuant to the foregoing by the Office of Foreign Assets Control of the U.S. Department of Treasury, as well as laws relating to prevention and detection of money laundering in Sections 1956 and 1957 of Title 18 of the U.S. Code, as amended.

10.4 AS IS SALE. **Buyer represents and warrants that it is purchasing the Property in its "as-is" condition in reliance solely on Buyer's inspection of the Property, the materials provided to buyer in accordance with this agreement, and the covenants, representations, warranties and deliveries contemplated by this agreement. Buyer represents and warrants that before expiration of the Investigation Period Buyer will have performed all of its due diligence investigations of and with respect to the Property as Buyer deems appropriate. Subject to Seller's express representations, warranties and covenants under this**

AGREEMENT AND THE NBI LEASE, ON THE CLOSE OF ESCROW, BUYER ACCEPTS THE PROPERTY AND ALL MATTERS RELATING TO THE PROPERTY IN THEIR "AS IS" CONDITION OR STATUS AS OF THE CLOSING DATE, INCLUDING WITHOUT LIMITATION SUCH MATTERS AS: PHYSICAL, MECHANICAL, ELECTRICAL, PLUMBING, ENVIRONMENTAL, SOILS AND GEOLOGICAL CONDITIONS; TOPOGRAPHY, MARKET CONDITIONS, LAND USE PROSPECTS, AREA AND CONFIGURATION OF THE PROPERTY; EXISTENCE OF ANY HAZARDOUS OR TOXIC SUBSTANCES OR MATERIALS; ANY EASEMENT, LICENSE OR ENCROACHMENT, WHETHER OR NOT A MATTER OF PUBLIC RECORD, AND WHETHER OR NOT VISIBLE UPON INSPECTION OF THE PROPERTY; ZONING AND OTHER LAND USE REGULATIONS APPLICABLE TO THE PROPERTY; EXISTENCE OF SENSITIVE OR ENDANGERED HABITAT, PLANT LIFE OR ANIMAL OR OTHER ORGANISM LIFE; EXISTENCE OF CULTURAL RESOURCES; AND ANY OTHER MATTER RELATING TO THE PROPERTY INCLUDING, BUT NOT LIMITED TO, VALUE, TITLE, INCOME, FEASIBILITY, COST, MARKETING AND INVESTMENT RETURN. BUYER ACKNOWLEDGES AND AGREES THAT SELLER IS NOT MAKING, AND BUYER DISCLAIMS AND WAIVES AND RELEASES SELLER FROM, ANY EXPRESS OR IMPLIED REPRESENTATIONS, WHETHER ORAL OR WRITTEN OF ANY NATURE WHATSOEVER, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT. BUYER HEREBY ACKNOWLEDGES THAT SELLER HAS NOT MADE AND DOES NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING THE TRUTH, ACCURACY OR COMPLETENESS OF THE THIRD PARTY DUE DILIGENCE DOCUMENTS OR THE SOURCES THEREOF.

10.5 Waiver Regarding Natural Hazards Disclosure. Buyer hereby knowingly, voluntarily and intentionally waives the right to the disclosures set forth in any of the following: (i) California Government Code Section 8589.4; (ii) California Government Code Section 51183.4 (fire hazard severity zone); (iii) California Public Resource Code Section 2621.9 (earthquake fault zone); (iv) California Public Resource Code Section 2694 (seismic hazard zone); and (v) California Public Resource Code Section 4136 (wildland area). Buyer acknowledges and represents that it has extensive experience acquiring, and conducting due diligence, regarding commercial properties. This waiver by Buyer of any rights it may have has been negotiated and is an essential aspect of the bargain between the parties.

11. Seller's Representations and Warranties. Seller represents that, as of the opening of Escrow, except for the Due Diligence Documents, it has no current actual knowledge, of any other material documents in Seller's possession or control that affect or relate to the Property other than the following confidential proprietary materials of Seller, which Seller shall not disclose to Buyer (the "Confidential Materials"): internal financial projections, internal memoranda, correspondence or other written communications between or among the entities comprising Seller or their respective affiliates (other than those relating to the condition of the Property); appraisals and/or economic valuations of the Property; letters of intent; drafts of purchase and sale agreements or the purchase and sale agreement pursuant to which Seller acquired title to the Property or any portion thereof (and Seller shall have the right to redact from any documents any reference to the purchase price that Seller paid for the Property); attorney-client privileged materials. Seller represents that the Due Diligence Documents include, as of the date of this Agreement to Seller's knowledge, all of the following (but excluding the Confidential Materials): (a) to the extent they relate to any aspect of the Property and are within Seller's (or its agent's, employee's, or contractor's) possession or control, copies of all existing permits, approvals, certificates, notices, applications of or to (or agreements with) governmental or quasi-governmental entities, surveys (including the 2004 ALTA survey of the Property [the "Existing Survey"]), studies, reports (including the 2004 phase 1 environmental assessment report for the Property), maps, plans, specifications, drawings, and any agreements or instruments affecting or secured by any aspect of the Property (including the Existing Loan Documents and all related modifications or waivers); (b) all books and records for the Property, including records of all capital improvements, income, and operating expenses for calendar years 2004-2006 and year-to-date 2007; (c) current tax and assessment bills and statements and all utility invoices for calendar years 2004-2006, and year-to-date 2007; and (d) a list of all maintenance and service vendors and contracts and a copy of all such written contracts. Seller represents and

warrants to its knowledge that Schedule 3 to the attached ***Exhibit C*** is a complete inventory of all material tangible personal property (but not fixtures) owned by Seller and used exclusively in connection with the ownership or operation of the Real Property. Seller represents that no representation, warranty or statement of Seller in this Agreement or made by Seller in any document furnished or to be furnished to Buyer pursuant to this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statement of facts contained in any document not materially misleading. If Seller becomes aware of a material adverse change in such information before the Close of Escrow, Seller shall immediately notify Buyer of such change. Seller specifically represents and warrants that the following are complete and accurate in all material respects as of the date of this Agreement:

(a) To the best of Seller's knowledge, the building and related improvements including the roof, HVAC and mechanical systems, plumbing system, sprinkler system, electrical system (including panels) and security system are free from material defects and are in good repair and operating condition and will be so as of the closing. To the best of Seller's knowledge, there are no material structural defects in the foundation, building and roof. To the best of Seller's knowledge, there are no material and adverse geological or soil conditions affecting the Property.

(b) Seller has no actual knowledge of any aspect or condition of the Property that violates applicable laws, rules, regulations, codes, covenants or restrictions, or of improvements or alterations made to the Property without a permit where one was required, or of any unfulfilled order or directive of any applicable governmental agency, or of any casualty insurance company that any work of investigation, remediation, repair, maintenance or improvements are to be performed on the Property.

(c) To the best of Seller's knowledge, (i) there are no Hazardous Materials on the Property that are in violation of any environmental laws, (ii) no Hazardous Materials have been used, treated, stored or deposited on the Property that are in violation of any environmental laws, (iii) no Hazardous Materials have percolated from the Property onto adjacent property, and (iv) no summons, citations, directive, order, notice or other communication have been issued to Seller arising out of the presence of Hazardous Materials on the Property in violation of any environmental laws. The term "Hazardous materials" is used herein in its very broadest sense and includes, but is not limited to, petroleum based products, paints and solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonium compounds, asbestos, PCBs and other chemical products.

(d) To the best of Seller's knowledge, (i) no actions, suits or proceedings are pending or threatened before any governmental department, commission, board, bureau, agency or instrumentality that would affect the Property or the right to occupy or utilize it, and (ii) there is no litigation pending or threatened with any other party that would affect the Property, or the right to occupy or utilize it, i.e., motor homes and portable storage units.

(e) The execution and delivery of this Agreement have been duly authorized and approved by all requisite action and the consummation of the transactions contemplated have been duly authorized and approved by all requisite action of Seller, and no other authorizations or approvals will be necessary in order to enable Seller to enter into or to comply with the terms of this Agreement. The person(s) signing this Agreement and any documents and instruments in connection herewith on behalf of Seller have full power and authority to do so, and upon delivery to and execution by Buyer this Agreement shall be a valid and binding obligation of Seller.

When used in this Agreement, Seller's "knowledge" or "to the best of Seller's knowledge" and similar phrases mean the actual knowledge of Tim Coughlin, Fred Caltabiano, and Keith Harrison, without any independent duty to investigate (and Seller represents that these three men are the agents or employees of Seller with as much material knowledge about the Property as any other agent or employee of Seller.)

Seller's aggregate liability for breach of any such representations and warranties discovered by Buyer after the Close of Escrow (with Buyer's being deemed to waive any breach discovered or known by Buyer prior to the Close of Escrow as provided in Article 12 below) shall be limited to $2,000,000, but in no event shall any liability arise in connection therewith unless and except to the extent that the direct damages to Buyer of all such claims, collectively, exceed $25,000. Any suit, action or proceeding brought by Buyer against Seller with respect to such claim must be commenced and served, if at all, on or before the date that is two years after the date of the Close of Escrow, and if not commenced and served on or before such date, thereafter shall be void and of no force or effect. In no event shall Seller be liable to Buyer for any exemplary or punitive damages and in every case Buyer's recovery for any claims shall be net of any insurance proceeds and any indemnity, contribution or similar payment recovered or recoverable by Buyer from any insurance company or other third party.

12. Default by Seller. If at any time before the Close of Escrow Buyer learns that Seller breached one of its representations or warranties under Article 11 of this Agreement, then before the Close of Escrow Buyer shall give written notice to Seller of the alleged claim and Buyer's election to either: (a) waive the default and claim in its entirety and proceed with this Agreement and the Close of Escrow; or (b) terminate this Agreement, waive any right to acquire the Property, and pursue only damages against Seller in an amount limited to the sum of the unreturned Deposit and plus $1 million.

13. Operation of Property. At all times during the term of Escrow, Seller shall operate, maintain, and repair the Property in a commercially reasonable manner and in conformity with Seller's current and previous practices. Until the termination of this Agreement, Seller may not modify or extend or enter into any lease or agreement with respect to any portion of the Property without Buyer's prior written consent (which may be withheld in Buyer's absolute unfettered discretion).

14. Casualty or Condemnation. If before the Close of Escrow any portion of the Property is condemned or suffers a casualty, the result of which is loss to the Property of more than $250,000, Buyer may terminate this Agreement by giving written notice of termination to Seller within 10 days after learning of the casualty or condemnation (unless, if the amount of the loss is less than $1 million, Seller credits Buyer at the Close of Escrow, or establishes an escrow at the Close of Escrow, to ensure restoration from such casualty or condemnation). If the Property suffers a casualty, the loss of which is $250,000 or less, or if Buyer fails to timely terminate this Agreement in accordance with the preceding sentence, this Agreement will continue in full force, except that the Purchase Price will be reduced by any insurance and condemnation proceeds received before the Close of Escrow by Seller on account of the casualty or condemnation and by the amount of any insurance deductible; and any similar proceeds payable after the Close of Escrow will be assigned to Buyer.

15. Designee. Buyer may, at its election, on or before the Closing Date, assign to one or two partnerships, corporations, trusts or other entities designated by Buyer ("Designee") in which Buyer or its owner holds an ownership or profits interest and for which Buyer (or Veralliance Properties, Inc. or an entity under common control with such corporation) is the property manager with respect to the Property (without Seller's approval) or to another Designee of which Seller approves (which approval may not unreasonably be withheld), all of Buyer's right, title, and interest in, to, and under this Agreement and the Escrow, provided that the assignment is in writing and the Designee(s) expressly assumes in writing all of Buyer's obligations under this Agreement and the Escrow. If Buyer assigns this Agreement in accordance with the preceding sentence, then from and after such assignment, (a) Buyer (as used in this Agreement) means the Designee(s), and (b) the assignor is released from any liability under this Agreement and the Escrow. If Buyer designates one Designee as to Parcel #1 and another Designee as to Parcels #2 and #3, the parties shall cooperate (at

Buyer's expense) to coordinate two concurrent closings at the Close of Escrow, including execution of two sets of closing documents. This Agreement binds and inures to the benefit of the successors and assigns of the parties to this Agreement.

16. Like-Kind Exchange. Buyer shall cooperate with Seller in effecting a tax-deferred exchange of the Property under Section 1031 of the Internal Revenue Code so long as Buyer incurs no un-reimbursed additional costs or liabilities, and so long as the Close of Escrow is not delayed. Similarly, Seller shall cooperate with Buyer in effecting a tax-deferred exchange of the Property under Section 1031 of the Internal Revenue Code so long as Seller incurs no un-reimbursed additional costs or liabilities, and so long as the Close of Escrow is not delayed.

17. Miscellaneous.

17.1. Governing Law, Venue and Jurisdiction. This Agreement is governed by and construed in accordance with the laws of the State of California. All actions and proceedings arising in connection with this Agreement must be tried and litigated exclusively in the State and Federal courts located in the County of San Diego, State of California, which courts have personal jurisdiction and venue over each of the parties to this Agreement for the purpose of adjudicating all matters arising out of or related to this Agreement. Each party authorizes and accepts service of process sufficient for personal jurisdiction in any action against it as contemplated by this paragraph by registered or certified mail, return receipt requested, postage prepaid, to its address for the giving of notices set forth in this Agreement.

17.2. Further Assurances. Each party to this Agreement shall execute and deliver all instruments and documents and take all actions as may be reasonably required or appropriate to carry out the purposes of this Agreement.

17.3. Attorney's Fees. The prevailing party in any litigation, arbitration, bankruptcy, insolvency or other proceeding ("Proceeding") relating to the enforcement or interpretation of this Agreement may recover from the unsuccessful party all costs, expenses, and actual attorney's fees (including expert witness and other consultants' fees and costs) relating to or arising out of (a) the Proceeding (whether or not the Proceeding proceeds to judgment), and (b) any post-judgment or post-award proceeding including, without limitation, one to enforce or collect any judgment or award resulting from the Proceeding. All such judgments and awards shall contain a specific provision for the recovery of all such subsequently incurred costs, expenses, and actual attorney's fees.

17.4. Interpretation. The terms "includes" and "including" do not imply any limitation. No remedy or election under this Agreement is exclusive, but rather, to the extent permitted by applicable law, each such remedy and election is cumulative with all other remedies at law or in equity. The covenants, conditions, representations and warranties of this Agreement survive the Closing Date and the recordation and delivery of the Deed. Each provision of this Agreement is valid and enforceable to the fullest extent permitted by law. If any provision of this Agreement (or the application of such provision to any person or circumstance) is or becomes invalid or unenforceable, the remainder of this Agreement, and the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, are not affected by such invalidity or unenforceability. The rule of construction that ambiguities are to be resolved against the drafting party may not be employed in the interpretation of this Agreement or any amendment to this Agreement. This Agreement may be modified only by a contract in writing executed by the party to this Agreement against whom enforcement of the modification is sought. Any waiver of a default or provision under this Agreement must be in writing. No such waiver constitutes a waiver of any other default or provision concerning the same or any other provision of this Agreement. No delay or omission by a party in the exercise of any of its rights or remedies constitutes a waiver of (or otherwise impairs) such right or remedy. A consent to or approval of an act does not waive or render unnecessary the consent to or

approval of any other or subsequent act. The obligations and liability of Seller under this Agreement are the joint and several obligations of each of them.

17.5. Notices. Each notice and other communication required or permitted to be given under this Agreement ("Notice") must be in writing. Notice is duly given to another party upon: (a) hand delivery to the other party, (b) when sent by facsimile to the address and number for such party set forth below, provided that the contents of such facsimile are concurrently dispatched pursuant to method described in the following subclause (c) or (c) the next business day after the Notice has been deposited with a reputable overnight delivery service, postage prepaid, addressed to the party as set forth below with next-business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery-service-provider. Each party shall make a reasonable, good faith effort to ensure that it will accept or receive Notices to it that are given in accordance with this paragraph. A party may change its address for purposes of this paragraph by giving the other party written notice of a new address in the manner set forth above.

17.6. Third Party Beneficiaries and Brokers. Nothing in this Agreement is intended to confer any rights or remedies on any person or entity other than the parties to this Agreement and their respective successors-in-interest and permitted assignees. Each party to this Agreement represents that no real estate or business broker, agent, finder, or other person is responsible for bringing about or negotiating this Agreement other than the Broker and that such party has not dealt with any real estate broker, agent, finder, or person (other than the Broker) relative to this Agreement in any manner. Each party to this Agreement shall defend, indemnify, and hold harmless the other party to this Agreement against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims arising from (a) any breach of such representation by such indemnifying party set forth in the preceding sentence, and (b) any claims that may be made against such indemnified party by any real estate broker, agent, finder, or other person alleging to have acted on behalf of or to have dealt with such indemnifying party.

17.7 Confidentiality. Except as required by applicable law, Buyer shall maintain as confidential and not disclose any and all material that is not a public record obtained about Seller's or Seller's affiliate's business. Notwithstanding anything to the contrary in this Agreement, Buyer shall have the right to disclose information to the extent relating solely to the Property or this Agreement. This Section 17.7 shall survive the termination of this Agreement.

17.8 Release.

(a) Except for a breach by Seller of any representation, warranty or covenant of Seller in this Agreement, Buyer and anyone claiming by, through or under Buyer hereby waives its right to recover from and fully and irrevocably releases Seller and its Affiliates from any and all claims that it may now have or hereafter acquire against any Seller or any of its Affiliates for any costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to any defects, errors, omissions or other conditions, latent or otherwise, any environmental matters affecting the Property, and any right of contribution or private right that Buyer may now or hereafter acquire against Seller under Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sec. 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Toxic Substances Control Act, 15 U.S.C., Section 2601 et seq.; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 et seq.; and in the regulations adopted and publications promulgated pursuant to such laws or any other federal, state or local environmental law, rule or regulation. This release includes claims of which Buyer is presently unaware or which Buyer does not presently suspect to exist which, if known by Buyer, would materially affect Buyer's release of Seller.

(b) Buyer specifically waives the provision of California Civil Code Section 1542, and any similar law of the state in which the Property is located. Section 1542 provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

(c) In this connection and to the extent permitted by law and except as limited in this Agreement, Buyer hereby agrees, represents and warrants that Buyer realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown to Buyer and unanticipated and unsuspected by Buyer, and Buyer further agrees, represents and warrants that the waivers and releases in this Agreement have been negotiated and agreed upon in light of that realization and that Buyer nevertheless hereby intends to release, discharge and acquit Seller to the extent set forth in subclause (b) above from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which might in any way be included as a material portion of the consideration given to Seller by Buyer in exchange for Seller's performance under this Agreement but excluding intentional misrepresentation.

(d) This release does not apply to any claims that Seller may have against, or warranties, express or implied, that Seller has received or may receive from, those contractors, suppliers, materialmen and consultants retained by Seller in connection with the design, construction, grading and installation of improvements on the Property; and Seller hereby assigns and transfers to Buyer, on a non-exclusive basis, any rights of Seller to pursue any such claims or warranties, to the extent they apply to the Property. Seller hereby reserves from this assignment the right, without the obligation, to pursue any such claims or warranties which Seller may have and other work or services performed, but not to the derogation of Buyer's rights pursuant to the assignment contained in this paragraph.

(e) The provisions of this Section 17.8 shall survive the Close of Escrow or any earlier termination of this Agreement.

(f) Seller and Buyer have each initialed this Section 17.8 below to further indicate their awareness and acceptance of each and every provision of this Section 17.8.

/s/ DR	**/s/ TC**
Buyer's Initials	Seller's Initials

17.9 Bankruptcy. Buyer agrees that upon the occurrence of any of the following conditions or events (i) Buyer shall be deemed to be in default under this Agreement, (ii) this Agreement shall not become an asset in any of such proceedings, (iii) in addition to all other available remedies, it shall be lawful for Seller to declare this Agreement terminated, and (iv) Buyer shall have no further claim on the Property under this Agreement or otherwise and no right to the return of any payments or expenses incurred pursuant to this Agreement:

(a) All or substantially all of Buyer's assets are placed in the hands of a receiver or trustee.

(b) Buyer makes an assignment for the benefit of creditors.

(c) Buyer is adjudicated a bankrupt company.

(d) Buyer institutes any proceeding under the United States Bankruptcy Code or under any amendment thereto which may hereafter be enacted, or under any other act relating to the subject of bankruptcy wherein Buyer seeks to be adjudicated a bankrupt, or to be discharged of its debts, or to effect a plan of liquidation, composition or reorganization.

(e) Any involuntary proceeding be filed against Buyer under any such bankruptcy laws and Buyer consents thereto or acquiesces therein by pleading or default.

(f) Substantially all of Buyer's assets are attached or seized by judicial order.

SELLER: **Neurocrine Biosciences, Inc**., a Delaware corporation

By: /s/ Timothy P. Coughlin

Timothy P. Coughlin, its VP CFO

By: _____

_____, its _____

Address for Notices:
12790 El Camino Real, San Diego, CA 92130; Attention Tim Coughlin; Fax No. (858) 617-7605; *with a copy to:* Cooley Godward Kronish LLP, 4401 Eastgate Mall, San Diego, CA 92121; Attention Samantha M. LaPine, Fax No. (858) 550-6420

Science Park Center, LLC, a Delaware limited liability company
By: Neurocrine Biosciences, Inc., a Delaware corporation, its Manager

By: /s/ Timothy P. Coughlin

Timothy P. Coughlin , its VP CFO

Address for Notices:
c/o Neurocrine Biosciences, Inc., 12790 El Camino Real, San Diego, CA 92130; Attention Tim Coughlin; Fax No. (858) 617-7605; *with a copy to:* Cooley Godward Kronish LLP, 4401 Eastgate Mall, San Diego, CA 92121; Attention Samantha M. LaPine, Fax No. (858) 550-6420

BUYER: **Veralliance Properties, Inc**., a California corporation

By: /s/ Daniel Ryan
Daniel Ryan, President

Address for Notices: 8910 University Center Lane, Suite 630, San Diego, CA 92122; Attention Dan Ryan, Fax: (858) 643-0062

Exhibit "A"

LANDLORD:	Buyer, or its assignee.
TENANT:	Neurocrine Biosciences, Inc.
PREMISES:	The entirety of the buildings located on Parcel #1 ("Building 1" and "Building 2"). In the event that an office building is constructed on Parcels #2 and #3 ("Building 3") and a third party tenant occupies Building 3, Neurocrine and that tenant would share the use of, and split the rent/subsidy on, the approximately 8,522 sq. ft. cafeteria within the leased premises on a pro rata basis and Landlord will take over management and maintenance of such cafeteria. The total leased square footage in this scenario is approximately 207,415. All square footage shall be confirmed per the most recent BOMA calculations.
LEASE TERM:	The lease term shall commence upon Close of Escrow continuing for ten (10) years.
RENTAL RATE:	The base rental rate for the premises shall be three dollars and five cents ($3.05) per square foot, per month, NNN.
ESCALATIONS:	The base rental rate shall be increased annually by a fixed three percent (3%).
TI ALLOWANCE:	The space shall be accepted in its "as is" condition with no improvements being required.
SIGNAGE:	All of the existing signage shall remain in place and no additional signage shall be installed. All maintenance and eventual removal of said signage shall be borne exclusively by Tenant.
PARKING:	Tenant shall be allotted all of the existing subterranean parking under the lab/R&D building and the office buildings. Additionally, Tenant shall have the right to its pro-rata share of those spaces in the surface lot up to a cumulative total of three (3) spaces per 1,000 usable square feet of space leased. All such parking shall be at no charge to Tenant during the original lease term and all extensions.
NNN EXPENSES:	Tenant shall pay 100% of the triple-net expenses including a three and one-half percent (3.5%) management fee, in accordance with provisions negotiated in the lease. Tenant's payment of the management fee shall be based only on the rent and not on NNN expenses. The parties will agree as to which NNN expenses Tenant will pay directly to the providers of such services. Tenant will have the right to audit NNN expenses, to be more particularly described in the lease.
MAINTENANCE/ REPAIR:	Landlord will repair and maintain the common areas, all of the building structure, roof, walls, and the main building systems. Tenant is to repair and maintain the interior of the Premises. Upon the exercise of any purchase right, the unamortized amount of any capital improvements made by Landlord will be factored into the amount.
DEPOSIT:	Tenant shall pay a security deposit equal to nine (9) months of base rent. If permitted by the lender, the security deposit will be held in an interest bearing account. Tenant shall have the option to deposit a commercially reasonable letter of credit in lieu of a cash security deposit.

ASSIGNMENT/ SUBLETTING: Tenant may assign this lease or sublet all or a portion of the premises with Landlord's prior written consent, which consent shall be conditioned upon the review and approval of the assignee or sublessee's financial statements and activity and will not be unreasonably withheld. Landlord and Tenant shall share equally any profit derived from any assignment or subleasing. Notwithstanding the preceding, an assignment of sublease of all or a portion of the Premises to an "Affiliate of Tenant" (an entity which is controlled by, controls, or is under common control, with, Tenant, or that becomes a parent, successor or affiliate of Tenant or is a successor to Tenant by reason of merger, consolidation, public offering, reorganization, dissolution, or sale of stock, membership or partnership interest or assets) will not require Landlord consent.

BUILDING 3: If constructed, Landlord shall build Building 3 to complement the architectural themes currently incorporated in Buildings 1 &2. Tenant shall have reasonable approval rights during the conceptual phase to ensure compliances.

Tenant may require the following characteristics:

a) Clear heights

b) Floor loading

c) Mechanical connection planning or

d) Freight elevator may be incorporated in Building 3 to provide infrastructure for future lab development.

All direct, indirect or consequential costs of these changes will be paid by Tenant. No changes will be allowed after conceptual approval.

The Café building shall be accessible by tenants of Building 3 during normal hours of operation.

The amphitheatre may be utilized by tenants of Building 3 for normal and customary uses during the hours that the Café building is open for business. Use at any other time or for any other purpose will be subject to Tenant's reasonable approval.

EXPANSION: Tenant shall have a First Right of Refusal on all space in the future building to be constructed on the vacant land (the "Expansion Space"). In the event Landlord comes to agreed upon terms with a third party for all or a portion of the Expansion Space, Landlord shall give written notice to Tenant of the economic terms and conditions on which Landlord would be willing to lease the Expansion Space to such third party. Tenant shall have five (5) business days, after receipt of Landlord's notice, to agree in writing to lease the Expansion Space on such terms. Tenant's First Right of Refusal shall endure for twenty-four (24) months immediately following the building's completion.

RENEWAL OPTION: Tenant will be granted two (2) ten (10) year options to renew at the then prevailing rate for comparable office space in Del Mar as to Building 1, and comparable lab & office space in Torrey Pines, UTC and Sorrento Mesa to Building 2. Tenant will provide Landlord twelve (12) months written notice of their intent to renew.

OPTION TO PURCHASE: Tenant shall have a one time right to acquire Buildings 1 & 2 on the applicable "Acquisition Date" (as defined below) and a one time right to acquire Building 3 on the applicable "Acquisition Date", each under the following terms:

(i) The "Acquisition Date" for Buildings 1 & 2 shall be at the end of the sixty-sixth (66th) month of the lease term;

(ii) The "Acquisition Date" for Building 3 shall be the later of the sixty-sixth (66th) month of the lease term if undeveloped or completion of the development of Building 3 (as determined by the issuance of a certificate of occupancy) plus four (4) years;

(iii) The purchase price for Buildings 1 & 2 shall be the "appraised market value" determined in accordance with a baseball methodology up to a maximum six and three-quarters percent (6.75%) capitalization rate on the net operating income as derived from months 60-72.

(iv) The purchase price for Building 3 shall be determined as follows:

(a) If Building 3 is developed, then the Purchase Price shall be the greater of:
(A) the "appraised market value" determined in accordance with a baseball methodology up to a maximum six and three-quarters percent (6.75%) capitalization rate on the net operating income as derived from months 60-72 or the fifth (5th) year following completion (as applicable); or (B) all project costs including fees plus a fifteen percent (15%) overhead, escalated by five percent (5%) per annum.

(b) If Building 3 is not developed, then the Purchase Price for the Land (as defined in the LOI) shall be the greater of: (A) its "appraised market value" as determined by a baseball method with a third party MAI appraiser; or (B) the current deemed value of the Land ($11 million) plus the CPI for San Diego from the close of escrow until the Acquisition Date.

(v) Tenant must provide twelve (12) months advance notice (the "Exercise Date") of each applicable Acquisition Date;

(vi) Escrow shall be opened within thirty (30) days of the Exercise Date by depositing a $2,000,000 refundable deposit with Chicago Title Company.

(vii) The right to purchase is personal to Tenant and non-transferable (except to the extent of a permitted assignment to an affiliate as set forth above). The right to purchase will extinguish upon a material default by Tenant under the lease (following notice and cure period in accordance with the Lease).

Upon the exercise of any of Tenant's purchase rights, any items which were transferred to Landlord as part of the initial purchase of the property will be conveyed back to Tenant upon the close of escrow (e.g., items listed as Exhibit "C" to the purchase and sale agreement)

COMMISSIONS: None.

INSURANCE: Each party will carry customary types and levels of insurance, to be more particularly described in the lease document

PERMITTED USE: Tenant may use the Premises for customary office use including, but not limited to, general office, laboratory and research and development (and including any other uses that Tenant is currently engaged in on the Premises).

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gary A. Lyons, President and Chief Executive Officer of Neurocrine Biosciences, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neurocrine Biosciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during this period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 2, 2007

/s/ Gary A. Lyons
Gary A. Lyons
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT
TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy P. Coughlin, Vice President and Chief Financial Officer of Neurocrine Biosciences, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neurocrine Biosciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during this period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 2, 2007

/s/ Timothy P. Coughlin
Timothy P. Coughlin
Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Neurocrine Biosciences, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary A. Lyons, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 2, 2007

By: /s/ Gary A. Lyons
Name: Gary A. Lyons
Title: President and Chief Executive Officer

In connection with the Quarterly Report of Neurocrine Biosciences, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy P. Coughlin, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 2, 2007

By: /s/ Timothy P. Coughlin
Name: Timothy P. Coughlin
Title: Vice President and Chief Financial Officer