Table of Contents

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 EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

OR

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

For the transition period from _____ to_____

Commission file number 0-22705

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.)**
12780 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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The number of outstanding shares of the registrant's common stock, par value $0.001 per share, was 54,842,198 as of July 23, 2010.

Table of Contents

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)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 95,120	$ 37,329
Short-term investments	36,268	16,135
Accounts receivable	11,280	—
Other current assets	1,093	1,923
Total current assets	143,761	55,387
Property and equipment, net	2,085	2,695
Long-term investments	2,869	6,411
Restricted cash	6,329	6,325
Total assets	$ 155,044	$ 70,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 640	$ 2,188
Accrued liabilities	7,172	6,240
Current portion of deferred revenues	36,951	2,941
Current portion of cease-use liability	4,450	4,289
Current portion of deferred gain on sale of real estate	2,910	2,867
Other liabilities	—	1,436
Total current liabilities	52,123	19,961
Deferred revenues	55,637	8,757
Deferred gain on sale of real estate	28,527	29,999
Deferred rent	1,252	906
Cease-use liability	5,093	7,241
Total liabilities	142,632	66,864
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 54,841,032 as of June 30, 2010 and 43,991,565 as of December 31, 2009	55	44
Additional paid-in capital	779,755	757,002
Accumulated other comprehensive income	691	1,209
Accumulated deficit	(768,089)	(754,301)
Total stockholders' equity	12,412	3,954
Total liabilities and stockholders' equity	$ 155,044	$ 70,818

See accompanying notes to the condensed consolidated financial statements.

NEUROCRINE BIOSCIENCES, INC.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues:				
Sponsored research and development	$ 1,286	$ 3	$ 1,309	$ 20
License fees and milestones	3,357	730	4,087	1,460
Total revenues	4,643	733	5,396	1,480
Operating expenses:				
Research and development	7,283	10,808	14,859	21,656
General and administrative	3,116	4,827	6,315	9,022
Cease use expense	134	941	281	5,769
Total operating expenses	10,533	16,576	21,455	36,447
Loss from operations	(5,890)	(15,843)	(16,059)	(34,967)
Other income:				
Gain on sale/disposal of assets	53	21	168	162
Deferred gain on real estate	715	694	1,430	1,389
Investment income and (expense), net	(65)	(345)	614	(1,798)
Other income, net	35	193	59	269
Total other income	738	563	2,271	22
Net loss	$ (5,152)	$ (15,280)	$ (13,788)	$ (34,945)
Net loss per common share:				
Basic and diluted	$ (0.09)	$ (0.39)	$ (0.27)	$ (0.90)
Shares used in the calculation of net loss per common share:				
Basic and diluted	54,836	39,046	50,750	38,858

See accompanying notes to the condensed consolidated financial statements.

NEUROCRINE BIOSCIENCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(13,788)	$(34,945)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	788	1,850
Gain on sale of assets	(168)	(162)
Fair value adjustment for auction rate security rights	1,206	407
Loss on sale of investments	186	1,064
Fair value adjustment for auction rate securities	(1,206)	812
Realized gain on sale of auction rate securities	(591)	—
Cease-use expense	281	5,769
Deferred gain on sale of real estate	(1,429)	(1,389)
Deferred revenues	(4,110)	(1,475)
Deferred rent	346	646
Share-based compensation expense	1,402	2,911
Amortization of premiums on short term-investments	198	(3)
Change in operating assets and liabilities:		
Proceeds from sale of trading securities	3,675	—
Accounts receivable and other current assets	(465)	(67)
Other assets	—	1,999
Accounts payable and accrued liabilities	(616)	(648)
Upfront licensing fees	75,000	—
Cease-use liability	(2,268)	(3,002)
Other liabilities	(1,436)	(1,788)
Net cash provided by (used in) operating activities	57,005	(28,021)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(26,722)	(15,346)
Sales/maturities of investments	6,160	13,200
Deposits and restricted cash	(4)	(5)
Proceeds from sales of property and equipment	207	345
Purchases of property and equipment, net	(217)	(25)
Net cash used in investing activities	(20,576)	(1,831)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	21,362	—
Net cash provided by financing activities	21,362	—
Net increase (decrease) in cash and cash equivalents	57,791	(29,852)
Cash and cash equivalents at beginning of the period	37,329	68,467
Cash and cash equivalents at end of the period	$ 95,120	$ 38,615

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, 2009 and the three months ended March 31, 2010 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2010, respectively, filed with the SEC. Certain reclassifications have been made to previously reported amounts to conform to the current period presentation.

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 endometriosis, anxiety, depression, pain, diabetes, irritable bowel syndrome, insomnia and other neurological and endocrine-related diseases and disorders. The Company currently has eight 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 with pharmaceutical companies for four of its programs. The Company's lead clinical development program, *elagolix*, is a drug candidate for the treatment of endometriosis.

3. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-17, *Revenue Recognition (Topic 605), Milestone Method of Revenue Recognition* (ASU 2010-17). This guidance defines milestones and the method for recognizing revenue upon achievement of a milestone event. This guidance is not required and is not the only acceptable method of revenue recognition. This guidance is effective for milestones achieved in fiscal years and interim periods beginning on or after June 15, 2010 and will not have a material impact on the Company's results of operations.

In February 2010, the Financial Accounting Standards Board (FASB) issued amended guidance on subsequent events. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and the Company adopted these new requirements upon issuance of this guidance.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06). This guidance requires the disclosure of separate amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reason for such transfers. ASU 2010-06 also requires information related to purchases, sales, issuances, and settlements of Level 3 financial assets and liabilities to be presented separately in the reconciliation of fair value measurements for the period presented. In addition, ASU 2010-06 clarifies existing disclosure guidance with respect to the level of disaggregation for classes of financial assets and liabilities as well as valuation techniques and inputs used for both recurring and nonrecurring fair value measurements of Level 2 and Level 3 assets and liabilities. The Company has provided the additional required disclosures effective January 1, 2010.

4. 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.

5. INVESTMENTS

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 other 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. The Company also has investments classified as trading securities (See Note 6).

Investments consist of the following (in thousands):

	June 30, 2010	December 31, 2009
Certificates of deposit	$ 720	$ 3,360
Commercial paper	7,480	—
Corporate bonds	18,968	—
Auction rate securities, available-for-sale, long-term (Note 6)	2,869	6,411
Auction rate securities, trading (Note 6)	9,100	11,569
Auction rate security rights, trading (Note 6)	—	1,206
Ending balance	$39,137	$ 22,546

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

	Amortized Cost	Gross Unrealized Gains(1)	Gross Unrealized Losses(1)	Aggregate Estimated Fair Value
June 30, 2010				
Certificates of deposit	$ 720	$ —	$ —	$ 720
Commercial paper	7,489	—	(9)	7,480
Corporate bonds	19,034	—	(66)	18,968
Auction rate securities	2,102	767	—	2,869
Total available-for-sale securities	$ 29,345	$ 767	$ (75)	$ 30,037
December 31, 2009				
Certificates of deposit	$ 3,360	$ 1	$ (1)	$ 3,360
Auction rate securities	5,031	1,380	—	6,411
Total available-for-sale securities	$ 8,391	$ 1,381	$ (1)	$ 9,771

(1) Unrealized gains and losses are included in other comprehensive income.

The amortized cost and estimated fair value of debt securities classified as available-for-sale by contractual maturity are presented below (in thousands):

	Maturing in less than 12 months		Maturing in more than 12 Months	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
June 30, 2010				
Certificates of deposit	$ 720	$ 720	$ —	$ —
Commercial paper	7,489	7,480	—	—
Corporate bonds	19,034	18,968	—	—
Auction rate securities classified as available-for-sale	—	—	2,102	2,869
Total available-for-sale securities	$ 27,243	$ 27,168	$ 2,102	$ 2,869
December 31, 2009				
Certificates of deposit	$ 3,360	$ 3,360	$ —	$ —
Auction rate securities classified as available-for-sale	—	—	5,031	6,411
Total available-for-sale securities	$ 3,360	$ 3,360	$ 5,031	$ 6,411

The following table presents certain information related to sales and maturities of investments (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Proceeds from sales/maturities of available-for-sale securities	$580	$10,000	$6,160	$13,200
Gross realized gains on sales of available-for-sale securities	35	—	591	—
Gross realized losses on sales of available-for-sale securities	—	—	—	—
Gains reclassified out of accumulated other comprehensive income into earnings	25	—	543	—
Unrealized gains recognized during the period in accumulated other comprehensive income	—	1,420	22	1,423
Unrealized losses recognized during the period in accumulated other comprehensive income	106	22	168	36

The following table presents information about investments in an unrealized loss position at June 30, 2010 and December 31, 2009 (in thousands):

	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
June 30, 2010						
Commercial paper	$ 7,480	$ (9)	$ —	$ —	$ 7,480	$ (9)
Corporate bonds	18,968	(66)	—	—	18,968	(66)
Total	$26,448	$ (75)	$ —	$ —	$26,448	$ (75)
December 31, 2009						
Certificates of deposit	$ 1,439	$ (1)	$ —	$ —	$ 1,439	$ (1)
Total	$ 1,439	$ (1)	$ —	$ —	$ 1,439	$ (1)

6. AUCTION RATE SECURITIES

The Company's investments at June 30, 2010 included (at par value) $12.3 million of auction rate securities. At June 30, 2010, $9.1 million (at par value) of these securities were carried as short-term investments and $3.2 million (at par value) of these securities were carried as long-term investments. All of the Company's auction rate securities are secured by student loans, which are backed by the full faith and credit of the federal government (up to approximately 98% of the value of the student loan). All of these securities continue to pay interest according to their stated terms (generally 120 basis points over the ninety-one day United States Treasury bill rate) with interest rates resetting every 7 to 28 days. While it is not the Company's intent to hold these securities until their stated maturity dates, these investments are scheduled to ultimately mature between 2030 and 2047.

On July 1, 2010, the Company received $9.1 million (par value) related to the remaining auction rate securities maintained at UBS AG (UBS). Accordingly, these investments were classified as short-term investments and carried at par value on the Company's June 30, 2010 condensed consolidated balance sheet.

During the three months ended March 31, 2010, the Company sold one auction rate security which had a par value of $4.0 million for approximately $3.1 million. As part of this sale, the Company recognized a one-time gain on sale of approximately $0.5 million on the Company's statement of operations.

The Company has one remaining auction rate security that is carried as a long-term investment on the Company's condensed consolidated balance sheet and continues to be treated as an available-for-sale investment. This auction rate security has a par value of $3.2 million and was carried on the Company's balance sheet at an estimated fair value of $2.9 million at June 30, 2010. Approximately $0.8 million of the original balance of this auction rate security has been redeemed thus far, at par, by the issuer. The fair value of this auction rate security is estimated utilizing a discounted cash flow analysis. The significant assumptions of this valuation model are a discount margin of 256 basis points which is based on industry recognized student loan sector indices, an additional liquidity discount of 150 basis points and an estimated term to liquidity of 6.5 years. Other items this analysis considers are the collateralization underlying the security investment, the creditworthiness of the counterparty, and the timing of expected future cash flows. This security was also compared, when possible, to other observable market data with similar characteristics as the securities held by the Company. Although this auction rate security continues to pay interest according to its stated term, based on valuation model, the Company has reduced the par value for this auction rate security at June 30, 2010 by $0.3 million to $2.9 million.

Changes to estimates and assumptions used in estimating the fair value of this auction rate security may provide a materially different value. In addition, actual market exchanges, if any, may occur at materially different amounts. For example, a reduction of the expected term to redemption assumption by two years for the auction rate security yielded a net increase in the valuation of this investment of $0.1 million. Other factors that may impact the valuation of the Company's auction rate security include changes to credit ratings of the security as well as to the underlying assets supporting the security, rates of default of the underlying assets, underlying collateral value, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity.

At present, in the event the Company needs to access the funds that are in an illiquid state, it may not be able to do so without the possible loss of principal, until a future auction for this investment is successful, another secondary market evolves for this security, until it is redeemed by the issuer or it matures. If the Company is unable to sell this security in the market or it is not redeemed, it could be required to hold the security to maturity. The Company will continue to monitor and evaluate this investment on an ongoing basis for impairment.

7. FAIR VALUE MEASUREMENTS

The Company follows Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10) which, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820-10 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets measured at fair value are classified below based on the three fair value hierarchy tiers described above (in millions):

		Fair Value Measurements Using		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2010:				
Money market funds	$ 93.6	$ 93.6	$ —	$ —
Certificates of deposit (1)	0.7	0.7	—	—
Commercial paper (1)	10.7	10.7	—	—
Corporate bonds (1)	19.0	19.0	—	—
Auction rate securities (Note 6)	12.0	—	—	12.0
Total	$ 136.0	$ 124.0	$ —	$ 12.0
December 31, 2009:				
Money market funds	$ 43.4	$ 43.4	$ —	$ —
Certificates of deposit (1)	3.3	3.3	—	—
Auction rate securities (Note 6)	18.0	—	—	18.0
ARS Rights (Note 6)	1.2	—	—	1.2
Total	$ 65.9	$ 46.7	$ —	$ 19.2

(1) Securities are classified as available-for-sale.

Activity for assets measured at fair value during the six month period ended June 30, 2010 using significant unobservable inputs (Level 3) is presented in the table below (in millions):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning balance as of December 31, 2009	$ 19.2
Transfers into Level 3	—
Sales	(3.1)
Settlements and redemptions, at par	(4.1)
Total unrealized gains reclassified from other comprehensive income	(0.6)
Total realized gains included in investment income	0.6
Ending balance	$ 12.0

8. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with ASC 360-10-15, *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 has determined that no impairment exists on its long-lived assets.

9. SHARE-BASED COMPENSATION

The Company's net loss for the three months ended June 30, 2010 and 2009 included $0.8 million and $1.0 million, respectively, of compensation expense related to the Company's share-based compensation awards. The Company's net loss for the six months ended June 30, 2010 and 2009 included $1.4 million and $2.9 million, respectively, of compensation expense related to the Company's share-based compensation awards. As of June 30, 2010, total unrecognized estimated compensation cost related to non-vested stock options and non-vested restricted stock units (RSUs) granted prior to that date was $3.5 million and $1.0 million, respectively, which is expected to be recognized over a weighted average period of approximately 2.2 and 0.7 years, respectively. The compensation expense related to the Company's share-based compensation arrangements is recorded as components of general and administrative expense and research and development expense. The following is a summary of the components of the Company's compensation expense related to share-based compensation (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
General and administrative	$ 0.4	$ 0.7	$ 0.7	$ 1.6
Research and development	$ 0.4	$ 0.3	$ 0.7	$ 1.3

The company issued approximately 1,000 shares of common stock upon the exercise of stock options during the six months ended June 30, 2010. There were no stock option exercises for the six months ended June 30, 2009. The Company issued approximately 0.4 million and 0.5 million shares of common stock pursuant to the vesting of RSUs during the six months ended June 30, 2010 and June 30, 2009, respectively.

Stock Option Assumptions

The exercise price of all options granted during the six month period ended June 30, 2010 was equal to the closing price of the Company's common stock 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. There were approximately 0.1 million stock options granted during the six months ended June 30, 2009. During the six months ended June 30, 2010, the Company issued stock option grants covering approximately 2.0 million shares of common stock. The following weighted-average assumptions were used for the option grants during the six months ended June 30, 2010:

	Six Months Ended June 30, 2010
Risk-free interest rate	2.25%
Expected volatility of common stock	90.04%
Dividend yield	0.0%
Expected option term	4.6 years

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

10. STOCKHOLDERS' EQUITY

Common Stock Issuances

In March 2010, the Company completed a public offering of common stock in which the Company sold approximately 10.5 million shares of its common stock at an offering price of $2.20 per share. The net proceeds generated from this transaction, after underwriting discounts and commissions and offering costs, were approximately $21.4 million.

Committed Equity Financing Facility

In September 2009, the Company entered into a Committed Equity Financing Facility (CEFF) with Kingsbridge Capital Limited (Kingsbridge) pursuant to which Kingsbridge committed to purchase, subject to certain conditions, up to the lesser of 7.8 million newly issued shares of the Company's common stock or an aggregate of $75.0 million newly issued shares over the three-year term of the CEFF. The Company may access capital under the CEFF by making draw downs up to a maximum of the lesser of (i) $15 million and (ii) the greater of (x) 1.75% of its market capitalization as of the date of delivery of the draw down notice once per calendar quarter and up to 1.25% of its market capitalization as of the date of delivery of the draw down notice for any additional draw downs during such calendar quarter and (y) the lesser of (a) 2.75% of its market capitalization as of the date of delivery of the draw down notice and (b) a number of shares determined by a formula based in part on the average trading volume and trading price of the Company's common stock prior to the delivery of the draw down notice issued by the Company with respect to that draw down pricing period, subject to certain conditions, including a minimum share price threshold of $1.00. Kingsbridge may purchase shares of common stock pursuant to the CEFF at discounts ranging from 5 to 10 percent, depending on the average market price of the Company's common stock during the applicable pricing period for a draw down. As of June 30, 2010, the Company had not issued any shares under the CEFF.

11. SIGNIFICANT COLLABORATIVE RESEARCH AND DEVELOPMENT AGREEMENTS

In June 2010, the Company announced an exclusive worldwide collaboration with Abbott International Luxembourg S.à r.l. (Abbott) to develop and commercialize elagolix and all next-generation gonadtropin-releasing hormone (GnRH) antagonists (collectively "GnRH Compounds") for women's and men's health. Abbott made an upfront payment of $75 million and agreed to make additional development, regulatory and commercial milestone payments of up to approximately $530 million. Under the terms of the agreement, Abbott is responsible for all third-party development, marketing and commercialization costs. The Company will receive funding for certain internal collaboration expenses which includes reimbursement from Abbott for internal and external expenses related to the GnRH Compounds, which reimbursement includes up to approximately $24 million in personnel funding through the end of 2012. The Company will be entitled to a percentage of worldwide sales of GnRH Compounds for the longer of 10 years or the life of the related patent rights. Abbott may terminate the collaboration at its discretion upon 180-days written notice to the Company. In such event, the Company would be entitled to specified payments for ongoing clinical development and related activities and all GnRH Compound product rights would revert to the Company. As of June 30, 2010, the Company had recorded revenues of $2.4 million in amortization of up-front license fees and $1.2 million in sponsored development. In addition, at June 30, 2010 the Company had $72.6 million of deferred revenue related to the Abbott agreement, which is being amortized over the collaborative development period.

Also in June 2010, the Company announced a worldwide collaboration with Boehringer Ingelheim International GmbH (Boehringer Ingelheim) to research, develop and commercialize small molecule GPR119 agonists for the treatment of Type II diabetes and other indications. Under the terms of the agreement, the Company and Boehringer Ingelheim will work jointly to identify and advance GPR119 agonist candidates into pre-clinical development. Boehringer Ingelheim will then be responsible for the global development and commercialization of potential GPR119 agonist products. The Company will receive a $10 million upfront payment, research funding to support discovery efforts and is eligible to receive up to approximately $225 million in development, regulatory and commercial milestone payments. The Company will be entitled to a percentage of any future worldwide sales of GPR119 agonists. Boehringer Ingelheim may terminate the agreement at its discretion upon prior written notice to the Company. In such event, the Company may be entitled to specified payments and all product rights would revert to the Company. As of June 30, 2010, the Company had recorded revenues of $0.2 million in amortization of up-front license fees and $0.1 million in sponsored research. At June 30, 2010, the Company had $9.8 million of deferred license fees that will be amortized over the remaining term of the collaborative research period of the agreement.

12. REAL ESTATE

In December 2007, the Company closed the sale of its facility and associated real property for a purchase price of $109.0 million. Concurrent with the sale, the Company retired the entire $47.7 million in mortgage debt previously outstanding with respect to the facility and associated real property, and received cash of $61.0 million net of transaction costs and debt retirement. Upon the closing of the sale of the facility and associated real property, the Company entered into a lease agreement (Lease) with DMH Campus Investors, LLC (DMH) whereby it leased back, for an initial term of 12 years, its corporate headquarters comprised of two buildings located at 12790 El Camino Real (Front Building) and 12780 El Camino Real (Rear Building) in San Diego, California. The Company entered into a first lease amendment (First Lease Amendment) in December 2008 and a second lease amendment (Second Lease Amendment) in September 2009 (collectively, Amendments). The Lease has been characterized as an operating lease for financial reporting purposes.

In accordance with ASC 840-40, *Sale-Leaseback Transactions*, and ASC 360-20, *Real Estate Sales*, the Company initially deferred the gain on the sale of its facility and associated real property due to a repurchase right. The Company initially established a long-term liability of $108.7 million upon the close of the transaction, which represented the gross proceeds from the real estate sale. The First Lease Amendment terminated the repurchase right and the Company removed from its balance sheet the long-term liability of $108.7 million and the previously conveyed real estate related assets of $69.6 million during the fourth quarter of 2008. Additionally, the Company began to recognize the deferred gain of $39.1 million on the sale of the real estate over the remaining term of the Lease. The Company recognized $0.7 million of the deferred gain in both of the three-month periods ended March 31, 2010 and 2009 and will continue to recognize the balance of the deferred gain over the remaining term of the Lease.

Under the terms of the Lease and the Amendments, the Company pays base annual rent (subject to an annual fixed percentage increase), plus a 3.5% annual management fee, property taxes and other normal and necessary expenses associated with the Lease such as utilities, repairs and maintenance, etc. In lieu of a cash security deposit under the Lease, Wells Fargo Bank, N.A. issued on the Company's behalf a letter of credit in the amount of $5.7 million. The letter of credit is secured by a deposit of $6.3 million with the same bank. The Company has the right to extend the Lease for two consecutive ten-year terms and will have the first right of refusal to lease, at market rates, any facilities built on the vacant lot included in the real property sold by the Company. The terms of the Lease also require that the Company maintains $50.0 million in cash and investments at all times, or increase the security deposit by $5.0 million.

In December 2008, the Company entered into the First Lease Amendment which provided for the renovation of the Front Building in a manner that facilitates multiple tenant usage and establishes a mechanism for the Company to terminate its use of the Front Building. The Company continues to occupy the Rear Building.

Pursuant to the terms of the First Lease Amendment, the Company is obligated to reimburse the landlord for the total cost of renovating a portion of the Front Building such that the Front Building becomes suitable for multiple tenant usage. The Company made a one-time payment of $1.0 million toward renovation costs in January 2009 and is reimbursing the landlord for the balance of the renovation costs over a four-year period through an increase in monthly rental payments (currently estimated at $108,000 per month) which began in October 2008.

As a result of signing the First Lease Amendment and physically vacating the Front Building, the Company triggered a cease-use date for the Front Building and has estimated lease termination costs in accordance with ASC 420-10, *Exit or Disposal Cost Obligations*. Estimated lease termination costs for the Front Building under the First Lease Amendment included the net present value of future minimum lease payments, taxes, insurance, construction, and maintenance costs from the cease-use date to the end of the Lease net of estimated sublease rental income. During the fourth quarter of 2008, the Company recorded an expense of $15.7 million for the net present value of these estimated lease termination costs, of which $0.3 million was paid in 2008. During 2009, the Company increased the liability by $6.0 million in response to the declining economic conditions in San Diego by extending the expected period to lease the Front Building.

In September 2009, the Company and DMH entered into the Second Lease Amendment. The Second Lease Amendment obligated the Company to vacate the Front Building and make an immediate payment of $4.0 million to DMH as an initial release fee, which was paid in October 2009. The Company continues to occupy the entire Rear Building. Upon payment of the initial release fee, the Company was released from its obligations with respect to the Front Building, except with respect to 1) certain indemnity obligations for events prior to the payment of the initial release fee, 2) certain operating expenses for the Front Building in accordance with the terms of the Lease through July 2011, and 3) 50% of tenant improvement costs between $65 and $100 per square foot in connection with initial leases between DMH and other third parties for space in the Front Building. As of December 31, 2009, the Company had completely satisfied its obligation with respect to payment of tenant improvement costs. Pursuant to the Second Lease Amendment, the Company is also obligated to pay DMH an amount equivalent to the rent on the Front Building through July 2011 and then approximately $44,000 per month beginning in August 2011 through December 2019 as a rent differential payment for the Front Building, which such rent differential amounts may be prepaid by the Company in its sole discretion. Should the Company be in monetary default under the Lease beyond the normal cure periods and prior to repaying the entire rent differential balance, the rent differential payment will double.

The changes to the accrued liability for lease termination costs since initial recognition are as follows (in millions):

Initial cease-use expense recognized for lease termination cost	$ 15.7
Cash payments for lease termination costs during the period	(0.3)
Accrued lease termination costs at December 31, 2008	$ 15.4
Lease termination costs incurred during the period	6.0
Cash payments for lease termination costs during the period	(9.9)
Accrued lease termination costs at December 31, 2009	$ 11.5
Lease termination costs net present value accretion during period	0.3
Cash payments for lease termination costs during the period	(2.3)
Accrued lease termination costs at June 30, 2010	$ 9.5

13. LOSS PER COMMON SHARE

The Company computes net loss per share in accordance with ASC 260-20, *Earnings Per Share* (ASC 260-20). Under the provisions of ASC 260-20, 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 RSUs, are excluded from historical diluted loss per share because of their anti-dilutive effect. Potentially dilutive securities were less than 0.1 million for the three month periods ended June 30, 2010 and 2009, respectively. Potentially dilutive securities were less than 0.1 million for the six month periods ended June 30, 2010 and 2009, respectively.

14. COMPREHENSIVE LOSS

Comprehensive loss is calculated in accordance with ASC 220-10, *Comprehensive Income* (ASC 220-10). ASC 220-10 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 available-for-sale investments. For the three months ended June 30, 2010 and 2009, comprehensive loss was $5.2 million and $12.8 million, respectively. For the six months ended June 30, 2010 and 2009, comprehensive loss was $14.3 million and $32.3 million, respectively.

15. 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, 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, 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.

16. 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, a method that relies on estimates of total costs incurred based on patient enrollment, completion of patient studies and other events. The Company follows this method since reasonably dependable estimates of the costs applicable to various stages of a research agreement or clinical trial can be made. 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.

17. INCOME TAXES

The Company adopted the provisions of ASC 740-10, *Income Taxes* (ASC 740-10) on January 1, 2007. There were no unrecognized tax benefits as of the date of adoption. As a result of the implementation of ASC 740-10, the Company did not recognize an increase in the liability for unrecognized tax benefits. There are no unrecognized tax benefits included in the Company's balance sheet as of June 30, 2010 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, 2009 and at June 30, 2010, and has not recognized interest and/or penalties in the statement of operations for the first six months of 2010.

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.

At January 1, 2010, the Company had net deferred tax assets of $61.4 million. 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 net deferred tax assets. Additionally, the future utilization of the Company's net operating loss and research and development credit carryforwards to offset future taxable income may be subject to a substantial annual limitation, pursuant to Internal Revenue Code Sections 382 and 383, as a result of ownership changes that may have occurred previously or that could occur in the future. Although the Company determined that an ownership change had not occurred through January 31, 2007, it is possible that an ownership change occurred subsequent to that date. The Company has not completed an update of its Section 382 analysis subsequent to January 31, 2007. Until this analysis has been updated, the Company has removed the deferred tax assets for net operating losses of $253.7 million and research and development credits of $42.0 million generated through 2009 from its deferred tax asset schedule and has recorded a corresponding decrease to its valuation allowance. Due to the existence of the valuation allowance, future changes in the Company's unrecognized tax benefits will not impact the Company's effective tax rate.

18. SUBSEQUENT EVENTS

The Company evaluated all subsequent events that have occurred after the date of the accompanying financial statements and determined that there were no events or transactions occurring during this subsequent event reporting period which require recognition or disclosure in the Company's financial statements.

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, 2009 and the three months ended March 31, 2010 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, 2009 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2010.

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 endometriosis, anxiety, depression, pain, diabetes, irritable bowel syndrome, insomnia and other neurological and endocrine related diseases and disorders. To date, we have not generated any revenues from the sale of products. We have funded our operations primarily through private and public offerings of our common stock and payments received under research and development agreements. We are developing certain products with corporate collaborators and intend to rely on existing and future collaborators to meet funding requirements. We expect to generate future net losses due to increases in operating expenses as product candidates are advanced through the various stages of clinical development. As of June 30, 2010, we had an accumulated deficit of $768 million and expect to incur operating losses in the near future, which may be greater than losses in prior years. We currently have eight 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 four of our programs.

In June 2010, we announced an exclusive worldwide collaboration with Abbott International Luxembourg S.à r.l. (Abbott) to develop and commercialize elagolix and all next-generation GnRH antagonists (collectively "GnRH Compounds") for women's and men's health. Abbott made an upfront payment of $75 million and agreed to make additional development, regulatory and commercial milestone payments of up to approximately $530 million. Under the terms of the agreement, Abbott is responsible for all third-party development, marketing and commercialization costs. We will receive funding for certain internal collaboration expenses which includes reimbursement from Abbott for internal and external expenses related to the GnRH Compounds, which reimbursement

includes up to approximately $24 million in personnel funding through the end of 2012. We will be entitled to a percentage of worldwide sales of GnRH Compounds for the longer of 10 years or the life of the related patent rights. Abbott may terminate the collaboration at its discretion upon 180-days written notice to us. In such event, we would be entitled to specified payments for ongoing clinical development and related activities and all GnRH Compound product rights would revert to us. As of June 30, 2010, we had recorded revenues of $2.4 million in amortization of up-front license fees and $1.2 million in sponsored development. In addition, at June 30, 2010 we had $72.6 million of deferred revenue related to the Abbott agreement, which is being amortized over the collaborative development period.

Also in June 2010, we announced a worldwide collaboration with Boehringer Ingelheim International GmbH (Boehringer Ingelheim) to research, develop and commercialize small molecule GPR119 agonists for the treatment of Type II diabetes and other indications. Under the terms of the agreement, we will work jointly with Boehringer Ingelheim to identify and advance GPR119 agonist candidates into pre-clinical development. Boehringer Ingelheim will then be responsible for the global development and commercialization of potential GPR119 agonist products. We will receive a $10 million upfront payment, research funding to support discovery efforts and are eligible to receive up to approximately $225 million in development, regulatory and commercial milestone payments. We will be entitled to a percentage of any future worldwide sales of GPR 119 agonists. Boehringer Ingelheim may terminate the agreement at its discretion upon prior written notice to us. In such event, we may be entitled to specified payments and all product rights would revert to us. As of June 30, 2010, we had recorded revenues of $0.2 million in license fees and $0.1 million in sponsored research. At June 30, 2010 we had $9.8 million of deferred license fees that will be amortized over the collaborative research period.

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), 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, 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, 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, a method that relies on estimates of total costs incurred based on patient enrollment, completion of studies and other events. We follow this method since reasonably dependable estimates of the costs applicable to various stages of a research agreement or clinical trial can be made. 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 Accounting Standards Codification (ASC) 360-10-15, *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 asset, which is generally determined based on the present value of the expected future cash flows. We have determined that no impairment exists on our long-lived assets.

We grant stock options to purchase our common stock to our employees and directors under our 2003 Incentive Stock Plan, as amended (the 2003 Plan) and grant stock options to certain employees pursuant to Employment Commencement Nonstatutory Stock

Option Agreements. We also grant certain employees stock bonuses and restricted stock units (RSUs) 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 ASC 718-10, *Compensation-Stock Compensation* (ASC 718-10). Share-based compensation expense recognized under ASC 718-10 for each of the three months ended June 30, 2010 and 2009 was $0.8 million and $1.0 million, respectively. Share-based compensation expense recognized under ASC 718-10 for each of the six months ended June 30, 2010 and 2009 was $1.4 million and $2.9 million, respectively.

Stock option awards and RSUs generally vest over a three 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 ASC 718-10, 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.

ASC 718-10 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.

THREE MONTHS ENDED JUNE 30, 2010 AND 2009

Revenues for the second quarter of 2010 were $4.6 million, compared to $0.7 million for the same period in 2009. The increase in revenue is due to our recently executed collaboration agreements with Abbott and Boehringer Ingelheim, for our GnRH and GPR119 programs, respectively. During the second quarter of 2010 we recognized revenue of $2.6 million from amortization of up-front license fees and $1.3 million resulting from sponsored development reimbursement under these two agreements. During the second quarter of both 2010 and 2009, we recognized $0.7 million in revenue under our collaboration agreement with Dainippon Sumitomo Pharma Co. Ltd (DSP) from amortization of up-front licensing fees.

Research and development expenses decreased to $7.3 million for the second quarter of 2010 compared with $10.8 million for the respective period in 2009. Laboratory costs decreased by $0.4 million in the second quarter of 2010 compared to the same period in 2009 and depreciation expense decreased by $0.4 million in the second quarter of 2010 compared to the same period in 2009. Research and development personnel expenses decreased by $2.8 million in the second quarter of 2010 compared with the second quarter of 2009, primarily as a result of our restructuring program in the second quarter of 2009.

General and administrative expenses were $3.1 million for the second quarter of 2010 compared with $4.8 million during the same period in 2009. This decrease in general and administrative expenses is primarily due to our restructuring program implemented during the second quarter of 2009 and ongoing expense management efforts.

Net loss for the second quarter of 2010 was $5.2 million, or $0.09 per share, compared to $15.3 million, or $0.39 per share, for the same period in 2009. This decrease in net loss was a result of the revenue recognized under our recently executed collaboration agreements with Abbott and Boehringer Ingelheim, our restructuring program implemented during the second quarter of 2009 and expense management efforts during the second quarter of 2010.

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

Revenues for the six months ended June 30, 2010 were $5.4 million, compared with $1.5 million for the same period in 2009. The increase in revenue is due to our recently executed collaboration agreements with Abbott and Boehringer Ingelheim, for our GnRH and GPR119 programs, respectively. During the first half of 2010 we recognized revenue of $2.6 million from amortization of up-front license fees and $1.3 million resulting from sponsored development reimbursement under these two collaboration agreements. During both six month periods ended June 30, 2010 and 2009, we recognized $1.5 million in revenue under our collaboration agreement with DSP from amortization of up-front licensing fees.

Research and development expenses decreased to $14.9 million for the first half of 2010 compared with $21.7 million for the same period in 2009. Research and development personnel expenses decreased by $5.4 million in the first half of 2010 compared to the first half of 2009, primarily as a result of our restructuring program in the second quarter of 2009. Additionally, laboratory costs decreased by $1.2 million in the first half of 2010 compared to the same period in 2009. External development costs increased by $0.4 million to $4.8 million in the first half of 2010 compared to $4.4 million for the same period in 2009. Depreciation expense decreased by $0.9 million in the first half of 2010 compared to the same period in 2009.

General and administrative expenses were $6.3 million for the six months ended June 30, 2010 compared with $9.0 million during the same period in 2009. This decrease in general and administrative expenses is primarily due to our restructuring program implemented during the second quarter of 2009 and ongoing expense management efforts.

During the six months ended June 30, 2009, we recognized additional cease-use expense under ASC 420-10, *Exit or Disposal Cost Obligations*, of $5.8 million due to an estimated increase in construction costs, and a change in assumptions on the timing of tenant occupancy and rental rates for our corporate headquarters located at 12780 El Camino Real. See Note 12, “Real Estate” to the accompanying financial statements.

Other income (expense) was $22,000 during the first six months of 2009 compared to $2.3 million for the first six months of 2010. This increase in income resulted primarily from a $1.5 million loss from an other-than-temporary impairment recognized on auction rate securities in the first quarter of 2009, coupled with a $0.6 million realized gain on the sale/redemption of auction rate securities in the first half of 2010.

Net loss for the first half of 2010 was $13.8 million, or $0.27 per share, compared to $34.9 million, or $0.90 per share, for the same period in 2009. This decrease in net loss was a result of the revenue recognized under the above mentioned collaboration agreements, our restructuring program implemented during the second quarter of 2009 and expense management efforts during the first half of 2010.

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 our quarterly revenues and earnings. Accordingly, results and earnings for one period are not predictive of future periods. Collaborations, including grant revenue, accounted for 100% of our revenue for the three and six months ended June 30, 2010 and 2009.

We expect to incur operating losses for the foreseeable future because of the expenses we expect to incur related to progressing programs through our pipeline.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2010, our cash, cash equivalents, and investments totaled $134.3 million compared with $59.9 million at December 31, 2009. The increase in cash and investment balances at June 30, 2010 resulted primarily from our recently executed collaboration agreement with Abbott for our GnRH program which included a $75.0 million upfront payment. In addition, our public offering of common stock in March 2010 resulted in net proceeds of approximately $21.4 million. These influxes of capital have been offset by operating losses of $13.8 million in the first half of 2010.

Our investments at June 30, 2010 included (at par value) $12.3 million of auction rate securities, At June 30, 2010, $9.1 million (at par value) of these securities were carried as short-term investments and $3.2 million (at par value) of these securities were carried as long-term investments. All of our auction rate securities are secured by student loans, which are backed by the full faith and credit of the federal government (up to approximately 98% of the value of the student loan). All of these securities continue to pay interest according to their stated terms (generally 120 basis points over the ninety-one day United States Treasury bill rate) with interest rates resetting every 7 to 28 days. While it is not our intent to hold these securities until their stated maturity dates, these investments are scheduled to ultimately mature between 2030 and 2047.

On July 1, 2010, we sold $9.1 million of auction rate securities to UBS AG (UBS) at par value. Accordingly, these investments were classified as short-term investments and carried at par value on our June 30, 2010 condensed consolidated balance sheet. No gain or loss will be recognized on the sale of these investments on our condensed consolidated statement of operations, during 2010.

During the three months ended March 31, 2010, we sold one auction rate security which had a par value of $4.0 million for approximately $3.1 million. As part of this sale, we recognized a one-time gain on sale of approximately $0.5 million on our statement of operations.

We have one remaining auction rate security that is carried as a long-term investment on our condensed consolidated balance sheet and continues to be treated as an available-for-sale investment. This auction rate security has a par value of $3.2 million and was carried on our balance sheet at an estimated fair value of $2.9 million at June 30, 2010. Approximately $0.8 million of the original balance of this auction rate security has been redeemed thus far, at par, by the issuer. The fair value of this auction rate security is estimated utilizing a discounted cash flow analysis. The significant assumptions of this valuation model are a discount margin of 256 basis points which is based on industry recognized student loan sector indices, an additional liquidity discount of 150 basis points and an estimated term to liquidity of 6.5 years. Other items this analysis considers are the collateralization underlying the security investment, the creditworthiness of the counterparty, and the timing of expected future cash flows. This security was also compared,

when possible, to other observable market data with similar characteristics as the securities held by us. Although this auction rate security continues to pay interest according to its stated term, based on valuation model, we have reduced the carrying value in long-term investments for this auction rate security at June 30, 2010 by $0.3 million to $2.9 million.

Changes to estimates and assumptions used in estimating the fair value of this auction rate security may provide a materially different value. In addition, actual market exchanges, if any, may occur at materially different amounts. For example, a reduction of the expected term to redemption assumption by two years for the auction rate security yielded a net increase in the valuation of this investment of $0.1 million. Other factors that may impact the valuation of our auction rate security include changes to credit ratings of the security as well as to the underlying assets supporting the security, rates of default of the underlying assets, underlying collateral value, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity.

At present, in the event we need to access the funds that are in an illiquid state, it may not be able to do so without the possible loss of principal, until a future auction for this investment is successful; another secondary market evolves for this security, until it is redeemed by the issuer or matures. If we are unable to sell this security in the market or it is not redeemed, it could be required to hold the security to maturity. We will continue to monitor and evaluate this investment on an ongoing basis for impairment.

Net cash provided by (used in) operating activities during the first six months of 2010 was $57.0 million compared with $(28.0) million during the same period in 2009. The $85.0 million change in cash provided by operating activities is primarily due to $75.0 million in upfront payments from Abbott related to our partnering of our GnRH program. Net loss for the first six months of 2010 was $13.8 million compared to $34.9 million for the same period in 2009. This decrease in net loss was primarily due to our restructuring program implemented during the second quarter of 2009 and ongoing expense management efforts during the first half of 2010.

Net cash used in investing activities during the first six months of 2010 was $20.6 million compared to $1.8 million for the first six months of 2009. 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.

Net cash provided by financing activities during the first six months of 2010 was $21.4 million due to the net proceeds received on our public offering of common stock. No cash was utilized in or provided by financing activities during the first six months of 2009.

We and DMH Campus Investors, LLC (DMH) are parties to a lease agreement, dated December 4, 2007, pursuant to which we lease our corporate headquarters, located at 12790 El Camino Real (Front Building) and 12780 El Camino Real (Rear Building) in San Diego, California (Lease). We entered into a first lease amendment (First Lease Amendment) in December 2008 and a second lease amendment (Second Lease Amendment) in September 2009 (collectively, Amendments).

Under the terms of the Lease and the Amendments, we pay base annual rent (subject to an annual fixed percentage increase), plus a 3.5% annual management fee, property taxes and other normal and necessary expenses associated with the Lease such as utilities, repairs and maintenance, etc. In lieu of a cash security deposit under the Lease, Wells Fargo Bank, N.A. issued on our behalf a letter of credit in the amount of $5.7 million. The letter of credit is secured by a deposit of $6.3 million with the same bank. We have the right to extend the Lease for two consecutive ten-year terms and will have the first right of refusal to lease, at market rates, any facilities built on the vacant lot included in the real property sold by us. The terms of the Lease also require that we maintain $50.0 million in cash and investments at all times, or increase our security deposit by $5.0 million.

In December 2008, we entered into the First Lease Amendment which provided for the renovation of the Front Building in a manner that facilitates multiple tenant usage and establishes a mechanism for us to terminate our use of the Front Building. We continue to occupy the Rear Building.

Pursuant to the terms of the First Lease Amendment, we are obligated to reimburse the landlord for the total cost of renovating a portion of the Front Building such that the Front Building becomes suitable for multiple tenant usage. We made a one-time payment of $1.0 million toward renovation costs in January 2009 and are reimbursing the landlord for the balance of the renovation costs over a four-year period through an increase in monthly rental payments (currently estimated at $108,000 per month) which began in October 2008.

In September 2009, we and DMH entered into the Second Lease Amendment. The Second Lease Amendment obligated us to vacate the Front Building and make an immediate payment of $4.0 million to DMH as an initial release fee, which was paid in October 2009. We continue to occupy the entire Rear Building. Upon payment of the initial release fee, we were released from our obligations with respect to the Front Building, except with respect to 1) certain indemnity obligations for events prior to the payment of the initial release fee, 2) certain operating expenses for the Front Building in accordance with the terms of the Lease through July 2011, and 3) 50% of tenant improvement costs between $65 and $100 per square foot in connection with initial leases between DMH and other third parties for space in the Front Building. As of December 31, 2009, we had completely satisfied our obligation with respect to payment of tenant improvement costs. Pursuant to the Second Lease Amendment, we are also obligated to pay DMH an amount equivalent to the rent on the Front Building through July 2011 and then approximately $44,000 per month beginning in

August 2011 through December 2019 as a rent differential payment for the Front Building, which such rent differential amounts may be prepaid by us at our sole discretion. Should we be in monetary default under the Lease beyond the normal cure periods and prior to repaying the entire rent differential balance, the rent differential payment will double.

In September 2009, we entered into a Committed Equity Financing Facility (CEFF) with Kingsbridge Capital Limited (Kingsbridge) pursuant to which Kingsbridge committed to purchase, subject to certain conditions, up to the lesser of 7.8 million newly issued shares of our common stock or an aggregate of $75.0 million newly issued shares over the three-year term of the CEFF. We may access capital under the CEFF by making draw downs up to a maximum of the lesser of (i) $15 million and (ii) the greater of (x) 1.75% of our market capitalization as of the date of delivery of the draw down notice once per calendar quarter and up to 1.25% of our market capitalization as of the date of delivery of the draw down notice for any additional draw downs during such calendar quarter and (y) the lesser of (a) 2.75% of our market capitalization as of the date of delivery of the draw down notice and (b) a number of shares determined by a formula based in part on the average trading volume and trading price of our common stock prior to the delivery of the draw down notice issued by us with respect to that draw down pricing period, subject to certain conditions, including a minimum share price threshold of $1.00. Kingsbridge may purchase shares of common stock pursuant to the CEFF at discounts ranging from 5 to 10 percent, depending on the average market price of our common stock during the applicable pricing period for a draw down. As of June 30, 2010, we had not issued any shares under the CEFF.

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

We will require additional funding to continue our research and product development programs, to conduct preclinical studies and clinical trials, for operating expenses, to pursue regulatory approvals for our product candidates, for the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims, if any, the cost of product in-licensing and any possible acquisitions, and we may require additional funding to establish manufacturing and marketing capabilities in the future. We 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. Recently, the credit markets and the financial services industry have been experiencing a period of unprecedented turmoil and upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States federal government. These events have generally made equity and debt financing more difficult to obtain. 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 and long 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 initial average maturity of our investments does not exceed 36 months. If a 10% change in interest rates had occurred on June 30, 2010, 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 and the nature of our investments, we have concluded that we do not have a material financial market interest rate risk exposure.

NEW ACCOUNTING PRONOUNCEMENTS

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-17, *Revenue Recognition (Topic 605), Milestone Method of Revenue Recognition* (ASU 2010-17). This guidance defines milestones and the method for recognizing revenue upon achievement of a milestone event. This guidance is not required and is not the only acceptable method of revenue recognition. This guidance is effective for milestones achieved in fiscal years and interim periods beginning on or after June 15, 2010 and will not have a material impact on our results of operations.

In February 2010, the Financial Accounting Standards Board (FASB) issued amended guidance on subsequent events. Under this amended guidance, Securities and Exchange Commission (SEC) filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements upon issuance of this guidance.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06). This guidance requires the disclosure of separate amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reason for such transfers. ASU 2010-06 also requires information related to purchases, sales, issuances, and settlements of Level 3 financial assets and liabilities to be presented separately in the reconciliation of fair value measurements for the period presented. In addition, ASU 2010-06 clarifies existing disclosure guidance with respect to the level of disaggregation for classes of financial assets and liabilities as well as valuation techniques and inputs used for both recurring and nonrecurring fair value measurements of Level 2 and Level 3 assets and liabilities. We have provided the additional required disclosures effective January 1, 2010.

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 SEC’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 timely decisions 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 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, 2009, 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 clinical trials may fail to demonstrate the safety and efficacy of our product candidates, which could prevent or significantly delay their regulatory approval.***

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 our product candidates, we face the risks that:

- the product candidate may not prove to be effective or as effective as other competing product candidates;
- we may discover that a product candidate may cause harmful side effects;
- the results may not replicate the results of earlier, smaller trials;
- the U.S. Food and Drug Administration (FDA) may require use of new or experimental endpoints that may prove insensitive to treatment effects;
- 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;
- patients may drop out of the trials; and
- regulatory requirements may change.

For example, if the modified wording of the non-menstrual pain and dysmenorrhea daily scales used in our *elagolix* Daisy PETAL Study (901 study) is not accepted by the FDA as the appropriate endpoint for *elagolix* Phase III clinical trials, additional Phase II trials will be necessary and the development of elagolix will be delayed or otherwise adversely affected. Similarly, there is uncertainty regarding future development of indiplon as described below under the risk factor entitled *"There is uncertainty regarding future development of our product candidate, indiplon, which may never receive regulatory approval or be commercialized."*

In addition, 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. Any failure or substantial delay in completing clinical trials for our product candidates may severely harm our business.

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

Our strategy for fully 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 Abbott, Boehringer Ingelheim, GlaxoSmithKline and Dainippon Sumitomo Pharma Co. Ltd. and previously have had collaborations with Pfizer, Wyeth, Johnson & Johnson, Novartis, Taisho and Eli Lilly and Company. We historically have been dependent upon these corporate collaborators to provide adequate funding for a number of our programs, and our recently executed collaboration agreements with Abbott and Boehringer Ingelheim provide for, among other things, significant future payments should certain development, regulatory and commercial milestones be achieved. 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 our current corporate collaborators and to enter into new collaborations in the future, the development and commercialization of our programs would be substantially delayed, and our ability to receive future funding would be substantially impaired 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.

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.

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

We may require additional funding to continue our research and product development programs, to conduct preclinical studies and clinical trials, for operating expenses and to pursue regulatory approvals for product candidates, for the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims, if any, product in-licensing and any possible acquisitions, and we may require additional funding to establish manufacturing and marketing capabilities in the future. We believe that our existing capital resources, together with investment income, and future payments due under our strategic alliances, will be sufficient to satisfy our current and projected funding requirements for at least the next 12 months. However, these resources might be insufficient to conduct research and development programs to the full extent currently 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, enforcing patent claims, or engaging in interference proceedings or other patent litigation;
- competing technological and market developments;
- the establishment of additional strategic alliances;
- the cost of commercialization activities and arrangements, including manufacturing of our product candidates; and
- the cost of product in-licensing and any possible acquisitions.

We intend to seek additional funding through strategic alliances, and may seek additional funding through public or private sales of our securities, including equity securities. For example, we have an effective shelf registration statement on file with the Securities and Exchange Commission (SEC) which allows us to issue shares of our common stock from time to time for an aggregate initial offering price of up to an additional $117 million, and we have a Committed Equity Financing Facility (CEFF) with Kingsbridge Capital Limited (Kingsbridge) covering the potential sale of shares of our common stock for up to $75 million in gross proceeds. In addition, we have previously financed capital purchases and may continue to pursue opportunities to obtain additional debt financing in the future. Recently, the credit markets and the financial services industry have been experiencing a period of unprecedented turmoil and upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States federal government. These events have generally made equity and debt financing more difficult to obtain. Accordingly, additional equity or debt financing might not be available on reasonable terms, if at all. Any additional equity financings, including funds raised under the CEFF, will be dilutive to our stockholders and any additional debt financings may involve operating covenants that restrict our business.

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 $51.0 million and $88.6 million for the years ended December 31, 2009 and 2008, respectively. As a result of ongoing operating losses, we had an accumulated deficit of $754.3 million as of December 31, 2009. We do not expect to be profitable for the year ending December 31, 2010 or for the foreseeable future.

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 product candidates;
- 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.

The CEFF that we entered into with Kingsbridge may not be available to us if we elect to make a draw down, may require us to make additional "blackout" or other payments to Kingsbridge, could cause our stock price to decline and may result in dilution to our stockholders.

The CEFF entitles us to sell and obligates Kingsbridge to purchase, from time to time over a period of three years, newly issued shares of our common stock up to the lesser of an aggregate of approximately 7.8 million shares or $75 million, subject to certain conditions and restrictions. Kingsbridge will not be obligated to purchase shares under the CEFF unless certain conditions are met, which include a minimum price for our common stock; the accuracy of representations and warranties made to Kingsbridge; compliance with laws; effectiveness of the registration statement filed by us with the SEC with respect to the CEFF; and the continued listing of our stock on the NASDAQ Global Select Market or other specified markets. In addition, Kingsbridge is permitted to terminate the CEFF if it obtains actual knowledge that a material and adverse event has occurred affecting our business, operations, properties or financial condition. If we are unable to access funds through the CEFF, or if the CEFF is terminated by Kingsbridge, we may be unable to access capital on favorable terms or at all.

We are entitled, in certain circumstances, to deliver a blackout notice to Kingsbridge to suspend the registration statement filed by us with the SEC with respect to the CEFF and prohibit Kingsbridge from selling shares. If we deliver a blackout notice in the 15 calendar days following the settlement of a draw down, or if the registration statement is not effective in circumstances not permitted by the registration rights agreement, then we must make a payment to Kingsbridge, calculated on the basis of the number of shares held by Kingsbridge acquired by way of the most recent drawdown prior to the blackout notice and actually held by Kingsbridge multiplied by the change in the market price of our common stock during the period in which the use of the registration statement is suspended. If the trading price of our common stock declines during a suspension of the registration statement, the blackout or other payment could be significant.

Should we continue to sell shares to Kingsbridge under the CEFF, or issue shares in lieu of a blackout payment, it will have a dilutive effect on the holdings of our current stockholders, and may result in downward pressure on the price of our common stock. If we draw down under the CEFF, we will issue shares to Kingsbridge at a discount of up to 10 percent from the volume weighted average price of our common stock. If we draw down amounts under the CEFF when our share price is decreasing, we will need to issue more shares to raise the same amount than if our stock price was higher. Issuances in the face of a declining share price will have an even greater dilutive effect than if our share price were stable or increasing, and may further decrease our share price.

There is uncertainty regarding future development of our product candidate, indiplon, which may never receive regulatory approval or be commercialized.

On December 12, 2007 we received an action letter from the FDA stating that indiplon 5mg and 10mg capsules are approvable (2007 FDA Approvable Letter). The 2007 FDA Approvable Letter acknowledged that our resubmitted NDA for indiplon 5mg and 10mg capsules had addressed the issues raised in a previous approvable letter, but set forth new requirements. The new requirements set forth in the 2007 FDA Approvable Letter are the following: (i) an objective/subjective clinical trial in the elderly, (ii) a safety study assessing the rates of adverse events occurring with indiplon when compared to a marketed product and (iii) a preclinical study to evaluate indiplon administration during the third trimester of pregnancy. After receipt of the 2007 FDA Approvable Letter, we ceased all indiplon clinical development activities in the United States as well as all pre-commercialization activities. We met with the FDA in July 2008 to discuss the 2007 FDA Approvable Letter. We have not received the final minutes of this meeting. We are currently evaluating various alternatives for the indiplon program.

The process of preparing and resubmitting the NDA for indiplon would require significant resources and could be time consuming and subject to unanticipated delays and cost. As a result of the 2007 FDA Approvable Letter, there is a significant amount of uncertainty regarding the future development of indiplon. Should the NDA be refiled, the FDA could again refuse to approve the NDA, or could still require additional data analysis or clinical trials, which would require substantial expenditures by us and would further delay the approval process. Even if our indiplon NDA is 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 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. The FDA could also require a Risk Evaluation and Mitigation Strategy (REMS) program for indiplon that could limit the commercial success of the product. 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.

****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 $2.00 per share to approximately $6.00 per share. The market price of our common stock may fluctuate in response to many factors, including:

- the results of our clinical trials;
- developments concerning new and existing collaboration agreements;
- announcements of technological innovations or new therapeutic products by us or others;
- general economic and market conditions;
- developments in patent or other proprietary rights;
- developments related to the FDA approval process for indiplon;
- future sales of our common stock by existing stockholders (and Kingsbridge, if we elect to draw down under our CEFF with Kingsbridge);
- comments by securities analysts;
- 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.

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

We are dependent on licenses from third parties for some of our key technologies. These licenses typically subject us to various commercialization, reporting and other obligations. If we fail to comply with these obligations, we could lose important rights. For example, we have licensed indiplon from DOV Pharmaceutical, Inc. In addition, we license some of the core technologies used in our research and development activities and collaborations from third parties, including the CRF receptor we license from The Salk Institute and use in our CRF_1 program, urocortin 2 which we license from Research Development Foundation, and the GnRH receptor we license from Mount Sinai School of Medicine and use in our *elagolix* 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.

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 (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 U.S. Drug Enforcement Administration, and other 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.

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. Our consultants 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 laws, regulations and standards are subject to varying interpretations in some 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 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 these 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.

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, manufacture 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, manufacture, 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 endometriosis, anxiety, depression, pain, diabetes, irritable bowel syndrome, insomnia, and other neurological and 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.

Health care reform measures could adversely affect our business.

The business and financial condition of pharmaceutical and biotechnology companies are affected by the efforts of governmental and third-party payers to contain or reduce the costs of health care. In the United States, comprehensive health care reform legislation was enacted by the Federal government and we expect that there will continue to be a number of federal and state proposals to implement government control over the pricing of prescription pharmaceuticals. In addition, increasing emphasis on reducing the cost of health care in the United States will continue to put pressure on the rate of adoption and pricing of prescription pharmaceuticals. Moreover, in some foreign jurisdictions, pricing of prescription pharmaceuticals is already subject to government control. We are currently unable to predict what additional legislation or regulation, if any, relating to the health care industry or third-party coverage and reimbursement may be enacted in the future or what effect the recently enacted Federal healthcare reform legislation or any such additional legislation or regulation would have on our business. The pendency or approval of such proposals or reforms could result in a decrease in our stock price or limit our ability to raise capital or to enter into collaboration agreements for the further development and commercialization of our programs and products.

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 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)
3.6	Certificate of Amendment of Bylaws (5)
4.1	Form of Common Stock Certificate (1)
10.1**	Collaboration and License Agreement dated June 16, 2010 by and between Boehringer Ingelheim International GmbH and the Company
10.2**	Collaboration Agreement dated June 15, 2010 by and between Abbott International Luxembourg S.a r.l and the Company
22.1	Submission of Matters to a Vote of Security Holders (6)
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
(5) Incorporated by reference to the Company's Current Report on Form 8-K filed on February 9, 2010
* 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.
(6) Incorporated by reference to the Company's Current Report on Form 8-K filed on May 27, 2010
** Confidential treatment has been requested for to certain portions of this exhibit.

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: July 29, 2010

/s/ TIMOTHY P. COUGHLIN

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

Exhibit 10.1

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

Contract Number: 43031148

COLLABORATION AND LICENSE AGREEMENT

Dated June 16, 2010

BY AND BETWEEN

BOEHRINGER INGELHEIM INTERNATIONAL GmbH

AND

NEUROCRINE BIOSCIENCES, INC.

TABLE OF CONTENTS

EXHIBIT INDEX

Exhibit A	[…***…]
Exhibit B	**Neurocrine Patent Rights**
Exhibit C	**Research Plan**
Exhibit D	**Invoice Requirements**
Exhibit E	**Pre-Approved Announcement Regarding The Collaboration**

COLLABORATION AND LICENSE AGREEMENT

THIS COLLABORATION AND LICENSE AGREEMENT (this "Agreement"), dated as of June 16, 2010, is made by and between Neurocrine Biosciences, Inc., 12780 El Camino Real, San Diego, California, U.S.A. 92130 ("Neurocrine") and Boehringer Ingelheim International GmbH, Binger Strasse 173, 55216 Ingelheim am Rhein, Germany ("BI").

WHEREAS, BI is engaged in the research, development and commercialization of human pharmaceutical products, […***…] the discovery and development of glucose dependent insulin secretagogues including G-protein coupled receptor 119 ("GPR119") agonists;

WHEREAS, Neurocrine is engaged in the research and development of human pharmaceutical products, and is the owner of certain proprietary compounds, information and know how relating to glucose dependant insulin secretagogues including GPR119 and small molecule agonists thereto, which may be useful in the discovery and development of human pharmaceutical products;

WHEREAS, BI and Neurocrine have agreed to collaborate, on the terms and conditions set forth herein, in the research, development and commercialization of GPR119 Agonist Compounds (as defined below);

NOW, THEREFORE, in consideration of the mutual representations, warranties and covenants contained herein and other good and valuable consideration, the Parties agree as follows:

ARTICLE ONE - DEFINITIONS

When used in this Agreement, each of the following terms shall have the meanings set forth in this Article One. Any terms defined elsewhere in this Agreement should be given equal weight and importance as though set forth in this Article One.

1.1 **"Affiliate"** shall mean a Person that, directly or indirectly, through one or more intermediates, controls, is controlled by, or is under common control with the Person specified. For the purposes of this definition, control shall mean the direct or indirect ownership of, (a) in the case of corporate entities, securities authorized to cast more than fifty percent (50%) of the votes in any election for directors or (b) in the case of non-corporate entities, more than fifty percent (50%) ownership interest with the power to direct the management and policies of such non-corporate entity. Notwithstanding the foregoing, the term "Affiliate" shall not include subsidiaries in which a Party or its Affiliates owns a majority of the ordinary voting power to elect a majority of the board of directors, but is restricted from electing such majority by contract or otherwise, until such time as such restrictions are no longer in effect.

1.2 **"BI Confidential Information"** shall mean Confidential Information owned by BI and/or its Affiliates or otherwise designated as BI Confidential Information hereunder but shall not include Joint Confidential Information.

1.3 **"BI Materials"** shall mean BI proprietary research materials including, but not limited to, assays, physical databases of chemical structures of compounds, reagents and materials derived therefrom. BI Materials will not include Program Materials or Collaboration Products. BI will own BI Materials supplied by BI to Neurocrine hereunder.

1.4 **"BI Patent Rights"** shall mean all Patent Rights filed or to be filed by BI arising out of […***…] execution of this Agreement, and/or (b) the collaborative Research Program with BI inventorship only.

1.5 **"BI Technology"** shall mean, all Technology (i) owned or Controlled by BI and/or its Affiliates on the Effective Date or during the term of the Research Program and relating to Collaboration Products and/or (ii) arising out of the conduct solely by BI of the Research Program in each case as necessary or useful to make, have made, use, sell, offer for sale, have sold and import Collaboration Products including synthetic processes to produce Collaboration Products and all related chemical and biological data. BI Technology shall specifically include but not be limited to the BI Patent Rights. BI Technology shall not include Program Technology.

1.6 **"Change of Control"** shall mean any of the following events (i) the acquisition by any person or group or entity of "beneficial ownership" (as hereinafter defined) directly or indirectly, of more than fifty percent (50%) of the shares of Neurocrine's capital stock or other voting securities, the holders of which have general voting power under ordinary circumstances to elect at least a majority of Neurocrine's board of directors or equivalent body (the "Voting Stock"); (ii) the approval by the shareholders of Neurocrine of a merger share exchange, reorganization, consolidation or other similar transaction of Neurocrine and the consummation of such transaction (a "Transaction"), other than a Transaction which would result in the beneficial owners of Voting Stock of Neurocrine immediately prior thereto continuing to beneficially own (either by such voting Stock remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the Voting Stock of Neurocrine or such surviving entity immediately after such Transaction; or (iii) the approval by the shareholders of Neurocrine of a complete liquidation or dissolution of Neurocrine or a sale or disposition of all or substantially all of the assets of Neurocrine and the consummation of such Transaction. For the purpose of this definition, "beneficial ownership" shall mean ownership of a security by any person or group or entity who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (X) voting power which includes the power to vote, or to direct the voting of, such security; and/or (Y) investment power which includes the power to dispose or to direct the disposition of such security. Change of Control shall not include any public offering of the shares of Neurocrine.

1.7 **"Collaboration"** shall mean the research collaboration between BI and Neurocrine pursuant to the terms and conditions of this Agreement.

1.8 **"Collaboration Patent Rights"** shall mean the BI Patent Rights, the Neurocrine Patent Rights and the Program Patent Rights.

1.9 **"Collaboration Products"** shall mean all GPR119 Agonist Compounds encompassed by the Collaboration Patent Rights.

1.10 **"Collaboration Scope"** shall mean the discovery, characterization, optimization, research, development and commercialization of GPR119 Agonist Compounds.

1.11 **"Collaboration Technology"** shall mean the Neurocrine Technology, BI Technology and Program Technology and specifically shall include the Collaboration Patent Rights.

1.12 **"Combination Product"** shall mean a pharmaceutical formulation containing as its active ingredients both a Collaboration Product and one or more other therapeutically active ingredients.

1.13 **"Commercially Reasonable Efforts"** shall mean efforts and resources commonly used in the pharmaceutical industry for a product at a similar stage in its research, development, commercialization or product life and is of similar market potential taking into account efficacy, safety, regulatory authority approved labeling and pricing, the competitiveness of alternative products in the marketplace, the patent and other proprietary position of the product, the likelihood of Regulatory Approval given the regulatory structure involved, the profitability of the product, and other relevant factors. Commercially Reasonable Efforts shall be determined on a market-by-market and country-by-country basis for a particular product, and it is anticipated that the level of effort will change over time, reflecting changes in the status of the Collaboration Product and the market involved.

1.14 **"Co-Packaged Product"** shall mean a single packaged product containing a Collaboration Product and one or more other therapeutically, diagnostically or prophylactically active products as separate components in a co-packaged form.

1.15 **"Confidential Information"** shall mean with respect to each Party and its Affiliates, non-public proprietary data or information which belongs in whole or in part to such Party and its Affiliates, and/or information designated as Confidential Information of such Party and its Affiliates hereunder.

1.16 **"Controls" or "Controlled"** shall mean with respect to Technology, the possession of the ability to grant licenses or sublicenses, other than pursuant to this Agreement, without the payment of additional consideration or the violation of the terms of any agreement or other arrangement with, or the rights of, any Third Party.

1.17 **"Default"** shall mean with respect to a Party that (i) any representation or warranty of such Party set forth herein shall have been untrue in any material respect when made or (ii) such Party shall have failed to perform any material obligation set forth in this Agreement.

1.18 **"Exclusive Period"** shall mean […***…].

1.19 **"EMA"** shall mean the European Medicines Agency or successor agencies.

1.20 **"Effective Date"** shall mean the date first written above.

1.21 **"FDA"** shall mean the Federal Food and Drug Administration of the United States Department of Health and Human Services or any successor agency thereof.

1.22 **"Field of Use"** shall mean all uses, including, but not limited to, therapeutic, prophylactic and diagnostic uses in humans and animals.

1.23 **"First Commercial Sale"** shall mean with respect to any Collaboration Product holding Regulatory Approval for commercial sale, the first transfer by BI, its Affiliates and/or its sublicensees of the Collaboration Product to a Third Party in exchange for cash or some equivalent to which value can be assigned.

1.24 **"Force Majeure"** shall mean any occurrence beyond the reasonable control of a Party that prevents or substantially interferes with the performance by the Party of any of its obligations hereunder, if such occurs by reason of any act of God, flood, fire, explosion, earthquake, strike, lockout, labor dispute, casualty or accident; or war, revolution, civil commotion, acts of public enemies, blockage or embargo; or any injunction, law, order, proclamation, regulation, ordinance,

demand or requirement of any government or of any subdivision, authority or representative of any such government; or breakdown of plant, inability to procure or use materials, labor, equipment, transportation, or energy sufficient to meet manufacturing needs without the necessity of allocation; or any other cause whatsoever, whether similar or dissimilar to those above enumerated, beyond the reasonable control of such Party, if and only if the Party affected shall have used reasonable efforts to avoid such occurrence and to remedy it promptly if it shall have occurred.

1.25 **"FTE"** shall mean a full time equivalent Neurocrine employee year consisting of a total of […***…] per year of work on or directly related to the Research Program.

1.26 **"Generic Competition**" means, on a country by country and Collaboration Product by Collaboration Product basis, that the following conditions are met: (x) one or more Third Parties is selling a Generic Product in a country during a calendar quarter, and (y) […***…] of such Generic Product(s) sold in such country by the Third Party(ies) in such calendar quarter is […***…] of Collaboration Products sold in that country by BI, its Affiliates and sublicensees. Unless otherwise agreed by the Parties,
[…***…] of each Generic Product sold during a calendar quarter shall be deemed to be the volume of sales of the Generic Product in such country in that calendar quarter as reported by IMS Health, Incorporated, of Fairfield, Connecticut (together with its affiliates "IMS") or any successor to IMS or any other independent sales auditing firm reasonably agreed upon by the Parties.

1.27 **"Generic Product(s)"** shall mean and include products (other than Collaboration Products developed and commercialized by BI pursuant to this Agreement) that contain principally the same active pharmaceutical ingredient as a Collaboration Product.

1.28 "**GLP Toxicology Study**" means a toxicological study of twenty eight (28) days or greater duration enabling the performance of first clinical studies in humans as stipulated in ICH guideline M3(R2), performed under current GLP regulations.

1.29 **"GPR119 Agonist Compounds"** shall mean compounds that (i) stimulate the human GPR119 receptor activity with […***…].

1.30 **"Indication"** shall mean an individual disease or clinical condition with respect to which at least one adequate and well–controlled clinical study is required to support inclusion of such disease or condition in the indication statement of the package insert of a product approved for marketing and commercialization. For avoidance of doubt, a label enhancement or elaboration or expansion of an approved Indication is not a separate Indication even if one or more studies are performed to receive such enhancement or expansion.

1.31 **"Invoice"** means an original invoice sent by Neurocrine to BI as specified in Exhibit D.

1.32 **"Joint Confidential Information"** shall mean Confidential Information Jointly Owned by BI and Neurocrine or otherwise designated as Joint Confidential Information hereunder.

1.33 **"Joint Ownership"** or **"Jointly Owned" or "Jointly Own"** shall mean that every Party shall own fifty percent (50%) undivided interest. Except as expressly provided in this Agreement and subject to any restrictions herein, with respect to Collaboration Patent Rights each joint owner may only assign, license, sell or otherwise encumber or transfer any such interest with the prior written approval of the other Party, which shall not be unreasonably withheld. Any such approved assignment, license or other disposition of Collaboration Technology Patent Rights shall at all times be and remain subject to the rights granted and accompanying conditions and obligations with respect thereto under this Agreement. Each Party waives the right it may have under any jurisdiction to assign, license, sell or otherwise encumber or transfer any such interest in Collaboration Technology Patent Rights without consent of the other Party.

1.34 **"MAA"** shall mean a Marketing Authorization Application covering a Collaboration Product, filed with the European Medicines Agency.

1.35 **"Major European Country"** shall mean the United Kingdom, Germany, Spain, Italy or France.

1.36 **"Milestones"** shall mean the payments to be made upon occurrence of certain events as set forth in Article Six of this Agreement.

1.37 **"NDA**" shall mean a New Drug Application covering a Collaboration Product filed with the FDA pursuant to 21 CFR 314 required for marketing approval of a pharmaceutical product.

1.38 **"Net Sales"** shall mean the gross receipts from sales of Collaboration Products in the Territory by BI, its Affiliates or sublicensees ("the Selling Party") to Third Parties in the Territory less deductions actually allowed, granted, accrued or specifically allocated to Collaboration Product by the Selling Party using generally accepted accounting standards for:

(a) packing, handling and transportation charges not already covered in the cost of goods sold, including insurance, for transporting Collaboration Product;

(b) sales and excise taxes, use taxes, tariffs and import/export duties paid or allowed by the Selling Party and any other governmental charges imposed upon the production, importation, use or sale of such Collaboration Product, including value-added taxes;

(c) any adjustments arising from consumer discount programs or other similar programs, and any rebates, chargeback rebates, compulsory rebates, trade, quantity and cash discounts (including non-discretionary early settlement discounts), and other usual and customary discounts to customers allowed on Collaboration Product;

(d) allowances or credits to customers on account of rejection or return of Collaboration Product, including but not limited to recalls or damaged goods;

(e) allowances or credits to customers on account of retroactive price reductions affecting such Collaboration Product;

(f) Collaboration Product rebates and Collaboration Product charge backs including those granted to managed care entities and government agencies, their respective purchasers, or reimbursers, including any mandatory rebates;

(g) deductions for actual bad debts to the extent relating to the Collaboration Product; and

(h) discounts or rebates applied on bundle or sales package containing the Collaboration Product consistent with BI's practices for its other products.

Sales between BI, its Affiliates and/or its/their sublicensees shall be excluded from the computation of Net Sales and no payments will be payable on such sales except where such Affiliates or sublicensees are end users but Net Sales shall include the subsequent final sales to Third Parties by such Affiliates or sublicensees.

In the event a Collaboration Product is sold as a Combination Product or Co-Packaged Product, Net Sales of the Combination Product or Co-Packaged Product will be calculated as follows:

(a) If the Combination Product or Co-Packaged Product, the Collaboration Product and the other product are sold separately, Net Sales of the Collaboration Product portion of Combination Products and Co-Packaged Products will be calculated by multiplying the total Net Sales of the Combination Product or Co-Packaged Product by the fraction A/(A+B), where A is the average gross selling price in the applicable country in the Territory of the Collaboration Product sold separately in the same formulation and dosage, and B is the sum of the average gross selling prices in the applicable country in the Territory of all other therapeutically, diagnostically or prophylactically active ingredients or products in the Combination Product or Co-Packaged Product sold separately in the same formulation and dosage, during the applicable calendar quarter.

(b) If the Combination Product or the Co-Packaged Product and the Collaboration Product are sold separately, but the average gross selling price of the other product(s) cannot be determined, Net Sales of the Combination Product or the Co-Packaged Product shall be equal to the Net Sales of the Combination Product or Co-Packaged Product multiplied by the fraction A/C wherein A is the average gross selling price of the Collaboration Product and C is the average gross selling price of the Combination Product or Co-Packaged Product.

(c) If the Combination Product or the Co-Packaged Product and the other product(s) are sold separately, but the average gross selling price of the Collaboration Product cannot be determined, Net Sales of the Combination Product and/or Co-Packaged Product shall be equal to the Net Sales of the Combination Product and/or Co-Packaged Product multiplied by the following formula: one (1) minus B/C wherein B is the average gross selling price of the other product(s) and C is the average gross selling price of the Combination Product and/or Co-Packaged Product.

(d) If the Combination Product or Co-Packaged Product are sold separately, but the average gross selling price of neither the Collaboration Product nor the other product(s) can be determined, Net Sales of the Combination Product or Co-Packaged Product shall be equal to Net Sales of the Combination Product or Co-Packaged Product multiplied by a mutually agreed percentage.

The average gross selling price for such other product(s) contained in the Combination Product or Co-Packaged Product shall be calculated for each calendar year by dividing the sales amount by the units of such other product(s), as published by IMS or another mutually agreed independent source.

In the initial calendar year during which a Combination Product or Co-Packaged Product is sold, a forecasted average gross selling price shall be used for the Collaboration Product, other product(s), or Combination Product and/or Co-Packaged Product. Any over or under payment due to a difference between forecasted and actual average gross selling prices shall be paid or credited in the second royalty payment of the following calendar year. In the following calendar year the average gross selling price of the previous year shall apply from the second royalty payment on.

1.39 **“Neurocrine Confidential Information”** shall mean Confidential Information owned by Neurocrine or otherwise designated as Neurocrine Confidential Information hereunder but shall not include Joint Confidential Information.

1.40 **"Neurocrine Materials"** shall mean Neurocrine proprietary research materials including, but not limited to, assays, physical databases of chemical structures of compounds, reagents and materials derived therefrom. Neurocrine Materials will not include Program Materials or Collaboration Products. Neurocrine will own Neurocrine Materials supplied by Neurocrine to BI hereunder.

1.41 **"Neurocrine Patent Rights"** shall mean all Patent Rights filed or to be filed by Neurocrine arising out of […***…] (b) the collaborative Research Program with Neurocrine inventorship only.

1.42 **"Neurocrine Technology"** shall mean all Technology (i) owned or Controlled by Neurocrine on the Effective Date or during the term of the Research Program relating to Collaboration Products and/or (ii) arising out of the conduct solely by Neurocrine of the Research Program in each case as necessary or useful to make, have made, use, sell, offer for sale, have sold and import Collaboration Products including synthetic processes to produce Collaboration Products and all related chemical and biological data. Neurocrine Technology shall specifically include but not be limited to the Neurocrine Patent Rights. Neurocrine Technology shall not include Program Technology.

1.43 **"Party"** shall mean BI or Neurocrine, as the case may be, and their respective Affiliates and "Parties" shall mean BI and Neurocrine and their respective Affiliates.

1.44 **"Patent Rights"** shall mean the rights and interests in and to all issued patents and pending patent applications in any country, including, without limitation, all provisional applications, substitutions, continuations, continuations-in-part, divisions, and renewals, all letters patent granted thereon, and all patents-of-addition, reissues, reexaminations and extensions or restorations by existing or future extension or restoration mechanisms, including, without limitation Supplementary Protection Certificates or the equivalent thereof.

1.45 **"Person"** shall mean any individual, firm, corporation, partnership, limited liability company, trust, unincorporated organization or other entity or a government agency or political subdivision thereto, and shall include any successor (by merger or otherwise) of such Person.

1.46 **"Phase I**" in the United States means a human clinical trial that meets the requirements of 21 CFR 312.21(a) designed to provide evidence of safety and tolerability, metabolism and pharmacological activity, adverse experience with increasing doses and, possibly, early evidence of efficacy of a Product. Any clinical study in healthy volunteers is a Phase I study. Phase I in EU and Japan means studies that meet with these regulatory bodies' requirements for similar types of studies.

1.47 **"Phase II"** in the United States means a human clinical trial that meets the requirements of 21 CFR 312.21(b) designed to explore the dose relationship of a Product against some clinical efficacy measure for an Indication in patients with the disease or condition under study. Phase II in EU and Japan means studies that meet with these regulatory bodies' requirements for similar types of studies.

1.48 **"Phase III"** in the United States means a pivotal human clinical trial that meets the requirements of 21 CFR 312.21(c) designed to generate the information about effectiveness and safety needed to evaluate the over-all benefit-risk relationship of a Product and provide adequate basis for Regulatory Approval for marketing a Product. Phase III in EU and Japan means studies that meet with these regulatory bodies' requirements for similar types of studies.

1.49 **"Program Patent Rights"** shall mean the Patent Rights claiming inventions and discoveries arising from the […***…]. "Program Patent Rights" shall include Patent Rights from any patent

application filed by either Party which relates to an invention arising from […***…] where it is determined that in respect of subsequent subject matter included in such application […***…] as a result of relevant work conducted […***…]

1.50 **"Program Technology"** shall mean Technology, which is discovered or invented jointly by Neurocrine personnel and BI personnel as a result of the Collaboration.

1.51 **"Program Materials"** shall mean and include clones, cell lines, assays, databases, electronic and physical databases of chemical structures, which, in each case, are developed, by Neurocrine and/or BI during the course of conduct of the Research Program. Program Materials will not include Collaboration Products.

1.52 **"Regulatory Approval"** shall mean the technical, medical and scientific licenses, registrations, authorizations and approvals (including, without limitation, approvals of Investigational Drug Applications, New Drug Applications and equivalents, supplements and amendments, pre- and post- approvals, pricing and third party reimbursement approvals, and labeling approvals) of any national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, necessary for the development, manufacture, distribution, marketing, promotion, offer for sale, use, import, export or sale of Collaboration Product(s) in a regulatory jurisdiction.

1.53 **"Regulatory Filings"** shall mean, collectively, Investigational New Drug Applications, Product License Applications, Drug Master Files, NDAs and/or any other equivalent or comparable filings as may be required by Regulatory Authorities to obtain Regulatory Approvals.

1.54 **"Research Plan"** shall mean the collaborative research plan as described in Section 5.2(c).

1.55 **"Research Program"** shall mean the GPR119 collaborative research program conducted by Neurocrine and BI in accordance with the provisions of Article Five hereof.

1.56 **"Royalties"** shall mean those royalties payable pursuant to Article Six of this Agreement.

1.57 **"Start of Pre-Development"**, shall mean when a GPR119 Agonist Compound subject to the Collaboration Patent Rights […***…].

1.58 **"Steering Committee"** shall have the meaning set forth in Article Four hereof.

1.59 **"Technology"** shall mean proprietary data, information and all intellectual property, including but not limited to, trade secrets, know-how, inventions and technology, whether patentable or not, and Patent Rights directed to products, processes, formulations and/or methods but which term shall specifically exclude copyright and all registered and unregistered trademarks.

1.60 **"Territory"** shall mean the world.

1.61 **"Third Party(ies)"** shall mean any Person other than Neurocrine, BI and their respective Affiliates.

1.62 **"Third Party Royalties"** shall mean royalties payable by Neurocrine, BI, its Affiliates or sublicensees to a Third Party (or multiple Third Parties) to make, have made, use, sell, offer for sale or import Collaboration Products where the royalty payable to such Third Party is based on Patent Rights owned or Controlled by such Third Party.

1.63 **"Valid Claim"** shall mean (a) a claim in an issued patent that has not: (i) expired or been canceled; (ii) been declared invalid by an unreversed and unappealable or unappealed decision of a court or other appropriate body of competent jurisdiction; (iii) been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise, or (iv) been abandoned in accordance with or as permitted by the terms of this Agreement or by mutual written agreement of the Parties; or […***…] and which has not been canceled, withdrawn from consideration, finally determined to be unallowable by the applicable governmental authority or court for whatever reason (and from which no appeal is or can be taken), or abandoned.

ARTICLE TWO - REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1 **Mutual Representations and Warranties.** Each Party hereby represents, warrants and covenants to the other Party that:

(a) the execution, delivery to the other Party and performance by it of this Agreement and its compliance with the terms and provisions of this Agreement does not and will not conflict, in any material respect, with or result in a breach of any of the terms or provisions of (i) any other contractual obligations of such Party, (ii) the provisions of its charter, operating documents or bylaws, or (iii) any order, writ, injunction or decree of any court or governmental authority entered against it or by which it or any of its property is bound except where such breach or conflict would not materially impact the Party's ability to meet its obligations hereunder;

(b) this Agreement is a legal and valid obligation binding upon such Party and enforceable in accordance with its terms except as (i) enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights and (ii) equitable principles of general applicability;

(c) such Party is a corporation duly organized, validly existing and in good standing under the laws of the state or other jurisdiction of incorporation or formation and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof except where failure to be in good standing would not materially impact the Party's ability to meet its obligations hereunder;

(d) such Party is duly authorized, by all requisite corporate action, to execute and deliver this Agreement and the execution, delivery and with respect to Neurocrine the performance of this Agreement by Neurocrine does not require shareholder action or approval and with respect to BI the performance of this Agreement by BI has been approved by all necessary shareholder action, and the Person executing this Agreement on behalf of such Party is duly authorized to do so by all requisite corporate action; and

(e) no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority is required on the part of such Party in connection with the valid execution, delivery and performance of this Agreement, except for any filings under any applicable securities laws and except where the failure to obtain any of the foregoing would not have a material adverse impact on the ability of such Party to meets its obligations hereunder.

2.2 **Specific Neurocrine Warranties.** Neurocrine warrants and represents to BI that as of the Effective Date:

(a) it has the full right, power and authority to grant the licenses granted to BI under Article Three hereof;

(b) all Patent Rights included within the Neurocrine Technology are existing and, to its knowledge, are not invalid or unenforceable, in whole or in part;

(c) (i) it is the sole and exclusive owner or the exclusive licensee of the Neurocrine Technology, including, without limitation, all Patent Rights included therein, and (ii), to its knowledge, no Person has any right, title or interest in or to the Neurocrine Technology;

(d) all inventors (who are known as of the date this Agreement is signed by each of the Parties) of any inventions included within the Neurocrine Technology have assigned their entire right, title and interest in and to such inventions and the corresponding Patent Rights to Neurocrine; and

(e) there are no claims, judgments or settlements against or owed by Neurocrine or, to its knowledge, pending or threatened claims or litigation relating to the Neurocrine Technology.

2.3 **Specific BI Warranties.** BI warrants and represents to Neurocrine that as of the Effective Date:

(a) it has the full right, power and authority to grant the licenses granted to Neurocrine under Articles Three and, if granted, under Article Nine, hereof;

(b) all Patent Rights included within the BI Technology are existing and, to its knowledge, are not invalid or unenforceable, in whole or in part;

(c) (i) it is the sole and exclusive owner or the exclusive licensee of the BI Technology, including, without limitation, all Patent Rights included therein, and (ii), to its knowledge, no Person has any right, title or interest in or to the BI Technology;

(d) all inventors (who are known as of the date this Agreement is signed by each of the Parties) of any inventions included within the BI Technology have assigned their entire right, title and interest in and to such inventions and the corresponding Patent Rights to BI; and

(e) there are no claims, judgments or settlements against or owed by BI or, to its knowledge, pending or threatened claims or litigation relating to the BI Technology.

2.4 **Use of Technology.** Neurocrine warrants that it will not use the BI Technology unless specifically licensed hereunder. BI warrants that it will not use the Neurocrine Technology unless specifically licensed hereunder.

2.5 **Exclusive Collaborative Effort.** Subject to […***…] rights hereunder, and except where the Parties shall determine otherwise (in which event such work shall be considered part of this Collaboration), Neurocrine and BI will each work exclusively with one another and will not […***…] during the Exclusive Period. For avoidance of doubt and subject to the licenses granted in this Agreement, during the term of the Research Program, […***…], excluding any […***…], and further excluding any […***…], for all purposes outside the […***…]. For further avoidance of doubt, it shall be deemed no violation of this Section 2.5, if any Party may in their discovery, characterization, optimization, research, development and commercialization of compounds […***…], make, use or sell compounds […***…]. During the term of the Research Program, each Party shall […***…] as soon as such […***…] is reasonable from a standpoint of a […***…]. Once a compound is identified as […***…] such compound will, if the compound (i) […***…] and (ii) is not within […***…] as the case may be, become part of the Collaboration Technology […***…].

2.6 **Commercially Reasonable Efforts.** Neurocrine and BI shall each use Commercially Reasonable Efforts to perform their respective obligations under the Research Program and meet the goals of the Collaboration.

2.7 **Disclaimer**. EXCEPT AS EXPRESSLY PROVIDED HEREIN EACH PARTY MAKES NO OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ANY MATERIALS, INCLUDING WITHOUT LIMITATION BI TECHNOLOGY AND NEUROCRINE TECHNOLOGY. ADDITIONALLY, EXCEPT AS EXPRESSLY SET FORTH IN SECTION 2.2, NEUROCRINE MAKES NO REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT THE MANUFACTURE, USE OR SALE OF ANY COLLABORATION PRODUCT WILL NOT INFRINGE THE INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY.

ARTICLE THREE - LICENSES

3.1 **License Grant to BI.** Neurocrine hereby grants to BI the sole and exclusive right and license, with the right to sublicense, under Neurocrine's right title and interest in the Collaboration Technology (including the Neurocrine Technology and Neurocrine's interest in any Program Technology), to research, develop, make, have made, register, use, sell, offer for sale, have sold and import Collaboration Products in the Field of Use in the Territory.

3.2 **Neurocrine Retained Licenses.** The exclusive licenses granted to BI in Section 3.1 above, shall be subject to the retention by Neurocrine or grant to Neurocrine as the case may be of a nonexclusive royalty free, worldwide right and license, to use the Neurocrine Technology and Program Technology for research purposes […***…] in all cases subject to Section 2.5 and provided that Neurocrine will not have a license to use the […***…] for research purposes **[…***…]**. Notwithstanding the foregoing upon BI's payment to Neurocrine of the […***…] for a Collaboration Product, or any subsequent achievement of the […***…] where no payments are due Neurocrine, […***…].

3.3 **Program Technology.** Except as otherwise set forth in Section 3.2 and 3.5, the Program Technology will be […***…]. For the avoidance of doubt […***…]. Pursuant to the exclusive license granted to BI in Section 3.1 BI will have the exclusive right and license under the Program Technology and under the Program Patent Rights to research, develop, make, have made, register, use, offer to sell, import, or export Collaboration Products in the Field of Use in the Territory. Subject to the licenses granted under this Agreement, BI and Neurocrine will each have the right under the Program Technology to research, develop, make, have made, register, use, offer to sell, import, or export products […***…]. Upon expiration of the Exclusive Period and subject to the licenses granted under this Agreement and Section 3.2, […***…]. For avoidance of doubt, each Party will have the right to […***…] as set forth herein […***…] exclusive licenses granted to BI in Section 3.1 above […***…] as described in Section 3.2 and 3.3.

3.4 **Disclosure.** During the term of this Agreement, the Parties will as promptly as practicably possible disclose to one another all data, information, inventions, techniques and discoveries (whether patentable or not) arising out of the conduct of the Research Program and all inventions, techniques and discoveries (whether patentable or not) included in the Technology licensed hereunder.

3.5 **Data.** Subject to the licenses retained and granted herein, all data and information arising out of the Research Program will be owned by BI and will be BI Confidential Information.

3.6 **Materials.**

(a) Program Materials. During the term of this Agreement, upon request by either Party, the Party to whom the request is made will promptly provide to the other Party such quantities of Program Materials as shall be reasonably available in excess of its own needs for such other Party to carry out its respective responsibilities under this Agreement. Subject to the licenses set forth in this Article Three, each Party may use the Program Materials created or developed by such Party for any purpose.

(b) Neurocrine Materials. During the term of this Agreement, Neurocrine will promptly supply to BI Neurocrine Materials reasonably (both in quantity and identity) requested by BI provided (i) such Neurocrine Materials are reasonably and readily available to Neurocrine in excess of Neurocrine's own requirements, and (ii) supply of such Neurocrine Materials will not, in Neurocrine's sole judgment, (A) conflict with Neurocrine's internal or collaborative research programs, (B) conflict with Neurocrine's internal policies regarding such materials or (C) violate any agreement to which Neurocrine is a party. Any Neurocrine Materials provided to BI hereunder together with materials derived therefrom (i) may only be used by BI and BI's permitted sublicensees in the conduct of the Research Program and/or in the discovery and/or development of Collaboration Products, (ii) may not be supplied to Third Parties, other than Third Parties that, with the approval of the Steering Committee, are under contract with one of the Parties to perform services in support of the Research Program, without Neurocrine's prior written consent which can be withheld for any reason in Neurocrine's sole discretion and (iii) will, at Neurocrine's option and at Neurocrine's request be returned to Neurocrine or destroyed. The provision of Neurocrine Materials hereunder will not constitute any grant, option or license under any Neurocrine Patent Rights, except as expressly set forth herein.

(c) BI Materials. During the term of this Agreement, BI will promptly supply to Neurocrine BI Materials reasonably (both in quantity and identity) requested by Neurocrine pursuant to the carrying out of its obligations under the Research Program provided (i) such BI Materials are reasonably and readily available to BI in excess of BI's own requirements, and (ii) supply of such BI Materials will not, in BI's sole judgment, (A) conflict with BI's internal or collaborative research programs, (B) conflict with BI's internal policies regarding such materials or (C) violate any agreement to which BI is a party. Any BI Materials provided to Neurocrine hereunder together with materials derived therefrom (i) may only be used by Neurocrine in the conduct of the Research Program, (ii) may not be supplied to Third Parties, other than Third Parties that, with the approval of the Steering Committee, are under contract with one of the Parties to perform services in support of the Research Program, without BI's prior written consent which can be withheld for any reason in BI's sole discretion and (iii) will, at BI's option and at BI's request be returned to BI or destroyed. The provision of BI Materials hereunder will not constitute any grant, option or license under any BI Patent Rights, except as expressly set forth herein.

3.7 **Invention Assignment Agreements**. All Neurocrine and BI personnel involved with and conducting activities subject to and under the Research Program will have executed Neurocrine's or BI's, as the case may be, standard non-disclosure and invention assignment agreement.

ARTICLE FOUR - STEERING COMMITTEE

4.1 **Creation; Authority.** Within […***…] of the Effective Date, Neurocrine and BI will form a Steering Committee to oversee, review and co-ordinate the Research Program. The Steering Committee will consist of three (3) each of BI and Neurocrine representatives. Upon termination or expiration of the Research Program, the Steering Committee will be disbanded. At any time during this Agreement, […***…] for the Collaboration but all other terms and obligations set forth herein will remain in full force and effect. […***…].

4.2 **Responsibilities.** The Steering Committee will be responsible for: (i) overseeing the activities of the Parties under the Research Program including without limitation monitoring its progress, (ii) reviewing and amending the Research Program, Research Plan, budgets, and generally coordinating activities; (iii) establishing, as necessary or appropriate, additional joint subcommittees and delegate responsibilities to such joint subcommittees; and (iv) considering and acting upon such other matters that fall within the scope of the Research Program and associated activities.

4.3 **Meetings.** The Steering Committee shall meet no less frequently than quarterly. Steering Committee meetings may be by teleconference or by videoconference as well as in person, with at least one face-to-face meeting per annum, the location of such face-to-face meeting to alternate between Biberach, Germany, or such other location that BI should designate, and San Diego, California, or such other location as Neurocrine should designate. Each Party shall be responsible for expenses incurred by its employees and its members of the Steering Committee incurred in attending or otherwise participating in Steering Committee meetings.

4.4 **Decisions of the Committee**. All decisions of the Steering Committee shall be made in good faith, be in the best interests of the Collaboration to further the goals of the Collaboration and Research Program, and shall be made unanimously. Each Party, through its representative members of the Steering Committee, shall collectively have one vote for decision making purposes. In the event the Steering Committee shall be unable to reach an unanimous decision on any matter, the matter

shall be submitted to the Vice President Research of Neurocrine and the Senior Vice President Research of BI (collectively the "Party Executives") for discussion in good faith based on the goals of the Collaboration. If the Party Executives cannot agree within […***…] of the matter having been referred to them, […***…].

4.5 **Reporting and Disclosure**.

(a) Reports. Prior to each quarterly meeting of the Steering Committee, the Parties will distribute to each other written copies of all materials intended to be submitted at the Steering Committee meeting. In the event that after receipt of any such report, either Party shall request additional data or information relating to the Research Program data or Technology licensed hereunder, the Party to whom such request is made shall promptly provide to the other Party such data or information that such Party reasonably believes is necessary for the continued conduct of the Research Program.

(b) Meetings. At the meetings of the Steering Committee, BI and Neurocrine will, among other activities, review in reasonable detail (i) all data and information generated in the conduct of the Research Programs by each Party and (ii) all Program Technology licensed hereunder developed by the Parties.

4.6 **Annual Reporting**. Following termination or expiration of the Research Program, for the term of this Agreement, BI will provide Neurocrine with annual reports each year within […***…] summarizing BI's progress during the previous calendar year toward research, development and commercialization of Collaboration Products.

ARTICLE FIVE - RESEARCH PROGRAM

5.1 **Goals of the Collaboration.** The goals of the Collaboration, expressed herein as an intent (rather than creating any express or implied liability on the part of either Party), shall be to […***…] research and discovery of GPR119 Agonist Compounds for the treatment of Type 2 Diabetes and related metabolic diseases. It is a further goal of the Collaboration to provide to BI a Collaboration Product that is […***…] treatment of Type 2 Diabetes.

5.2 **Research Program.** Under the terms and conditions set forth herein, BI and Neurocrine will collaborate in the conduct of a collaborative research program, in accordance with the Research Plan, to discover, identify, characterize, optimize, and research GPR119 Agonist Compounds.

(a) Term. The initial term of the Research Program will be […***…] from the Effective Date. BI may unilaterally, in its sole discretion, decide to extend the term of the Research Program by […***…]. To give effect to the foregoing, […***…], BI shall provide notice and inform Neurocrine whether BI is electing to extend the Research Program […***…]. Unless otherwise agreed by the Parties, the extension of the Research Program for […***…] as set forth in subsection (d) below.

(b) Goals. The goal of the Research Program will be to […***…], such that BI, at its sole discretion, may […***…].

(c) Research Plan. The initial […***…] Research Plan is attached hereto as Exhibit C. The Research Plan will be updated on an annual basis by the Steering Committee, and more

frequently if the Steering Committee determines it is necessary to carry out its responsibilities under section 4.2. The Research Plan will specifically include detailed plans for the following year including staffing levels and activities as well as a more general plan for the remaining term of the Collaboration. Other than the initial Research Plan as reflected in Exhibit C, all subsequent Research Plans shall be prepared jointly by the Parties through the Steering Committee. The Research Plan may be modified or amended (i) upon the written approval of the Steering Committee, or (ii) at BI's sole discretion followed by the approval of the Steering Committee. If the Research Plan is extended pursuant to Section 5.2 (a), the Parties shall as soon as practicably thereafter commence the drafting of a suitable supplement to the then existing Research Plan in effect.

(d) Funding of the Research Program.

(i) FTE Costs. BI will fund Neurocrine's FTE activities in the conduct of the Research Program by reimbursing Neurocrine for the actual number of FTEs Neurocrine dedicated to the Research Program, […***…] FTEs per year over the course […***…] of the Research Program, at a rate of […***…] per year per Neurocrine FTE. In the event the Steering Committee shall elect to request that Neurocrine devote more than the above number of Neurocrine FTEs to the conduct of the Research Program in any year, BI will provide such funding for each additional Neurocrine FTE at a rate of […***…] per FTE per year. If BI decides to extend the Research Program […***…] as set forth in Section 5.2(a), the Parties will negotiate in good faith the number of Neurocrine FTEs required during […***…].

(ii) External and Third Party Costs. […***…] Third Party and external costs and expenses approved by the Steering Committee. Third Party contractors will be used whenever BI's and/or Neurocrine's internally dedicated FTEs are insufficient to meet the timelines established by the Steering Committee or when Third Party contractors will best meet the goals of the Collaboration, […***…]. In some instances, the Steering Committee may elect to request that Neurocrine act as a Third Party contractor to the Research Program and in such event, […***…] as agreed between Neurocrine and the Steering Committee.

(iii) Payment, Records and Audit. Neurocrine shall submit an Invoice to BI […***…] after each calendar quarter ending March, June, September, and December, detailing with supportive documentation, the FTE Costs applicable to Neurocrine's efforts for such applicable quarterly period. Neurocrine's Chief Financial Officer shall certify the accuracy of each such Invoice submitted. Unless otherwise specified in the Research Plan, FTE numbers budgeted for the full year will be deemed budgeted in equal amounts for each calendar quarter during such year, prorated as appropriate for the first and last calendar quarters under which the Research Program is in effect. BI shall pay each Invoice received within […***…]. For the duration of the Research Program Neurocrine shall maintain and shall cause its Affiliates and sublicensees to maintain, complete and accurate books and records regarding the Neurocrine FTEs, as necessary to allow the accurate calculation of payments due hereunder. Neurocrine will retain these records for […***…] BI shall have the right to engage an independent accounting firm reasonably acceptable to Neurocrine[…***…] which shall have the right to examine in confidence the relevant Neurocrine records as may be reasonably necessary to determine and/or verify the amount of payments due hereunder. Such examination shall be conducted during Neurocrine's normal business hours, […***…] prior written notice to Neurocrine

and shall take place at the Neurocrine facility(ies) where such records are maintained. In the event there was an over-payment by BI hereunder, Neurocrine shall […***…] make payment to BI of any overpayment amounts. In the event that there was an under-payment by BI hereunder, BI shall […***…] pay Neurocrine the excess amount. In the event any payment by BI shall prove to have been incorrect by more than […***…] to BI's detriment, Neurocrine will pay the reasonable fees and costs of BI's independent auditor for conducting such audit.

5.3 **Collaboration Product Development and Commercialization.** Upon completion of the Research Program, BI will be responsible for, and make all decisions with respect to, formulation, pre-clinical development, clinical development, manufacturing and commercialization of Collaboration Products.

ARTICLE SIX - FEES, ROYALTIES AND MILESTONES

6.1 **Technology Access Fee.** In consideration for the license rights granted hereunder, […***…] the Effective Date, the receipt of an Invoice from Neurocrine, and the receipt of a duly signed original of the Agreement , BI will pay to Neurocrine ten million dollars ($10,000,000) as a technology access fee.

6.2 **Royalties.** BI will pay to Neurocrine royalties based on Net Sales of Collaboration Products in the Territory. The royalties will have increasing tiers based on annual Net Sales of Collaboration Products in the Territory as set forth below:

[...***...]	[...***...]
[...***...]	[...***...]
[...***...]	[...***...]
[...***...]	[...***...]

For the avoidance of doubt, the thresholds referred to in this Section 6.2 are thresholds for, and determined on, a Collaboration Product by Collaboration Product basis. BI's royalty obligations under this Section 6.2 shall become effective in each country in the Territory at such time as BI, its Affiliates or sublicensee has commenced the First Commercial Sale of Collaboration Product in such country. For the purposes of Royalty payments, all formulations (e.g., tablets, gel caps, topical formulations, parenteral formulations, sustained release formulations, etc.) of a Collaboration Product […***…].

6.3 **Royalty Adjustments.** Royalties on a Collaboration Product are subject to reductions as a result of the events set forth below; *provided, however*, in no event will Royalties on a Collaboration Product in any country in any calendar quarter be reduced by more than […***…] of the amounts set forth in Section 6.2 by reason of the reductions set forth in (a) and (b) below.

(a) Royalty Adjustment for NonPatent Products. If during any given calendar quarter, the making, use or sale of a Collaboration Product would not infringe any Valid Claims within the basic composition-of-matter Collaboration Patent Rights in a country, the royalty on Net sales of Collaboration Products in that country for that calendar quarter will be reduced by […***…] of the rates set forth in Section 6.2 above.

(b) Third Party Royalties. In the event BI is required to obtain a license and make payments to a Third Party in order to make, have made, use, offer to sell, import, or export a Collaboration Product in a country, […***…] of such payment shall be creditable against payments due to Neurocrine for such Collaboration Product.

(c) Generic Products. If, during a given calendar quarter, there is Generic Competition in a particular country then, for each such country in which there is Generic Competition, the Royalties payable to Neurocrine for the Net Sales of such Collaboration Product in such country for such calendar quarter and all future calendar quarters will be reduced by […***…] of the royalty rate(s) set forth in Section 6.2 above.

6.4 **Term of Royalty.** Royalties will be payable on a country by country and a Collaboration Product by Collaboration Product basis until the later of (i) the last to expire of the basic composition-of-matter Patent Rights included within the Collaboration Technology, containing a Valid Claim which would be infringed by the sale of such Collaboration Product in such country or (ii) […***…] following the First Commercial Sale in such country. Upon the expiration of BI's final remaining obligation to pay Royalties to Neurocrine hereunder with respect to a Collaboration Product in each such country, BI shall have a fully paid, irrevocable, exclusive and unrestricted license under the Collaboration Technology to make, have made, use, sell, and offer to sell and import such Collaboration Product in each such country.

6.5 **Reports and Payments**.

(a) Cumulative Royalties. The obligation to pay Royalties under this Article Six shall be imposed only once (i) with respect to any sale of the same unit of Collaboration Product and (ii) with respect to a single unit of Collaboration Product regardless of how many Valid Claims of Patent Rights included in the Collaboration Technology would, but for this Agreement, be infringed by the making, using or selling of such Collaboration Product.

(b) Statements and Payments. BI shall deliver to Neurocrine within […***…] after the end of each calendar quarter, a report certified by BI as accurate to the best of its ability based on information then available to BI, setting forth for such calendar quarter the following information on a Collaboration Product by Collaboration Product basis: (i) Net Sales of the Collaboration Product, (ii) the basis for any adjustments to the Royalty payable for the sale of the Collaboration Product and (iii) the Royalty due hereunder for the sale of the Collaboration Product. The total Royalty due for the sale of Collaboration Products during a calendar quarter shall be remitted as soon as practicable, and in all cases within […***…] after such report is made.

(c) Taxes and Withholding. If laws or regulations require withholding of BI of any taxes imposed upon Neurocrine on account of any royalties and advance payments, paid under this Agreement, such taxes shall be deducted by BI as required by law from such remittable royalty and advance payment and shall be paid by BI to the proper tax authorities. Official receipts of payment of any withholding tax shall be secured and sent to Neurocrine as evidence of such payment. The Parties shall exercise their best efforts to ensure that any withholding taxes imposed are reduced as far as possible under the provisions of any relevant tax treaty.

(d) Currency. All amounts payable and calculations hereunder shall be in United States dollars. As applicable, Net Sales shall be translated into United States dollars in accordance with BI's customary and usual translation procedures, consistently applied. If governmental regulations prevent remittances from a foreign country with respect to sales made in that country, the royalties shall continue to accrue but the obligation of BI to pay

royalties on sales in that country shall be delayed until such remittances are possible. Neurocrine shall have the right, upon giving written notice to BI, to receive payment in that country in local currency.

(e) Maintenance of Records; Audit. For a period of […***…], BI shall maintain and shall cause its Affiliates and sublicensees to maintain complete and accurate books and records in connection with the sale of Collaboration Products hereunder, as necessary to allow the accurate calculation of Royalties and Milestones due hereunder including any records required to calculate any Royalty reductions hereunder. […***…] Neurocrine shall have the right to engage an independent accounting firm reasonably acceptable to BI, at Neurocrine's expense, which shall have the right to examine in confidence the relevant BI records as may be reasonably necessary to determine and/or verify the amount of Royalty and Milestone payments due hereunder. Such examination shall be conducted during BI's normal business hours, after […***…] prior written notice to BI and shall take place at the BI facility(ies) where such records are maintained. In the event there was an under-payment by BI hereunder, BI shall promptly (but in no event later than […***…] after BI's receipt of the independent auditor's report) make payment to Neurocrine of any short-fall. In the event that there was an over-payment by BI hereunder, Neurocrine shall promptly (but in no event later than […***…] after Neurocrine's receipt of the independent auditor's report so correctly concluding) refund to BI the excess amount. In the event any payment by BI shall prove to have been incorrect by more than […***…] to Neurocrine's detriment, BI will pay the reasonable fees and costs of Neurocrine's independent auditor for conducting such audit.

6.6 **Development Milestones.** In consideration for the license rights granted by Neurocrine to BI hereunder, BI will notify Neurocrine within […***…] of the occurrence of the Development Milestone events set forth below. BI shall make the payments, in all cases in U.S. Dollars, as set forth below for such event within […***…] after receipt of Neurocrine's Invoice.

(a) […***…] Milestones. The following […***…] milestone shall be payable […***…] Collaboration Products:

[...***...]	[...***...]
Initiation of [...***...]	[...***...]
Initiation of [...***...]	[...***...]

The "Initiation […***…] milestone event is deemed to occur, on a Collaboration Product by Collaboration Product basis, when […***…] or other […***…] is initiated, as detailed […***…] section of the […***…] set forth in Exhibit C.

If a […***…] for a Collaboration Product is initiated prior to achieving the Initiation of […***…] Milestone, the Initiation of […***…] Milestone will be due and payable upon initiation of such […***…].

In the event the Initiation of […***…] Milestone in subsection (b) below is achieved prior to achievement of the […***…] Milestone[…***…] Milestone will be due and payable.

(b) […***…] Milestones. The following milestones will be payable […***…] for the […***…] Collaboration Product to achieve the event in the […***…]. For avoidance of doubt, in the event that development of the […***…] Collaboration Product […***…] the events set forth below, only those […***…] Milestones that have not been […***…] and paid at the time the […***…] to achieve the […***…] Milestone event in […***…]:

[...***...]	[...***...]
Initiation of [...***...]	[...***...]
Initiation of [...***...]	[...***...]
Initiation of [...***...]	[...***...]
[...***...]	[...***...]
[...***...]	[...***...]
[...***...]	[...***...]
[...***...]	[...***...]

(c) […***…] Milestones. The following milestones will be payable for the first time a Collaboration Product achieves such event […***…] to achieve such events. For avoidance of doubt, in the event that development of a Collaboration Product […***…] Milestones that have not […***…] and paid at the time the Collaboration Product […***…] Milestone event[…***…]:

[...***...]	[...***...]
Initiation of […***…]	[...***...]
[…***…]	[...***...]
[…***…]	[...***...]
[…***…]	[...***...]

(d) In all cases, the […***…] in which a Milestone is achieved […***…] for the purposes of that Milestone and earns the […***…] Milestone payment, and in all cases, the […***…] in which a Milestone is achieved is considered […***…] for the purposes of that Milestone and earns […***…] and in all cases, […***…] in which a Milestone is achieved is considered […***…] for the purposes of that Milestone and earns the […***…]. Subject to Articles 6.6(b) and 6.6(c), […***…] Milestone has been paid[…***…].

(e) The milestone payments as set forth above in Section 6.6 (a) through (c) are not to be achieved by any Combination Product, if […***…].

6.7 **Sales Milestones.** Within […***…] annual Net Sales of Collaboration Product(s) […***…] as detailed below, BI will make the following payments, in U.S. Dollars:

Event	[...***...]
Annual Net Sales of Collaboration Product(s) [...***...]	[...***...]
Annual Net Sales of Collaboration Product(s) [...***...]	[...***...]
Annual Net Sales of Collaboration Product(s) [...***...]	[...***...]

For the purposes of Sales Milestone payments [...***...].

ARTICLE SEVEN - CONFIDENTIALITY, PUBLICATION AND PUBLIC ANNOUNCEMENTS

7.1 **Confidentiality.** Except to the extent expressly authorized by this Agreement or otherwise agreed in writing, the Parties agree that, for the term of this Agreement and for ten (10) years thereafter, each Party (the "Receiving Party"), receiving hereunder any information designated hereunder as Confidential Information of the other Party or information of the other Party marked "Confidential" (in either case, the "Disclosing Party"), shall keep such information confidential and shall not publish or otherwise disclose or use for any purpose other than as provided for in this Agreement except, to the extent that it can be established:

(a) by the Receiving Party that the Confidential Information was already known to the Receiving Party (other than under an obligation of confidentiality), at the time of disclosure by the Disclosing Party and such Receiving Party has documentary evidence to that effect;

(b) by the Receiving Party that the Confidential Information was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party;

(c) by the Receiving Party that the Confidential Information became generally available to the public or otherwise part of the public domain after its disclosure or development, as the case may be, and other than through any act or omission of a party in breach of this confidentiality obligation;

(d) by the Receiving Party that the Confidential Information was disclosed to that Party, other than under an obligation of confidentiality, by a Third Party who had no obligation to the Disclosing Party not to disclose such information to others;

(e) by the Receiving Party that the Confidential Information was independently discovered or developed by the Receiving Party without the use of the Confidential Information belonging to the other Party and the Receiving Party has documentary evidence to that effect.

7.2 **Authorized Disclosure**.

(a) Each Party. Each Party may disclose Confidential Information belonging to the other Party to the extent such disclosure is reasonably necessary to:

(i) file or prosecute patent applications claiming inventions included within the Collaboration Technology,

(ii) prosecute or defend litigation,

(iii) exercise rights hereunder provided such disclosure is covered by terms of confidentiality similar to those set forth herein, and

(iv) comply with applicable governmental laws and regulations.

In the event a Party shall deem it necessary to disclose pursuant to this Section 7.2 (a), Confidential Information belonging to the other Party, the Disclosing Party shall to the extent possible give reasonable advance notice of such disclosure to the other Party and take reasonable measures to ensure confidential treatment of such information.

(b) Use. BI shall have the right to use Neurocrine Confidential Information in the conduct of the Research Program and in developing and commercializing Collaboration Products**.** Neurocrine shall have the right to use BI Confidential Information in the conduct of the Research Program. Each Party will have the right, subject to the licenses granted herein, to use the Joint Confidential Information in their internal research and development of products.

7.3 **Publications**. The Steering Committee will develop a publication plan for the Collaboration. Each Party will submit to the Steering Committee (and after the Steering Committee has been disbanded, to BI) for review and approval all proposed academic, scientific and medical publications, including oral presentations and abstracts, relating to the Research Program, Collaboration Products and/or Collaboration Technology for review in connection with, but not limited to, the preservation of exclusive Patent Rights and/or to determine whether Confidential Information should be modified or deleted. No such proposed publication shall be submitted to any Third Party without having been approved and released by the Steering Committee, or BI if applicable. For the sake of clarity BI shall have the final decision making authority regarding the content, suitability, or acceptability of any and all information contained in such proposed publications. The Steering Committee shall have no less than […***…] to review each proposed publication. The review period may be extended for an additional […***…] in the event the nonpublishing Party can demonstrate to the Steering Committee a reasonable need for such extension including, but not limited to, the preparation and filing of patent applications. Such period may be further extended by the Steering Committee. BI and Neurocrine will each comply with standard academic practice regarding authorship of scientific publications and recognition of contribution of other parties in any publications relating to the Research Program, Collaboration Products and/or Collaboration Technology. Notwithstanding the foregoing, the Parties shall endeavor as far as possible, for ease and convenience, to agree on a universal basis joint authorship in respect of such publications.

7.4 **Publicity.** The Parties agree on the importance of coordinating their public announcements respecting this Agreement and the subject matter thereof (other than academic, scientific or medical publications that are subject to the publication provision set forth above). The Parties agree that the public announcement of the execution of this Agreement shall be in the form of the press release attached as Exhibit E. Any other publication, news release or other public announcement relating to this Agreement or to the performance hereunder, may only be made by Neurocrine or BI subject to the provisions of this Article 7 and with the review and prior written approval of the other Party, such approval not to be unreasonably withheld or delayed beyond […***…] following submission of the approving Party of a draft of the respective disclosure. In no event shall such statements or disclosures disclose, if previously undisclosed, the stage of development of Collaboration Products and/or the financial terms of this Agreement; provided, however, that any disclosure which is required by applicable law, including disclosures required by the U.S. Securities and Exchange Commission or made pursuant to the requirements of the national securities exchange or other recognized stock market on which such Party's securities are traded, as advised by the disclosing Party's counsel, may be made without the prior consent of the other Party, although, to the extent practicable and in opinion of counsel to the disclosing Party consistent with such Party's disclosure obligations, the other Party shall be given […***…] advance notice of any such legally required disclosure to comment and reasonably consider such comments provided by such Party on the proposed disclosure. Notwithstanding the foregoing, it is agreed that the review requirements set forth in this Section 7.4 shall not apply to release or presentation of information regarding this Agreement or Collaboration Products to the extent such information has been previously disclosed by no breach of the confidentiality obligations contained in this Agreement and so is no longer Confidential Information.

ARTICLE EIGHT - INDEMNIFICATION

8.1 **Indemnification by BI.** BI will indemnify, defend and hold harmless Neurocrine, its licensees, sublicensees and Affiliates, and each of its and their respective employees, officers, directors and agents (each, a "Neurocrine Indemnified Party") from and against any and all liability, loss, damage, expense (including reasonable attorneys' fees and expenses) and cost (collectively, a "Liability") which the Neurocrine Indemnified Party may be required to pay to one or more Third Parties resulting from or arising out of (i) any claims of any nature (other than claims by Third Parties relating to patent infringement) arising out of (y) the conduct of the Research Program or use of Collaboration Technology of by, on behalf of or under authority of, BI (other than by a Neurocrine Indemnified Party) or (z) research, development and/or commercialization of Collaboration Products by, on behalf of or under authority of, BI (other than by Neurocrine Indemnified Party) and/or (ii) any BI representation or warranty set forth herein being untrue in any material respect when made, except in each case, to the extent caused by the negligence or willful misconduct of Neurocrine or any Neurocrine Indemnified Party. Notwithstanding the foregoing, BI shall have no obligation to defend, indemnify or hold harmless any Neurocrine Indemnified Party from and against any Liability arising out of or resulting from the infringement of a Third Party Patent Right.

8.2 **Indemnification by Neurocrine.** Neurocrine will indemnify, defend and hold harmless BI, its licensees, sublicensees and Affiliates, and each of its and their respective employees, officers, directors and agents (each, a "BI Indemnified Party") from and against all Liability which the BI Indemnified Party may be required to pay to one or more Third Parties arising out of (i) any claims of any nature (other than claims by Third Parties relating to patent infringement) arising out of (x) the conduct of the Research Program or use of Collaboration Technology of by, on behalf of or under authority of, Neurocrine (other than by a BI Indemnified Party) or (y) research, development and/or commercialization of Collaboration Products by, on behalf of or under authority of, Neurocrine (other than by a BI Indemnified Party) and/or (ii) any Neurocrine representation or warranty set forth herein being untrue in any material respect when made, except in each case, to the extent caused by the negligence or willful misconduct of BI or any BI Indemnified Party. Notwithstanding the foregoing, Neurocrine shall have no obligation to defend, indemnify or hold harmless any BI Indemnified Party from and against any Liability arising out of or resulting from the infringement of a Third Party Patent Right.

8.3 **Procedure.** Each Party will notify the other in the event it becomes aware of a claim for which indemnification may be sought hereunder. In case any proceeding (including any governmental investigation) shall be instituted involving any Party in respect of which indemnity may be sought pursuant to this Article Eight, such Party (the "Indemnified Party") shall promptly notify the other Party (the "Indemnifying Party") in writing and the Indemnifying Party and Indemnified Party shall meet to discuss how to respond to any claims that are the subject matter of such proceeding. The Indemnifying Party, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and shall pay the fees and expenses of such counsel related to such proceeding. In any such proceeding, the Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. All such fees and expenses shall be reimbursed as they are incurred. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a

final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. The Indemnifying Party shall not, without the written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which the Indemnified Party is, or arising out of the same set of facts could have been, a party and indemnity could have been sought hereunder by the Indemnified Party, unless such settlement includes an unconditional release of the Indemnified Party from all liability on claims that are the subject matter of such proceeding.

ARTICLE NINE - TERM AND TERMINATION

9.1 **Term.** Unless earlier terminated by mutual agreement of the Parties or pursuant to the provisions of this Article Nine, this Agreement will continue in full force and effect.

9.2 **Termination for Convenience.** Notwithstanding anything contained herein to the contrary, BI shall have the right to terminate this Agreement at any time in its sole discretion by giving Neurocrine […***…] prior written notice provided however that if such termination is to occur during the term of the Research Program […***…] prior written notice will be required. If BI terminates this Agreement pursuant to this Section 9.2, (a) BI will pay all amounts due and owing to Neurocrine as of the termination date, and (b) BI shall continue to be obligated during the termination notice period to perform all of its obligations under this Agreement, […***…]. In addition, as a result of such termination by BI:

(a) All BI licenses and rights to the Neurocrine Technology will terminate;

(b) All Neurocrine Confidential Information provided to BI in tangible form and all substances or compositions provided by Neurocrine to BI will be returned to Neurocrine except that BI may retain one copy of the Neurocrine Confidential Information solely for legal archive purposes;

(c) All BI Confidential Information provided to Neurocrine in tangible form and all substances or compositions delivered or provided to Neurocrine by BI shall be returned to BI except that Neurocrine may retain one copy of the BI Confidential Information solely for legal archive purposes;

(d) BI will transfer to Neurocrine such […***…] and information reasonably necessary to allow Neurocrine to […***…] including transfer to Neurocrine of any […***…]

(e) BI will transfer to Neurocrine […***…] generated on Collaboration Products;

(f) BI will transfer and assign […***…] as well as all other documents and/or information reasonably requested by Neurocrine to enable Neurocrine to continue the development and commercialization of Collaboration Products; and

(g) BI will, at its sole discretion, either (i) grant to Neurocrine […***…] license under the […***…] and any other […***…] […***…] BI that BI has […***…] of the Collaboration Products and would be […***…] by Neurocrine […***…] set forth in subsection (e) above and without […***…] Neurocrine would […***…] development and commercialization of Collaboration Products (provided this shall not include […***…] other than Collaboration Products) […***…] solely to make, have made, use, import, offer for sale and sell Collaboration Products in the Field of Use in the Territory, or (ii) assign

it's rights and interest in the […***…] […***…] to make, have made, use, import, offer for sale and sell Collaboration Products in the Field of Use in the Territory, in each case (i) or (ii) […***…] as stipulated in this Agreement […***…] for the […***…] of the appropriate […***…] not already achieved and/or […***…] and in addition, […***…].

9.3 **Termination for Cause.** A Party (the "Non-Defaulting Party") shall have the rights set forth under Sections 9.3 and 9.4, upon Default by the other Party (the "Defaulting Party"), which Default remains uncured for […***…] in the case of non-payment of any amount due […***…] for all other Defaults, each measured from the date written notice of such Default is provided to the Defaulting Party. The Non-Defaulting Party shall provide written notice to the Defaulting Party, which notice shall identify the Default, the intent to so terminate and the actions or conduct that it considers would be an acceptable cure of such Default. In case the Defaulting Party disputes the Default under this Section 9.3, then the issue of whether the Non-Defaulting Party may properly terminate this Agreement on expiration of the applicable cure period shall be resolved in accordance with Section 11.2. If as a result of such dispute resolution process, it is determined that the alleged Defaulting Party committed a Default and the Defaulting Party does not cure such Default […***…] after the date of such arbitration award (the "Additional Cure Period"), then such termination shall be effective as of the expiration of the Additional Cure Period. If the Parties dispute whether such Default was so cured, either Party alone may request the same arbitration tribunal to determine whether it was so cured, and the Parties shall cooperate to allow such determination to be made […***…] after such request by either Party. Such dispute resolution proceeding does not suspend any obligations of either Party hereunder, and each Party shall use reasonable efforts to mitigate any damage. If as a result of such dispute resolution proceeding it is determined that the alleged Defaulting Party did not commit such Default (or such Default was cured in accordance with this Section 9.3, the Additional Cure Period), then no termination shall be effective, and this Agreement shall continue in full force and effect. Notwithstanding the foregoing, Neurocrine shall not have the right to terminate this Agreement for BI's Default following the initiation of […***…] provided that BI pays Neurocrine the amount of such damages that have been awarded by a dispute resolution proceeding pursuant to Section 11.2 and the underlying Party shall bear the costs and fees incurred by the other Party (including reasonable attorney costs).

9.4 **Effects of Termination**

(a) Neurocrine. Upon Default by Neurocrine that remains uncured for the applicable period described in this Section, in addition to any other remedies available to BI at law or in equity, such remedies subject to Section 11.2, BI may in its discretion (i) terminate the Agreement, or (ii) exercise an alternative remedy as set forth below hereunder. For the avoidance of doubt, except as set forth in this clause (a), all rights and obligations under this Agreement shall continue unaffected upon Default by Neurocrine, unless this Agreement is terminated by BI pursuant to Section 9.2. Following the occurrence of an event that would allow BI to terminate this Agreement under Section 9.3 and subject to the conditions set forth in such Section 9.3, the following shall apply as an alternative remedy to such termination right and without consideration (except as otherwise stated below) in lieu of termination of this Agreement:

aa) Any BI Confidential Information provided to Neurocrine pursuant to this Agreement and all substances or compositions provided by BI to Neurocrine will be promptly returned to BI except that Neurocrine may retain one copy of the BI Confidential Information solely for legal archive purposes;

bb) BI shall be released of its ongoing disclosure and information exchange obligations under Article 3 and 7;

cc) The Steering Committee shall not meet anymore, except to address matters relating to […***…]

dd) […***…]

In addition to (aa)-(dd) above, BI may submit the issue of the Neurocrine Default to the arbitration procedure set forth in Section 11.2. The arbitrators will be empowered to determine whether a Default has occurred and set the appropriate remedy for such Default. In the event a Neurocrine Default has a material adverse effect on BI's ability to develop and commercialize Collaboration Products hereunder, the arbitrators will have the authority to adopt all appropriate remedies including […***…].

(b) BI. Upon Default by BI, in addition to any other remedies available to Neurocrine at law or in equity, such remedies subject to Section 11.2, Neurocrine may terminate this Agreement and the provisions of Section 9.2 shall apply.

9.5 **Bankruptcy.** Each Party may, in addition to any other remedies available to it by law or in equity, exercise the rights set forth below by written notice to the other Party (the "Insolvent Party"), in the event the Insolvent Party shall have become insolvent or bankrupt, or shall cease conducting business in the ordinary course, or shall have made an assignment for the benefit of its creditors, or there shall have been appointed a trustee or receiver of the Insolvent Party or for all or a substantial part of its property, or any case or proceeding shall have been commenced or other action taken by or against the Insolvent Party in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization or other similar act or Law of any jurisdiction now or hereafter in effect, or there shall have been issued a warrant of attachment, execution, distraint or similar process against any substantial part of the property of the Insolvent Party, and any such event shall have continued for […***…] undismissed, unbounded and undischarged. All rights and licenses granted under or pursuant to this Agreement by Neurocrine and BI are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the Bankruptcy Code. The Parties agree that the Parties as licensees of such rights under this Agreement shall retain and may fully exercise all of their rights and elections under the Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against either Party under the Bankruptcy Code, the other Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and the same, if not already in the other Party's possession, shall be promptly delivered to other Party (i) upon any such commencement of a bankruptcy proceeding upon its written request therefore, unless the Party subject to such proceeding elects to continue to perform all of their obligations under this Agreement or (ii) if not delivered under (i) above, upon the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefore by the other Party.

9.6 **Change of Control.** In the event of a Change of Control to a company […***…] within its marketing or development portfolio, or to a company having consolidated sales of ethical pharmaceutical products in the most recently completed calendar year that place such company […***…] provided all payments provided for herein are paid to Neurocrine's successor, BI shall have the following rights:

a) BI shall be released of its ongoing disclosure and information exchange obligations under […***…]

b) The Steering Committee shall not meet anymore, except to address matters relating to […***…].

ARTICLE TEN - INTELLECTUAL PROPERTY

10.1 **Ownership, Filing, Prosecution and Maintenance**.

a) BI Patent Rights. BI shall solely own and shall, at its expense, be solely responsible for the preparation, filing, prosecution and maintenance of BI Patent Rights. BI shall have no obligation to continue the prosecution and/or maintenance of any BI Patent Rights in any country and shall be free to abandon such BI Patent Rights at its sole discretion.

b) Program Patent Rights. […***…] the Program Patent Rights. […***…] for the filing, prosecution, and maintenance of Program Patent Rights. Neurocrine agrees that it will, and will cause its Affiliates to, (i) execute and file those notices and other filings as BI shall request be made, from time to time, with the United States Patent and Trademark Office (or any successor agency) or any analogous patent office in the Territory with respect to the rights granted under this Agreement, and (ii) execute and deliver to BI all assignments and other instruments as BI shall request to effect the filing, prosecution and maintenance of Program Patent Rights. BI will keep Neurocrine reasonably informed of the status of the Program Patent Rights and will provide Neurocrine with copies of all substantive documentation submitted to, or received from, the patent offices in connection therewith. In all cases, […***…] with respect to the filing, prosecution, and maintenance of Program Patent Rights. Neurocrine agrees […***…] to cooperate with BI to execute assignment documents and other documents and to take any other action reasonably requested by BI to effectuate the intent of this Section 10.1(b).

c) Neurocrine Patents Rights. […***…] the Neurocrine Patent Rights. […***…] for the filing, prosecution, and maintenance of the Neurocrine Patent Rights. Neurocrine agrees that it will, and will cause its Affiliates to, (i) execute and file those notices and other filings as BI shall request be made, from time to time, with the United States Patent and Trademark Office (or any successor agency) or any analogous patent office in the Territory with respect to the rights granted under this Agreement, and (ii) execute and deliver to BI all assignments and other instruments as BI shall request to effect the filing, prosecution and maintenance of the Neurocrine Patent Rights. BI will keep Neurocrine reasonably informed of the status of the Neurocrine Patent Rights and will provide Neurocrine with copies of all substantive documentation submitted to, or received from, the patent offices in connection therewith. In all cases, […***…] with respect to the filing, prosecution, and maintenance of Neurocrine Patent Rights. Neurocrine agrees […***…] to cooperate with BI to execute assignment documents and other documents and to take any other action reasonably requested by BI to effectuate the intent of this Section 10.1(c).

d) […***…] Patent Rights on a Collaboration Product. Promptly following the […***…] in respect of a Collaboration Product, […***…] its rights, title and interest in any […***…] that claims […***…]. Each such Patent so […***…] shall be subject to all applicable licenses and payment and other obligations set forth in this Agreement.

e) Abandonment of Patent Rights. […***…] may elect to discontinue payment for the costs and expenses of preparation, filing, prosecution, validation or maintenance of any […***…] on a country-by-country and application-by-application or patent-by-patent basis, at any time and in its sole discretion.

10.2 **Extension of Patent Rights.** At the time […***…] shall have the exclusive right, but not the obligation, to seek, […***…] patent term extensions or supplemental patent protection in any country in the Territory in respect of Neurocrine Patent Rights, BI Patent Rights, or Program Patent Rights. […***…] to obtain such patent term extensions or supplement protection, where applicable. Neurocrine and BI shall cooperate in connection with all such activities, […***…] will give due consideration to all suggestions and comments […***…] regarding any such activities, but in the event of a disagreement between the Parties,
[…***…]. In the case where […***…] determines to seek such patent term extensions or supplement patent protection in respect of […***…] shall appoint […***…] as […***…] for the sole purpose of submitting an application to extend the term of such patent, an application for a Supplementary Protection Certificate, or an equivalent thereof. […***…] shall co-operate with […***…] in connection with any such application.

10.3 **Interference, Opposition, Reexamination and Reissue.** Each Party shall, within […***…] of learning of such event, inform the other Party of any request for, or filing or declaration of, any interference, opposition, or reexamination relating to Neurocrine Patent Rights or Program Patent Rights. BI and Neurocrine shall thereafter consult and cooperate fully to determine a course of action with respect to any such proceeding. BI shall have the right to review and approve any submission to be made in connection with such proceeding.

a) Neurocrine shall not initiate any reexamination, interference or reissue proceeding relating to Neurocrine Patent Rights or Program Patent Rights without the prior written consent of BI, which consent shall not be unreasonably withheld.

b) In connection with any interference, opposition, reissue, or reexamination proceeding relating to Neurocrine Patent Rights and Program Patent Rights, BI and Neurocrine will cooperate fully and will provide each other with any information or assistance that either may reasonably request. Neurocrine shall keep BI informed of developments in any such action or proceeding, including, to the extent permissible by law, consultation and approval of any settlement, the status of any settlement negotiations and the terms of any offer related thereto.

c) […***…] of any interference, opposition, reexamination or re-issue proceeding relating to the Neurocrine Patent Rights and Program Patent Rights.

10.4 **Enforcement of Patent Rights**.

a) Notification. Each Party shall promptly notify each other of any infringement of the Neurocrine Patent Rights, BI Patent Rights, or Program Patent Rights which may come to its attention.

b) Patent Rights. Except as set forth below, BI shall have the right, but not the obligation, in its own name, to enforce Neurocrine Patent Rights, BI Patent Rights, and Program Patent

Rights against any Third Party suspected of infringing a claim of such a Patent Right in the Territory. BI shall have exclusive control over the conduct of any such proceedings, including the right to settle or compromise such proceedings consistent with the licenses hereunder, provided, however, that BI may not settle or compromise any such action in a manner which diminishes the Patent Rights relating to any Neurocrine Patent Rights or Program Patent Rights without Neurocrine's consent or which would impose any financial obligation on Neurocrine without Neurocrine's consent. The expenses of any proceeding […***…] including legal fees and costs, shall be […***…]. Any award or recovery paid to […***…] as a result of such patent infringement proceedings (whether by way of settlement or otherwise) shall first be applied toward […***…] and from the remainder, if any […***…] as applied to the remainder as though such remainder […***…].

10.5 **Paragraph IV Notices**. If either Party receives a notice under 21 U.S.C. §355(b)(2)(A)(iv) or 355(j)(2)(A)(vii)(IV) (a "Paragraph IV Notice") concerning Neurocrine Patent Rights, BI Patent Rights, or Program Patent Rights, then it shall provide a copy of such Paragraph IV Notice to the other Party as soon as practical, and in no event later than within […***…] after its receipt thereof. […***…] shall have the right […***…] to initiate patent infringement litigation based on a Paragraph IV Notice concerning Neurocrine Patent Rights, BI Patent Rights, and Program Patent Rights, […***…] upon request of […***…] shall reasonably cooperate […***…] in any such litigation, or file such action in […***…] if required […***…] and shall join in any such litigation […***…]. Any award or recovery paid to […***…] as a result of such patent infringement proceedings (whether by way of settlement or otherwise) shall first be applied toward […***…] and from the remainder, if any, […***…] as applied to the remainder as though such remainder […***…].

10.6 **Infringement Defense.** BI will defend and control any suit against any of BI, BI's Affiliates or sublicensees, alleging infringement of any patent or other intellectual property right of a Third Party arising out of the manufacture, use, sale, offer to sell or importation of a Collaboration Product by BI, BI's Affiliates or sublicensees in the Territory. BI shall be responsible for the costs and expenses, including legal fees and costs, associated with any suit or action. BI and Neurocrine will consult with one another and co-operate in the defense of any such action. If BI finds it necessary or desirable to join Neurocrine as a party to any such action, Neurocrine will execute all papers and perform such acts as shall be reasonably required, […***…].

10.7 **No Challenge.** In the event either Party, its Affiliates or sublicensees take, or assist any Third Party in taking, any action to challenge or contest the title or validity of the Collaboration Patent Rights as they relate to the making, having made, using, selling, offering for sale, importing of, or having imported Collaboration Products in the Field of Use in the Territory, such action […***…].

10.8 **Inventorship.** Inventorship with respect to all Patent Rights under this Agreement shall be determined according to United States Law.

ARTICLE ELEVEN - MISCELLANEOUS

11.1 **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the internal laws of the State of New York, without regard to its conflicts of laws rules.

11.2 **Arbitration.** The Parties shall negotiate in good faith and use reasonable efforts to settle any dispute, controversy or claim arising from or related to this Agreement or the breach thereof. If the

Parties do not fully settle, and a Party wishes to pursue the matter, each such dispute, controversy or claim that is not an "Excluded Claim" shall be finally resolved by binding arbitration in accordance with the Rules of Arbitration of the ICC (International Chamber of Commerce) and judgment on the arbitration award may be entered in any court having jurisdiction thereof.

The arbitration shall be conducted by a panel of three (3) persons. Within […***…] after initiation of arbitration, each Party shall select one person to act as arbitrator and the two Party-selected arbitrators shall select a third arbitrator within […***…] of their appointment. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be appointed by the ICC. The place of arbitration shall be New York City, New York, and all proceedings and communications shall be in English.

Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award. The scope of the authority of the arbitrators shall be limited to the strict application of law. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party participating in an arbitration pursuant to the terms of this Agreement shall, subject to the award of the arbitrators, […***…]. The arbitrators shall have the power to award recovery of all costs (including reasonable attorney's fees, administrative fees, arbitrator's fees and court costs) to the prevailing party.

Neither Party shall be required to give general discovery of documents, but may be required only to produce specific, identified documents which are relevant or considered relevant by the arbitrators to the dispute.

Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of arbitration without the prior written consent of both Parties. In no event shall arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the […***…].

The Parties agree that, in the event of a dispute over the nature or quality of performance under this Agreement, neither Party may terminate this Agreement until final resolution of the dispute through arbitration or other judicial determination. The Parties further agree that any payments made pursuant to this Agreement pending resolution of the dispute shall be refunded if an arbitrator or court determines that such payments are not due.

As used in this Section, the term "Excluded Claim" shall mean a dispute, controversy or claim that concerns […***…].

11.3 **Jury Waiver.** Each of the Parties hereto irrevocably und unconditionally waives trial by jury in any legal action or proceeding relating to this Agreement.

11.4 **Assignment.** Neither this Agreement nor any interest hereunder shall be assignable by either Party without the prior written consent of the other Party. Notwithstanding the foregoing (a) each Party may assign this Agreement (i) by operation of law in connection with a merger of a Party with or into another person or to any successor; or (ii) to any of its Affiliates, provided that the assigning Party remains primarily liable for all of its obligations hereunder; and (b) each Party may sublicense its rights to the extent permitted under this Agreement. This Agreement shall be

binding upon the successors and permitted assigns of the Parties and the name of a Party appearing herein shall be deemed to include the names of such Party's successors and permitted assigns to the extent necessary to carry out the intent of this Agreement. Any assignment not in accordance with this Section11.4 shall be void.

11.5 **Further Actions.** Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of the Agreement.

11.6 **Force Majeure.** No Party shall be liable to the other Party for loss or damages or shall have any right to terminate this Agreement for any default or delay attributable to any Force Majeure, if the Party affected shall give prompt notice of any such cause to the other Party. The Party giving such notice shall thereupon be excused from such of its obligations hereunder as it is thereby disabled from performing for so long as it is so disabled, *provided*, *however*, that such affected Party commences and continues to use its Commercially Reasonable Efforts to cure such cause.

11.7 **Correspondence and Notices**.

(a) Ordinary Notices. Correspondence, reports, documentation, and any other communication in writing between the Parties in the course of ordinary implementation of this Agreement shall be delivered by hand, sent by facsimile transmission (receipt verified), transmitted electronically (confirmed by delivery of the hardcopy original by overnight courier), or by airmail to the employee or representative of the other Party who is designated by such other Party to receive such written communication.

(b) Extraordinary Notices. Extraordinary notices and other communications hereunder (including, without limitation, any Invoice, notice of Force Majeure, Default, termination, change of address, exercise of rights to negotiate additional agreements, etc.) shall be in writing and shall be deemed given (i) upon the date of personally delivery or by facsimile transmission (receipt verified), provided that such date is a business day and if confirmed by delivery of the hardcopy original by overnight courier or registered mail; or (ii) one (1) day after dispatch by overnight courier; or (iii) five (5) days after dispatch of registered or certified mail (return receipt requested), postage prepaid, in each case (i), (ii) or (iii) to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice, *provided*, *however*, that notices of a change of address shall be effective only upon receipt thereof):

All correspondence to BI shall be addressed as follows:

Boehringer Ingelheim International GmbH
Binger Strasse 173
55216 Ingelheim Rhein
Germany
Attention: Sr. V.P, and Head of P.M. Business Development and Licensing/Strategy
Facsimile: […***…]

With a copy to:

Head of Corporate Department Law
(address as above)
Facsimile: […***…]

All correspondence to Neurocrine shall be addressed as follows:

Neurocrine Biosciences, Inc.
12780 El Camino Real
San Diego, California U.S.A. 92130
Attention: Chief Executive Officer
Cc: General Counsel and Secretary

11.8 **Amendment.** No amendment, modification or supplement of any provision of this Agreement shall be valid or effective unless made in writing and signed by a duly authorized officer of each Party.

11.9 **Waiver.** No provision of the Agreement shall be waived by any act, omission or knowledge of a Party or its agents or employees except by an instrument in writing expressly waiving such provision and signed by a duly authorized officer of the waiving Party.

11.10 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute together the same document.

11.11 **Descriptive Headings.** The descriptive headings of this Agreement are for convenience only, and shall be of no force or effect in construing or interpreting any of the provisions of this Agreement.

11.12 **Severability.** In the event that any clause or portion thereof in this Agreement is for any reason held to be invalid, illegal or unenforceable, the same shall not affect any other portion of this Agreement, as it is the intent of the Parties that this Agreement shall be construed in such fashion as to maintain its existence, validity and enforceability to the greatest extent possible. In any such event, this Agreement shall be construed as if such clause of portion thereof had never been contained in this Agreement, and there shall be deemed substituted therefore such provision as will most nearly carry out the intent of the Parties as expressed in this Agreement to the fullest extent permitted by applicable law unless doing so would have the effect of materially altering the right and obligations of the Parties in which event this Agreement shall terminate and all the rights and obligations granted to the Parties hereunder shall cease and be of no further force and effect.

11.13 **Entire Agreement of the Parties.** This Agreement constitutes and contains the complete, final and exclusive understanding and agreement of the Parties and cancels and supersedes any and all prior negotiations, correspondence, understandings and agreements whether oral or written, among the Parties respecting the subject matter hereof and thereof.

11.14 **Independent Contractors.** The relationship between BI and Neurocrine created by this Agreement is one of independent contractors and neither Party shall have the power or authority to bind or obligate the other except as expressly set forth in this Agreement.

11.15 **No Trademark Rights.** Expect as otherwise provided herein, no right, express or implied, is granted by this Agreement to use in any manner the name “Neurocrine Biosciences” “Boehringer Ingelheim,” or any other trade name or trademark of the other Party or its Affiliates in connection with the performance of this Agreement.

11.16 **Accrued Rights; Surviving Obligations.** Unless explicitly provided otherwise in this Agreement, termination, relinquishment or expiration of the Agreement for any reason shall be without prejudice to any rights which shall have accrued to the benefit to any Party prior to such termination, relinquishment or expiration, including damages arising from any breach hereunder.

Such termination, relinquishment or expiration shall not relieve any Party from obligations which are expressly indicated to survive termination or expiration of the Agreement, including, without limitation, those obligations set forth in Sections 2.5, 3.3, 3.5,11.1,11.2, 11.3, Articles Seven and Eight hereof.

11.17 **Export.** Notwithstanding anything to the contrary set forth herein, all obligations of Neurocrine and BI are subject to prior compliance with United States and foreign export regulations and such other United States and foreign laws and regulations as may be applicable and to obtaining all necessary approvals required by applicable agencies of the governments of the United States and foreign jurisdictions. Neurocrine and BI will co-operate with one another and provide assistance to one another as reasonably necessary to obtain any required approvals.

[The remainder of this page is intentionally blank]

IN WITNESS WHEREOF, duly authorized representatives of the Parties have duly executed this Agreement to be effective as of the Effective Date.

BOEHRINGER INGELHEIM INTERNATIONAL GmbH.

/s/ Dr. Klaus Wilgenbus
By: Dr. Klaus Wilgenbus
Title: Authorized Signatory

/s/ Dr. Christian Hauke
By: Dr. Christian Hauke
Title: Authorized Signatory

NEUROCRINE BIOSCIENCES, INC.

/s/ Kevin C. Gorman
By: Kevin C. Gorman
Title: President and Chief Executive Officer

Exhibit A

[…***…]

[…***…]

***** Confidential Treatment Requested**

Exhibit B

Neurocrine Patent Rights

[…***…]

***** Confidential Treatment Requested**

Exhibit C

Research Plan

[…***…]

Exhibit D

Invoice Requirements

All payments under this Agreement shall be made by wire transfer to a bank account to be designated on the Invoice which explicitly outlines the following information:

- Name and address of the providing entrepreneur
- Name and address of the recipient
- Bank and bank account details
- VAT-ID number or taxpayer identification number
- Date of invoice
- Consecutive invoice-number or contract-number of the invoicing entrepreneur
- BI-contract number as outlined on the first page of the agreement
- Quantity and kind of deliveries or services
- Due date of payments
- Time of deliveries or services
- Net consideration and currency, if necessary broken down into tax rates and particular tax exemptions
- Tax rate (if applicable)
- Amount of VAT (if applicable)

Exhibit E

Pre-approved Announcement Regarding the Collaboration

FOR IMMEDIATE RELEASE

Contact at Neurocrine Biosciences
Investor Relations
(858) 617-7600

NEUROCRINE BIOSCIENCES ANNOUNCES A WORLDWIDE COLLABORATION WITH BOEHRINGER INGELHEIM TO RESEARCH AND DEVELOP GPR119 AGONISTS FOR TYPE II DIABETES

San Diego, CA/USA – June xx, 2010 - Neurocrine Biosciences, Inc. (NASDAQ: NBIX) announced today that they have established a worldwide collaboration with Boehringer Ingelheim to research and develop small molecule GPR119 agonists for the treatment of Type II diabetes and other indications. The companies will work jointly to identify and advance candidates into pre-clinical development. Boehringer Ingelheim is responsible for the global development and commercialization of potential GPR119 agonist products.

Under the terms of the collaboration agreement, Neurocrine Biosciences will receive a $10 million upfront payment, research funding to support discovery efforts and is eligible to receive up to $225 million in milestone payments based on the achievement of development, regulatory and commercial goals as well as royalty payments on any future product sales. Further financial details were not disclosed.

“We are looking forward to working with a high-quality partner who shares our commitment to thorough science and our collaborative culture. We are excited to bring our technology platform “SiNERG™,” a suite of assays and assay systems that address parameters such as residence time, kinetics, allosteric interactions and ligand-biased intracellular signaling pathways, coupled with our integrated chemical synthetic, purification and analytical methodologies to this collaboration,” said Dr. Dimitri E. Grigoriadis, Vice President Research at Neurocrine. “Combining Boehringer Ingelheim’s research and development expertise in metabolic disorders with Neurocrine’s unique capabilities in small molecule discovery for GPCRs, provides a strong platform for development of new therapies for Type II diabetes.”

About GPR119 Agonists

GPR119 is a G-protein coupled receptor (GPCR) that has been implicated as a novel target for the treatment of Type II diabetes. The activation of GPR119 receptors located in the digestive system stimulates incretins, resulting in increased insulin production, while activation of GPR119 receptors located on pancreatic islet beta cells also stimulates insulin secretion.

About Type II Diabetes

Type II diabetes is characterized by the reduced ability to secrete and respond to insulin. Drugs which can enhance the secretion of insulin in response to rising blood glucose levels can improve blood glucose control without increased risk of hypoglycemia. Nearly 25 million suffer from Type II diabetes in the United States alone with a worldwide prevalence of nearly 200 million. Recent estimates put the total direct and indirect costs of diabetes at $174 billion.

About Neurocrine Biosciences, Inc.

Neurocrine Biosciences, Inc. is a biopharmaceutical company focused on neurological and endocrine diseases and disorders. Our product candidates address some of the largest pharmaceutical markets in the world including endometriosis, anxiety, depression, pain, diabetes, irritable bowel syndrome, insomnia, and other neurological and endocrine related diseases and disorders. Neurocrine Biosciences news releases are available through the Company's website via the internet at http://www.neurocrine.com.

In addition to historical facts, this press release may contain forward-looking statements that involve a number of risks and uncertainties. Among the factors that could cause Neurocrine's actual results to differ materially from those indicated in the forward looking statements are risks and uncertainties associated with Neurocrine's business and finances and research programs in general including, but not limited to, risk and uncertainties associated with, or arising out of, drug discovery, pre-clinical and clinical development of products and specifically risk that the GPR119 agonist program may not generate any development candidates that lead to clinical testing or commercial products; risk that GPR119 agonist compounds will not prove efficacious for the treatment of type II diabetes; risk relating to Neurocrine's reliance on its collaborator for GPR119 agonist product development and commercialization; risk that Neurocrine could fail to meet its obligations under the GPR119 agonist program collaboration agreement which would cause it to forfeit certain rights and/or reduce future product payments; uncertainties relating to patent protection for GPR119 agonist compounds and intellectual property rights of third parties in the GPR119 agonist field; impact of competitive products and technological changes that may limit demand for Neurocrine's products; and the other risks described in Neurocrine's report on Form 10-K for the year ended December 31, 2009 and most recent report on Form 10-Q filed for the third quarter ended, March 31, 2010. Neurocrine undertakes no obligation to update the statements contained in this press release after the date hereof.

Exhibit 10.2

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

COLLABORATION AGREEMENT

dated June 15, 2010

by and between

Abbott International Luxembourg S.à r.l.

and

Neurocrine Biosciences, Inc.

CONFIDENTIAL

EXHIBIT INDEX

A – *Elagolix*

B – Follow-on Compounds

C – Neurocrine Patent Rights

D – Third Party Development Contracts

E – Third Party Manufacturing Contracts

F – Transition Plan

G – Collaborative Development Plan

H – Alternative Dispute Resolution

I – Press Release

COLLABORATION AGREEMENT

COLLABORATION AND LICENSE AGREEMENT (the "***Agreement***") dated as of June 15, 2010 ("***Effective Date***") by and between Abbott International Luxembourg S.à r.l., a corporation organized and existing under the laws of Luxembourg, with offices at 26, Boulevard Royal, L-2449 Luxembourg ("***Abbott***") and Neurocrine Biosciences, Inc., a corporation organized and existing under the laws of Delaware with offices at 12780 El Camino Real, San Diego, California 92130 ("***Neurocrine***").

WHEREAS, Neurocrine has a proprietary research and development program in the field of Non-peptide GnRH Antagonists (as defined below) and in connection therewith has identified proprietary drug candidates for development and commercialization.

WHEREAS, Abbott is engaged in research, development and commercialization of pharmaceuticals and would like to collaborate with Neurocrine in the field of Non-peptide GnRH Antagonists.

WHEREAS, the Parties would like to set forth the terms and conditions pursuant to which the Parties will collaborate in connection with the research, development and commercialization of Products in the Territory (as both terms are defined below), and with respect to certain other matters as described herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, the Parties agree as follows:

ARTICLE ONE - DEFINITIONS

Capitalized terms not otherwise defined herein will have the definitions set forth below.

1.1 **"Abbott Patent Rights"** means the Patent Rights covering Abbott Technology.

1.2 **"Abbott Quarter"** means the calendar quarters ending March 31, June 30, September 30 and December 31 each year.

1.3 **"Abbott Technology"** means Technology reasonably necessary or directly useful to research, develop, make, have made, use, sell, offer for sale, import and/or otherwise exploit Compounds and Products in the Field of Use, including synthetic processes to manufacture Compounds and all related chemical and biological data: (i) Controlled by Abbott during the Term but, excluding Program Technology, and is actually utilized by Abbott, in Abbott's sole discretion, in the Development or Commercialization of Compounds or Products.

1.4 **"Abbott Year"** means the twelve (12) month period commencing on January 1 of any calendar year.

1.5 **"**[…***…]**"** means […***…].

1.6 **"Affiliate"** means any entity directly or indirectly controlled by, controlling, able to control, or under common control with, a Party to this Agreement, but only for so long as such control shall continue. For purposes of this definition, "control" (including, with correlative meanings, "controlled by", "controlling" and "under common control with") means possession, direct or indirect, of (a) the power to direct or cause direction of the management and policies of an entity

(whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), or (b) at least fifty percent (50%) of the voting securities (whether directly or pursuant to any option, warrant or other similar arrangement) or other comparable equity interests. The Parties acknowledge that in the case of certain entities organized under the laws of certain countries outside of the United States, the maximum percentage ownership permitted by law for a foreign investor may be less than fifty percent (50%), and that in such case such lower percentage shall be substituted in the preceding sentence, provided that such foreign investor has the power to direct the management and policies of such entity. Neither of the Parties to this Agreement shall be deemed to be an "Affiliate" of the other solely as a result of their entering into this Agreement.

1.7 **"Assigned Third Party Development Contracts"** means those contracts set forth on Exhibit D assigned to Abbott as set forth in Section 6.5 (*Assignment of Third Party Development Contracts*).

1.8 **"Assigned Third Party Manufacturing Contracts"** means those contracts set forth on Exhibit E assigned to Abbott as set forth in Section 6.6 (*Assignment of Third Party Manufacturing Contracts*).

1.9 **"Bankruptcy Code"** means 11 U.S.C. §§ 101-1532, as amended.

1.10 **"**[…***…]**"** means […***…].

1.11 **"Change of Control"** means (i) a merger, consolidation or reorganization of Neurocrine with a Third Party which results in the voting securities of Neurocrine outstanding immediately prior thereto ceasing to represent more than fifty percent (50%) of the voting power of the then combined entity, (ii) a Third Party(ies) becoming the beneficial owner(s) of more than fifty percent (50%) of the combined voting power of the outstanding securities of Neurocrine or (iii) the sale or transfer to a Third Party of all or substantially all of the assets of Neurocrine. Notwithstanding the foregoing, the merger, consolidation or reorganization of Neurocrine with another entity in which […***…] is the surviving entity and with respect to which […***…], will not constitute a Change of Control.

1.12 **"Collaboration"** means the collaboration between Neurocrine and Abbott related to the Transition Program and Collaborative Development Program.

1.13 **"Collaborative Development Program"** means the collaborative development program to be conducted by Abbott and Neurocrine as set forth in Article Seven, as further described in the Collaborative Development Plan.

1.14 **"Collaborative Development Plan"** means the plan describing the overall plan, budget, goals and activities to be undertaken by the Parties in the Collaborative Development Program, as agreed to by the Parties in writing concurrently with the execution of this Agreement and set forth on Exhibit G, and as may be updated from time to time pursuant to Section 7.2(b) (*Collaborative Development Plan and Budget, Amendments*).

1.15 **"Combination Product(s)"** means any product which contains, in addition to a Product, one or more other therapeutically active ingredients that are proprietary to Abbott and not within the scope of the Neurocrine Patent Rights and/or Program Patent Rights.

1.16 **"Commercialization"** or **"Commercialize"** means any and all activities directed to the offering for sale and sale of a Product, after Regulatory Approval has been obtained, including activities related to marketing, promoting, distributing, importing, selling and offering to sell Product and/or conducting post-marketing human clinical studies with respect to any Indication with respect to

which Regulatory Approval has been received or for a use that is subject of an investigator-initiated study program, and interacting with Regulatory Authorities regarding the foregoing. When used as a verb, "to Commercialize" and "Commercializing" means to engage in Commercialization and "Commercialized" has a corresponding meaning.

1.17 **"Commercially Reasonable Efforts"** means with respect to activities of a Party in the discovery, Development or the Commercialization of a particular Product, the efforts and resources typically used by that Party in the development of product candidates or the commercialization of products of comparable market potential taking into account all relevant factors including, as applicable and without limitations, stage of development, mechanism of action, efficacy and safety relative to competitive products in the marketplace, actual or anticipated labeling, the nature and extent of market exclusivity (including patent coverage and regulatory exclusivity), cost, actual or projected profitability (provided […***…]) and likelihood of obtaining marketing approval. Commercially Reasonable Efforts will be determined on a market-by-market and indication-by-indication basis, and it is anticipated that the level of effort will be different for different markets and will change over time reflecting changes in the status of the Product and the markets involved.

1.18 **"Compound(s)"** means (a) *Elagolix*, (b) the Follow-on Compounds, (c) all complexes, mixtures or other combinations, prodrugs, esters, metabolites, solvates, enantiomers, salt forms, polymorphs, racemates and stereoisomers of the foregoing; and (d) all derivatives of the foregoing containing one or more atoms substituted with an isotope.

1.19 **"Confidential Information"** means with respect to each Party, all materials, trade secrets or other information or data in connection with and pursuant to this Agreement, including without limitation, any data, proprietary information and materials (whether or not patentable, or protectable as a trade secret) regarding a Party's Technology, products, business information or objectives, which is disclosed orally, visually in writing or other form by a Party to the other Party. Confidential Information does not include such materials, trade secrets or other information or data which the receiving Party can demonstrate by competent evidence:

a) was known by the receiving Party or its Affiliates or Sublicensees prior to its date of disclosure to the receiving Party; or

b) is in the public domain by use and/or publication before its receipt from the disclosing Party or thereafter enters the public domain through no fault of the receiving Party or its Affiliates or Sublicensees; or

c) either before or after the date of the disclosure to the receiving Party or its Affiliates or Sublicensees is lawfully disclosed to the receiving Party by a Third Party(ies) not in violation of any obligation to the disclosing Party; or

d) is independently developed by or for the receiving Party or its Affiliates or Sublicensees without reference to` or reliance upon the Confidential Information.

All confidential information disclosed prior to the Effective Date by one Party to the other Party under or pursuant to the confidentiality agreements between the Parties dated […***…], that is not excluded by subsections (a)-(d) above shall be deemed "Confidential Information" of the disclosing Party.

1.20 **"Control"** or **"Controlled"** means with respect to Technology or Patent Rights, ownership by the applicable Party or possession (whether by license, covenant not to sue or otherwise) of the ability

to grant licenses, sublicenses or access, other than pursuant to this Agreement, without […***…] the violation of the terms of any agreement or other arrangement with, or rights of, any Third Party existing on or after the Effective Date and during the Term.

1.21 **"Default"** means with respect to a Party that (i) any representation or warranty of such Party set forth herein shall have been untrue in any material respect when made or (ii) such Party shall have failed to perform any material obligation set forth in this Agreement.

1.22 **"Development"** or **"Develop"** means, with respect to each Product, all non-clinical and clinical activities designed to obtain Regulatory Approval of such Product in accordance with this Agreement up to and including the obtaining of Regulatory Approval of such Product, including regulatory toxicology studies, statistical analysis and report writing, clinical trial design and operations, preparing and filing Regulatory Filings, and all regulatory affairs related to the foregoing. When used as a verb, "Developing" means to engage in Development and "Developed" has a corresponding meaning.

1.23 **"Diagnostic Use"** means use solely for diagnosis, prediction, detection or imaging of any disease, disorder, state, or condition where: the Product (i) is packaged, labeled and sold solely for diagnosis, prediction, detection or imaging of any disease, disorder, state or condition and (ii) does not on its own or in combination with another product(s) rely on the pharmacodynamic effect of a Non-peptide GnRH Antagonist for its use or application.

1.24 **"Effective Date"** means the date first written above.

1.25 **"*Elagolix*"** means the compound known as NBI-56418, as further described and set forth on Exhibit A.

1.26 **"EMA"** means European Medicines Agency or any successor agency(ies) or authority having substantially the same function.

1.27 **"End of Phase II Meeting(s)"** means the meeting(s) between the sponsor of an investigational drug and the FDA following completion of a key set of Phase II clinical studies in which it is determined whether it is safe to proceed to Phase III, Phase III program and protocols are evaluated and additional information necessary to support a marketing application for the uses under investigation are decided.

1.28 **"Endometriosis"** means the condition in which endometrial glands and stroma are present in a location outside of the uterus, including its signs and symptoms, which include, but are not limited to, pain associated with such condition.

1.29 **"FDA"** means the U.S. Food and Drug Administration of the United States Department of Health and Human Services or any successor agency(ies) or authority having substantially the same function.

1.30 **"Field of Use"** means all Therapeutic Uses and Diagnostic Uses.

1.31 **"First Commercial Sale"** means with respect to each Product granted Regulatory Approval for commercial sale by applicable Regulatory Authorities, the first transfer by Abbott, its Affiliates or Sublicensees of the Product to a Third Party in exchange for cash or some equivalent to which value can be assigned. A sale by Abbott to an Affiliate or Sublicensee will not constitute a First Commercial Sale unless the Affiliate or Sublicensee is the last entity in the distribution chain and provided further that any sale on a cost reimbursement basis for use in a clinical trial will not constitute a First Commercial Sale.

1.32 **"Follow-on Compound"** means any of (i) […***…], and […***…] as set forth on Exhibit B (ii) and all non-peptide synthetic organic chemical compounds which are encompassed, generically or specifically, by (a) […***…].

1.33 **"Force Majeure"** means any occurrence beyond the reasonable control of a Party that prevents or substantially interferes with the performance by the Party of any of its obligations hereunder, if such occurs by reason of any act of God, flood, fire, explosion, earthquake, strike, lockout, labor dispute, casualty or accident; or war, revolution, civil commotion, acts of terrorism, acts of public enemies, blockage or embargo; or any injunction, Law, order, proclamation, regulation, ordinance, demand or requirement of any Governmental Authority; or breakdown of plant, inability to procure or use materials, labor, equipment, transportation, or energy sufficient to meet manufacturing needs without the necessity of allocation; or any other cause whatsoever, whether similar or dissimilar to those above enumerated, beyond the reasonable control of such Party, if and only if the Party affected shall have used reasonable efforts to avoid such occurrence and to remedy it promptly if it shall have occurred.

1.34 **"FTE"** means a full time equivalent Neurocrine employee consisting of a total of approximately […***…] hours per year of work in accordance with Neurocrine's time allocation practices (including normal vacations, sick-days and holidays for Neurocrine employees).

1.35 **"Generic Product(s)"** means any pharmaceutical product that (i) is sold by a Third Party that is not a licensee or Sublicensee of Abbott or its Affiliates, or any of their licensees or Sublicensees under a marketing authorization granted by a Regulatory Authority to such Third Party, and (ii) contains the same Compound as an active pharmaceutical ingredient as the relevant Product and (x) for purposes of the United States, is approved in reliance on the prior approval of a Product as determined by the FDA, or (y) for purposes of a country outside the United States, is approved in reliance on the prior approval of a Product as determined by the applicable Regulatory Authority. On a country by country basis, a Product licensed or produced by Abbott (e.g. an authorized generic product) will not constitute a Generic Product.

1.36 **"Generic Competition"** means, on a country by country and Product by Product basis, that the following conditions are met: (x) one or more Third Parties is selling a Generic Product in a country during […***…], and (y) the […***…] of such Generic Products sold in such country by the Third Party(ies) in such […***…] is […***…] sold in that country by Abbott, its Affiliates and Sublicensees. Unless otherwise agreed by the Parties, the […***…] of each Generic Product sold during […***…] shall be deemed to be the volume of sales of the Generic Product in such country in that […***…] as reported by IMS America Ltd. of Plymouth Meeting, Pennsylvania ("***IMS***") or any successor to IMS or any other independent sales auditing firm reasonably agreed upon by the Parties.

1.37 **"GnRH Receptor"** means […***…].

1.38 **"Governmental Authority"** means any court, agency, department, authority or other instrumentality of any national, state, county, city or other political subdivision.

1.39 **"IND"** means an investigational new drug application filed with the FDA pursuant to 21 CFR 312 or the foreign equivalent for authorization to commence human clinical trials of a product, including all supplements and amendments that may be filed with respect to the foregoing.

1.40 **"Indication"** means an individual, separate and distinct disease or clinical condition with respect to which at least one adequate and well controlled study is required to support inclusion of such disease or condition in the indication statement of a Regulatory Authority approved package insert for a Product. The Parties agree that: (i) prevention of a disease or medical condition shall not be a separate indication from treatment of the same disease or medical condition; (ii) the treatment and prevention of separate varieties of the same disease or medical condition shall not be a separate indication; and (iii) the treatment or prevention of the same disease or medical condition in a different population shall not be a separate indication (e.g., adult and pediatric) unless in each of (i)-(iii) above, at least one adequate and well controlled study is required to support inclusion of such disease or condition in the indication statement of a Regulatory Authority approved package insert for a Product. Furthermore, a label enhancement or elaboration or expansion of an approved Indication is not a separate Indication even if one or more studies are performed to receive such enhancement or elaboration.

1.41 **"Initiation"** means, with respect to a human clinical trial, dosing of the first subject in a Phase I, Phase II or Phase III clinical study, as applicable, pursuant to a clinical protocol of the specified clinical trial.

1.42 **"Invention"** means any information, composition of matter, or article of manufacture that is discovered, developed, generated, made, conceived and/or reduced to practice by or on behalf of a Party (or its Affiliate) through performance of activities conducted pursuant to the Collaboration. Inventorship of Inventions will be determined in accordance with United States patent laws and ownership shall be determined in accordance with this Agreement.

1.43 **"Law"** or **"Laws"** means all laws, statutes, rules, codes, regulations, orders, decrees, judgments and/or ordinances of any Governmental Authority.

1.44 **"MAA"** means a Marketing Authorization Application covering a Product filed with the EMA, required for marketing approval of a pharmaceutical product.

1.45 **"Major European Country"** means […***…].

1.46 **"Milestones"** means those payments to be made by Abbott to Neurocrine upon the occurrence of certain events as set forth in Article Four.

1.47 **"NDA"** means a New Drug Application covering a Product filed with the FDA pursuant to 21 CFR 314, required for marketing approval of a pharmaceutical product and/or a supplemental NDA (sNDA).

1.48 **"Net Sales"** means the total amount billed or invoiced on sales of Product by Abbott, its Affiliates and/or Sublicensees in the Territory to Third Parties (for example, wholesalers or distributors) in bona fide arm's length transactions, less the following deductions (specifically excluding any royalty payments made by Abbott, its Affiliates and/or Sublicensees to Licensor), in each case related specifically to the Product and actually allowed and taken by such Third Parties and not otherwise recovered by or reimbursed to Abbott, its Affiliates and/or Sublicensees:

a) trade, cash and quantity discounts;

b) price reductions or rebates, retroactive or otherwise, imposed by, negotiated with or otherwise paid to Governmental Authorities;

c) taxes on sales (such as sales, value added or use taxes) to the extent added to the sale price and set forth separately as such in the total amount invoiced;

d) freight, insurance and other transportation charges to the extent added to the sale price and set forth separately as such in the total amount invoiced, as well as any fees for services provided by wholesalers and warehousing chains related to the distribution of the Product;

e) amounts repaid or credited by reason of rejections, defects, one percent (1%) return goods allowance, recalls or returns, or because of retroactive price reductions, including, but not limited to, rebates or wholesaler charge backs;

f) the portion of administrative fees paid during the relevant time period to group purchasing organizations, pharmaceutical benefit managers and/or Medicare Prescription Drug Plans relating specifically to the Product; and

g) any consideration actually paid or payable for any Delivery System related to a billed or invoiced sale of a Product, where for purposes of this Net Sales definition, a "Delivery System" means any delivery system comprising equipment, instrumentation, one or more devices or other components designed to assist in the administration of a Product.

Net Sales shall include the amount or fair market value of all other consideration received by Abbott, its Affiliates and/or Sublicensees in respect of the Product, whether such consideration is in cash, payment in kind, exchange or other form. For purposes of determining Net Sales, Net Sales shall not include transfers or dispositions for charitable, promotional, pre-clinical, clinical, regulatory or governmental purposes. Net sales shall not include sales between or among Abbott, its Affiliates and/or Sublicensees.

Subject to the above, Net Sales shall be calculated in accordance with the standard internal policies and procedures of Abbott, its Affiliates and/or Sublicensees, which must be in accordance with generally accepted accounting principles ("***GAAP***").

For purposes of calculating Net Sales, all Net Sales shall be converted into United States Dollars using Abbott, its Affiliates and/or Sublicensees' standard conversion methodology consistent with GAAP. The standard conversion methodology is based on monthly averages (the spot rate at the end of the month immediately prior to the reporting month plus the spot rate at the end of the reporting month, divided by two) using open market rates.

In the event that a Product is sold in the form of a Combination Product, the Net Sales for such Combination Product will be […***…]:

a) […***…].

b) […***…].

c) […***…].

d) […***…].

1.49 **"Neurocrine Patent Rights"** means the Patent Rights covering Neurocrine Technology, as set forth on Exhibit C.

1.50 **"Neurocrine Technology"** means all Technology Controlled by Neurocrine: (i) on the Effective Date or during the Term, that is reasonably necessary or directly useful to research, develop, make, have made, use, sell, offer for sale, import and/or otherwise exploit Compounds (including Compounds contained in Product(s)) in the Field of Use, including synthetic processes to manufacture Compounds and all related chemical and biological data and/or (ii) on the Effective Date, that is reasonably necessary or directly useful to research, develop, make, have made, use, sell, offer for sale, import and/or otherwise exploit Products in the Field of Use that is not otherwise covered by (i). Neurocrine Technology will specifically not include […***…].

1.51 **"Non-peptide GnRH Antagonists"** means […***…]. "Non-peptide GnRH Antagonists" excludes […***…].

1.52 **"Patent Rights"** means the rights and interest in and to all issued patents and pending patent applications in any country, including, all divisionals, continuations, renewals, continuations-in-part, patents of addition, substitutions, reexaminations, supplementary protection certificates and the like, extensions, registration or confirmation patents and reissues thereof.

1.53 **"Phase I"** means a human clinical trial in any country of a product in any country, the principal purpose of which is a preliminary determination of safety or pharmacokinetics in healthy individuals or patients or similar clinical study prescribed by the Regulatory Authorities, from time to time, pursuant to applicable law or otherwise, including for example the trials referred to in 21 C.F.R. §312.21(a).

1.54 **"Phase II"** means a human clinical trial in any country that would satisfy the requirements of 21 CFR 312.21(b) conducted to study the effectiveness and establish the dose range of a Product for a particular Indication in patients with the disease or condition under study, including Phase IIa studies.

1.55 "**Phase IIb**" means a Phase II study in any country, the principal purpose of which is to explore the dose relationship of a Product against some efficacy measure for the Indication in patients with the disease or Indication under study.

1.56 **"Phase III"** means an expanded human clinical study in any country on a sufficient number of subjects that is designated to establish that such product is safe and efficacious for its intended use, and to determine warnings, precautions, and adverse reactions, if any, that are associated with such product in the dosage range to be prescribed, which trial is designed to result in Regulatory Approval of such product, including all tests, studies, or a similar clinical study prescribed by the Regulatory Authorities, from time to time, pursuant to applicable law or otherwise, including for example the trials referred to in 21 C.F.R.§312.21(c).

1.57 **"PMDA"** means Japan's Pharmaceuticals and Medical Devices Agency or any successor agency(ies) or authority having substantially the same function.

1.58 **"Product(s)"** means a product or product candidate that contains one or more Compounds, including all formulations and dosages of such Compound, all processes and delivery systems that incorporate such Compound, and any Combination Product. For the purposes of this Agreement, […***…] will constitute a single Product.

1.59 **"Program Patent Rights"** means the Patent Rights covering the Program Technology.

1.60 **"Program Technology"** means any and all Technology conceived, reduced to practice, made or developed, […***…], by employees of […***…] and/or others acting on behalf of […***…] in performance of the Collaborative Development Program or Transition Program that is necessary or useful to research, develop, make, have made, use, sell, offer for sale, import and/or otherwise exploit Compounds and Products in the Field of Use.

1.61 […***…] means […***…].

1.62 **"Regulatory Approval"** means all the technical, medical and scientific licenses, registrations, authorizations and approvals (including, approvals of NDAs and equivalents, supplements and amendments, pre- and post- approvals, pricing and third party reimbursement approvals where required, and labeling approvals) of any national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other Governmental Authority, necessary for the manufacture, distribution, marketing, promotion, offer for sale, use, import, export or sale of Product(s) in a regulatory jurisdiction.

1.63 **"Regulatory Authorities"** means any applicable government regulatory authority involved in granting approvals for the manufacturing, marketing, reimbursement and/or pricing of a product in the Territory, including the FDA, EMA and PMDA.

1.64 **"Regulatory Filings"** means, collectively, INDs, MAAs, NDAs and/or any other related, equivalent or comparable filings as may be required by Regulatory Authorities to obtain Regulatory Approvals relating to the Products.

1.65 **"Royalties"** means those royalties payable by Abbott to Neurocrine pursuant to Article Four of this Agreement.

1.66 **"Rest of World Territory"** means worldwide excluding the United States Territory.

1.67 **"**[…***…]**"** means […***…].

1.68 **"Sublicensee"** means any Third Party to whom Abbott has granted a sublicense of the license rights granted to Abbott under this Agreement.

1.69 **"Technology"** means all proprietary data, information, and materials (including Inventions, know-how, trade secrets, experimental data, formula, market research data, expert opinions, experimental procedures, pre-clinical and clinical data, regulatory data and filings and other confidential and/or proprietary information, molecules, assays, reagents, compounds, compositions, human or animal tissue, samples or specimens).

1.70 **"Territory"** means United States Territory and Rest of World Territory.

1.71 **"Therapeutic Use"** means use(s) for any disease, disorder, state or condition in humans or animals, other than a Diagnostic Use.

1.72 **"Third Party(ies)"** means any person or party other than Neurocrine, Abbott and their respective Affiliates.

1.73 **"Third Party Development Contracts"** means all contracts in effect on the Effective Date between Neurocrine and Third Party contractors pursuant to which Neurocrine has contracted for pre-clinical and/or clinical services for Products as set forth on Exhibit D, true and complete copies of which have been made available to Abbott prior to the date hereof.

1.74 **"Third Party License Payments"** means […***…] payments payable by Abbott, its Affiliates or Sublicensees to a Third Party (or multiple Third Parties) […***…] to obtain rights under the Third Party Patent Rights to make, have made, use, offer for sale, sell and/or import such Products.

1.75 **"Third Party Manufacturing Contracts"** means all contracts in effect on the Effective Date between Neurocrine and Third Party contract manufacturers pursuant to which Neurocrine has contracted for manufacturing services for Products as set forth on Exhibit E, true and complete copies of which have been made available to Abbott prior to the date hereof.

1.76 **"Trademarks"** means any proprietary names selected by Abbott for commercialization of Products in the Territory.

1.77 **"Transition Plan"** means the plan describing the Development activities to be conducted by Neurocrine including (i) the timetable for transferring to Abbott various assets related to the Compounds and the Products, including the Development and manufacture thereof, and (ii) the activities to be undertaken by Neurocrine in the Transition Program, as agreed to by the Parties in writing concurrently with the execution of this Agreement and set forth on Exhibit F as may be updated from time to time pursuant to Section 6.1(c) (*Transition Program; Transition Plan*).

1.78 **"Transition Program"** means the Product development, regulatory and manufacturing activities to be conducted by Neurocrine pursuant to Article Six, as described in further detail in the Transition Plan.

1.79 **"United States Territory"** means the United States of America.

1.80 **"Uterine Fibroids"** means the condition in which a benign (non-cancerous) tumor originates from the smooth muscle layer (myometrium) and the accompanying connective tissue of the uterus, including its signs and symptoms, which include, but are not limited to, heavy bleeding during menstruation, dysmenorrhea, dyspareunia, pressure related symptoms, and urinary frequency and urgency.

1.81 **"Valid Claim"** means a claim of any issued and unexpired patent included within the Neurocrine Patent Rights and/or Program Patent Rights whose enforceability has not been effected by one or more of any of the following: (1) irretrievable lapse, revocation or abandonment and/or (2) holding of unenforceability or invalidity by a decision of a court or other appropriate body of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and/or (3) disclaimer or admission of invalidity or unenforceability through reissue or re-examination or opposition, nullity action or invalidation suit response or otherwise.

1.82 **Additional Definitions**. Each of the following definitions is set forth in the Section of this Agreement indicated below:

DEFINITION	SECTION
Agreement	Preamble
Abbott	Preamble
Neurocrine	Preamble
GAAP	"Net Sales"
Exclusivity Period	2.3
License Fee	4.1
JDC	5.3
Alliance Manager	5.5
Assigned Third Party Development Contracts	6.5
Assigned Third Party Manufacturing Contracts	6.6
Manufacturing Technology Transfer	8.4
Paragraph IV Notice	12.5
Neurocrine Indemnified Party	10.1
Liability	10.1
Abbott Indemnified Party	10.2
Indemnified Party	10.3
Indemnifying Party	10.3
Term	11.1(a)
Notifying Party	11.4(a)
Adverse Ruling	11.4(a)(1)
Insolvent Party	11.5

1.83 **Construction**. In construing this Agreement, unless expressly specified otherwise:

(a) references to Articles, Sections, Exhibits and Schedules are to articles and sections of, and exhibits and schedules to, this Agreement;

(b) except where the context otherwise requires, use of either gender includes the other gender, and use of the singular includes the plural and vice versa;

(c) any list or examples following the word "including" shall be interpreted without limitation to the generality of the preceding words;

(d) except where the context otherwise requires, the word "or" is used in the inclusive sense; and

(e) all references to "dollars" or "$" herein means United States of America Dollars.

ARTICLE TWO - REPRESENTATIONS AND WARRANTIES AND COVENANTS

2.1 **Mutual Representations and Warranties.** Neurocrine and Abbott each hereby represents and warrants, to the other as of the Effective Date of this Agreement, as follows:

a) Organization. It is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite power and authority, corporate and otherwise, to execute, deliver and perform this Agreement.

b) Authorization. The execution and delivery of this Agreement and the performance by it of the transactions contemplated hereby have been duly authorized by all necessary corporate action and will not violate (a) such Party's certificate of incorporation or by-laws, (b) any agreement, instrument or contractual obligation to which such Party is bound in any material respect, (c) any requirement of applicable Law, or (d) any order, writ, judgment, injunction, decree, determination or award of any court or governmental agency presently in effect applicable to such Party.

c) Binding Agreement. Assuming due authorization, execution and delivery on the part of the other Party, this Agreement constitutes a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar Laws relating to or affecting creditors generally or by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

d) No Inconsistent Obligation. It is not under any obligation, contractual or otherwise, to any Third Party that conflict with or is inconsistent in any respect with the terms of this Agreement or that would impede the diligent and complete fulfillment of its obligations hereunder.

2.2 **Additional Neurocrine Representations and Warranties.** Neurocrine hereby represents and warrants as of the Effective Date as follows:

a) The status of all Neurocrine Patent Rights listed on Exhibit C are properly stated as to their filing status or issuance and, to Neurocrine's knowledge, no issued patents which are part of Neurocrine Patent Rights listed on Exhibit C are invalid or unenforceable. All Neurocrine Patent Rights that (a) contain one or more claims that cover any Compound or Product (including its manufacture or its formulation or a method of its delivery or of its use); and (b) to the best of Neurocrine's knowledge are necessary for Abbott to exercise the licenses granted to it pursuant to Article Three and (c) that are existing on the Effective Date, are listed on Exhibit C.

b) There are no claims, judgment or settlements against Neurocrine pending, or to Neurocrine's knowledge, threatened that invalidate or seek to invalidate the Neurocrine Patent Rights.

c) Except as required […***…], Neurocrine has not previously assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the Neurocrine Patent Rights in manner inconsistent with the terms hereof.

d) Except as required by […***…], to Neurocrine's knowledge, it is the sole and exclusive owner of the Neurocrine Patent Rights all of which are free and clear of any liens, charges and encumbrances, and no other person, corporate or other private entity, or governmental entity or subdivision thereof, has or shall have any claim of ownership whatsoever with respect to the Neurocrine Patent Rights.

e) To Neurocrine's knowledge and except […***…], Neurocrine has complied with all requirements of […***…], where applicable, with respect to Neurocrine Patent Rights.

f) Neurocrine has disclosed or made available to Abbott all material information known to Neurocrine regarding the Neurocrine Patent Rights and Neurocrine Technology.

g) To Neurocrine's knowledge, Neurocrine has sufficient legal and/or beneficial title under the Neurocrine Patent Rights and Neurocrine Technology necessary to grant the rights contained in and to carry out its obligations under this Agreement.

h) Subject to Sections 6.2(b) and 7.3(b), Neurocrine shall maintain all Third Party Development Contracts, Third Party Manufacturing Contracts, and the […***…] in full force and effect and will not, without Abbott's prior written consent, terminate or otherwise modify the terms of such Third Party Development Contracts, Third Party Manufacturing Contracts, or the […***…].

2.3 **Exclusive Collaborative Effort.** Subject to Abbott's sublicensing rights hereunder, and except where the Parties shall mutually agree otherwise (in which event, for avoidance of doubt, such activities to which the Parties shall have agreed will be considered part of the Collaboration), Neurocrine and Abbott shall not, and shall cause their respective Affiliates and Sublicensees not to, other than pursuant to this Agreement, independently, or in collaboration with any Third Parties, engage in […***…] prior to the earlier of (a) […***…] or (b) […***…] (the "***Exclusivity Period***"); provided, however, that nothing in this Agreement shall (i) restrict […***…], or (ii) preclude either Party […***…], provided that the Party making such […***…]. If either Party (or its Affiliates) breaches this Section 2.3 due to an acquisition of or merger with all or substantially all of the business or assets of a Third Party, such acquiring Party shall not be in breach of this Section 2.3 so long as such acquiring Party (or its Affiliate) […***…] after the closing of such acquisition or merger.

2.4 **Commercially Reasonable Efforts.** Abbott will use Commercially Reasonable Efforts to Develop and Commercialize […***…]. Neurocrine and Abbott shall each use Commercially Reasonable Efforts to perform their respective obligations hereunder. In addition, Abbott agrees to comply with the […***…], if and as applicable, in relation to this Agreement.

2.5 **Conduct of Activities.** Each Party will conduct, and shall use Commercially Reasonable Efforts to cause its Affiliates to conduct, those activities allocated to such Party under this Agreement in compliance in all material respects with applicable Laws of the country in which such activities are conducted.

2.6 **Disclaimer.** EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES, AND EACH PARTY HEREBY DISCLAIMS, ANY OTHER REPRESENTATION OR WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING, ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT, INCLUDING WITHOUT LIMITATION NEUROCRINE PATENT RIGHTS AND NEUROCRINE TECHNOLOGY. ADDITIONALLY, EXCEPT AS EXPRESSLY PROVIDED HEREIN, NEUROCRINE MAKES NO REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT THE MANUFACTURE, USE OR SALE OF ANY PRODUCT WILL NOT INFRINGE THE INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY.

ARTICLE THREE - LICENSE GRANTS; RETAINED RIGHTS

3.1 **License.** Subject to the terms of this Agreement, Neurocrine and its Affiliates hereby grants to Abbott, and Abbott hereby accepts, an exclusive worldwide license, with the right to sublicense through multiple tiers, under the Neurocrine Technology and Neurocrine Patent Rights, in each case, to research, develop, make, have made, use, sell, offer for sale, import and/or otherwise exploit Compounds and Products in the Field of Use in the Territory.

3.2 **License Grant to Neurocrine for the Collaboration.** Abbott hereby grants to Neurocrine a non-exclusive license, without the right to sublicense, under Patent Rights and Technology Controlled by Abbott solely for use in connection with Neurocrine's conduct of the Collaboration. Nothing set forth herein will limit Abbott's right to use for all purposes, any Abbott Technology or Abbott Patent Rights.

3.3 **Retention of Rights**. Notwithstanding the exclusive licenses granted to Abbott pursuant to Section 3.1 (*License*), Neurocrine retains the right to practice under the Neurocrine Technology and Neurocrine Patent Rights to perform (and to sublicense Third Parties to perform) its obligations under this Agreement (including the manufacture and supply of Compound and Product to Abbott). Subject to Section 2.3, Neurocrine also retains: (i) a […***…] license in the […***…], to use the Neurocrine Technology (including Neurocrine Patent Rights) for […***…] and (ii) exclusive rights for all purposes outside the scope of the licenses granted in Section 3.1; provided that any activity Neurocrine would undertake in relation to the retention of rights hereunder that […***…], shall require Abbott's prior written consent before undertaking such activity.

3.4 **License Grant to Neurocrine under Program Technology.** Subject to Section 2.3, Abbott grants Neurocrine a […***…] license […***…], to use the Program Technology (including Program Patent Rights) […***…] for: (i) […***…] and (ii) for any purpose outside the scope of the licenses granted in Section 3.1; provided that any activity Neurocrine would undertake in relation to the grant of rights hereunder that […***…], shall require Abbott's prior written consent before undertaking such activity.

3.5 **No Implied Licenses**. Except as expressly set forth in this Agreement, neither Party grants any license under its intellectual property rights to the other Party.

3.6 **Exclusions.** For avoidance of doubt, the licenses granted to Abbott under this Agreement shall not include any rights for Abbott to research, develop, make, have made, use, sell, offer for sale and/or import any proprietary compound of Neurocrine that is not a Compound. Notwithstanding anything to the contrary in this Agreement, for the Term of Royalty set forth in Section 4.6, Neurocrine shall not, alone or with or through (i) its Affiliates or (ii) any Third Party: Develop, Commercialize, offer for sale, sell and/or otherwise commercially exploit Compounds or Products in the Field of Use in the Territory.

ARTICLE FOUR - ROYALTIES, MILESTONES AND PAYMENT PROVISIONS

4.1 **License Fee.** In consideration of the licenses granted to Abbott hereunder and the disclosure to Abbott of Neurocrine Technology, Abbott shall pay to Neurocrine a non-refundable, non-creditable license fee equal to seventy five million dollars ($75 MM) ("***License Fee***"). The License Fee shall be paid to Neurocrine within […***…] days after the Effective Date of this Agreement.

4.2 **Milestones.** Abbott will pay to Neurocrine […***…] Milestones for achievement of the events set forth below. Abbott will notify Neurocrine within […***…] days of achievement of each Milestone event and the related Milestone payment will be made to Neurocrine within […***…] days of achievement of the event.

a) *Elagolix*. In consideration for the license rights granted by Neurocrine to Abbott, on an […***…], Abbott will pay to Neurocrine the Milestones set forth below for *Elagolix*:

ELAGOLIX EVENT*	[…***…]	[…***…]
Acceptance of […***…]	[…***…]	[…***…]
Initiation of […***…]	[…***…]	[…***…]
Initiation of […***…]	[…***…]	[…***…]
Initiation of […***…]	[…***…]	[…***…]
Acceptance of […***…]	[…***…]	[…***…]

*** Confidential Treatment Requested

First Regulatory Approval of […***…]	[…***…]	[…***…]
First filing of […***…]	[…***…]	[…***…]
First Regulatory Approval of […***…]	[…***…]	[…***…]
First filing of […***…]	[…***…]	[…***…]
First Regulatory Approval of […***…]	[…***…]	[…***…]

Total Milestones payable under this Section 4.2(a) shall not exceed […***…].

In the event that a Product is discontinued in the course of development for […***…], only those Milestones that have not been paid at the time the Product has been discontinued shall be payable for a future Product achieving the Milestone Event.

* Once a Product achieves a Milestone for […***…], it will be deemed to have achieved all earlier Milestones […***…] and any Milestone payment for such earlier Milestone will become due and payable to the extent it has not already been paid. Specifically, (i) should the Initiation of […***…] be achieved prior to or in the absence of the Acceptance of […***…], the Acceptance of […***…] shall be paid when the Initiation of […***…] is achieved and (ii) should a […***…] not be required or a previously conducted clinical study be accepted in place of such a study, the Initiation of […***…] will be paid upon the earlier of (A) receipt of […***…] or (B) first filing of […***…].

** Should another […***…] as the […***…] to advance through Development, the Milestone events enumerated in the […***…] stream above shall apply to that […***…] […***…] shall apply to […***…].

*** If Regulatory approval of a MAA […***…] is granted, such Milestone event shall be paid […***…]. If approved by […***…], without regard to order or combination.

b) Follow-On Compounds. On the first occurrence of the events set forth below for a Follow-on Compound, Abbott shall pay Neurocrine the following Milestones for Follow-on Compounds on […***…] (each Milestone stream would be payable one time only regardless of how many Products advance through development):

FOLLOW-ON EVENT*	[…***…]	[…***…]
Initiation of […***…]	[…***…]	[…***…]
Initiation of […***…]	[…***…]	[…***…]
Initiation of […***…]	[…***…]	[…***…]
Initiation of […***…]	[…***…]	[…***…]
Acceptance of […***…]	[…***…]	[…***…]
First Regulatory Approval of […***…]	[…***…]	[…***…]
First Regulatory Approval of […***…]	[…***…]	[…***…]
First Regulatory Approval of […***…]	[…***…]	[…***…]

Total Milestones payable under this Section 4.2(b) shall not exceed […***…].

In the event that a Product is discontinued in the course of development for […***…], only those Milestones that have not been paid at the time the Product has been discontinued would be payable for a future Product achieving the Milestone Event.

* Once a product achieves a Milestone for a […***…], it will be deemed to have achieved all earlier Milestones […***…] and any Milestone payment for such earlier Milestone will become due and payable to the extent it has not already been paid.

** In the event that Follow-on Compound […***…] is the same Follow-on Compound […***…], the […***…] Milestone shall be paid upon the achievement of the Initiation of […***…].

*** If Regulatory Approval of a MAA […***…] is granted, such Milestone event shall be paid […***…]. If approved by a […***…], without regard to order or combination.

4.3 **Royalties.** Subject to Section 4.4 (*Royalty Adjustments*) and Section 4.6 (*Royalty Term*), Abbott will pay to Neurocrine Royalties on Net Sales in an Abbott Year, of each Product […***…] containing *Elagolix* and the Follow-on Compounds, on a Product […***…] by Product […***…] and United States

Territory and Rest of World Territory basis (as the case may be), commencing upon the First Commercial Sale in the United States Territory or Rest of World Territory, as applicable, as follows:

For Products containing […***…]:

Abbott Year Net Sales	United States Territory Royalty (% Net Sales)	Rest of World Territory Royalty (% Net Sales)
Less than […***…]	[…***…]	[…***…]
Greater than or equal to […***…] and less than […***…]	[…***…]	[…***…]
Greater than or equal […***…]	[…***…]	[…***…]

For Products containing […***…]:

Abbott Year Net Sales	United States Territory Royalty (% Net Sales)	Rest of World Territory Royalty (% Net Sales)
Less than […***…]	[…***…]	[…***…]
Greater than or equal to […***…]	[…***…]	[…***…]

The Royalties set forth above are marginal rates and shall only apply to that portion of Net Sales opposite each applicable Royalty rate. For the purposes of Royalty payments, […***…] will be considered to be the same Product, regardless of the indications for which such Product […***…] may be used.

Notwithstanding anything to the contrary in this Agreement, the Parties shall, prior […***…] negotiate in good faith on commercially reasonable terms, and execute an amendment to this Agreement duly executed by authorized representatives of both Parties, setting forth […***…] of the applicable […***…] sold by Abbott or its Affiliates or Sublicensees. If the Parties are unable to agree […***…] after good faith negotiations, then the Parties shall submit the issue under Section 13.2 (*Dispute Resolution*).

4.4 **Royalty Adjustments.** Except as otherwise set forth in this Agreement, Royalties due hereunder are subject to adjustment on a Product by Product, […***…] basis as a result of the events set forth below (such adjustments to be prorated for the then-current […***…] in which the reduction becomes

applicable) provided, however, that the Royalties payable under Section 4.3 (*Royalties*) shall not be reduced by more than […***…] of the amounts set forth in Section 4.3 (*Royalties*) by reason of the adjustments set forth below.

a) Royalty Adjustment for Third Party License Payments. Neurocrine shall be responsible for and pay all amounts due under the […***…]. If Abbott, its Affiliates or Sublicensees, in their reasonable judgment, is required to pay any Third Party License Payments, then the amount of Royalties payable under Section 4.3 (*Royalties*) shall be reduced by […***…] of the amount of such Third Party License Payments paid to such Third Party.

b) Royalty Adjustment for Non-Patent Products. If the making, having made, using, offering for sale, sale, and/or importation of a Product would not infringe a Valid Claim within the […***…], Royalties payable to Neurocrine will be reduced by […***…] of the Royalty rate(s) set forth in Section 4.3 (*Royalties*).

c) Royalty Adjustment for Generic Competition. If there is Generic Competition, the Royalties payable to Neurocrine shall be reduced by […***…] of the Royalty rates set forth in Section 4.3 (*Royalties*).

4.5 **Sales Milestones.** Within […***…] days following the last day of the Abbott Year of the first achievement of each event of annual combined Net Sales of all Products as detailed below, Abbott shall make the following one-time payments:

Event	Sales Milestone
Abbott Year Net Sales of Product(s) exceeds […***…]	[…***…]
Abbott Year Net Sales of Product(s) exceeds […***…]	[…***…]
Abbott Year Net Sales of Product(s) exceeds […***…]	[…***…]

4.6 **Term of Royalty.** Notwithstanding the foregoing, Abbott's Royalty obligations pursuant to Section 4.3 (*Royalties*) shall expire, on a Product by Product and country by country basis, following the later of: (i) the last to expire of all Valid Claims in the Neurocrine Patent Rights or Program Patent Rights covering the making, having made, using, offering to sell, selling, and importing of Product in such country or (ii) […***…] following the First Commercial Sale in such country. Notwithstanding the foregoing, if, after the aforementioned Royalty term, Neurocrine is required to make royalty payments […***…].

4.7 **Reports and Payments.**

a) Inter-Company Sales. Sales between or among Abbott, its Affiliates or Sublicensees shall not be subject to Royalties under this Section 4. Abbott shall be responsible for the payment of Royalties on Net Sales by its Affiliates or Sublicensees.

b) Cumulative Royalties. The obligation to pay Royalties under this Article 4 shall be imposed only once (i) with respect to any sale of the same unit of Product and (ii) with respect to a single unit of Product, in each case, regardless of how many Valid Claims in the Neurocrine Patent Rights or Program Patent Rights cover the Compound included in such Product.

c) Statements and Payments. Following commencement of Abbott's obligation to pay Royalties pursuant to Section 4.3, Abbott shall deliver to Neurocrine (a) within […***…] days after the end of each […***…] report setting forth […***…] and (b) within […***…] days after

the end of each […***…], a report certified by Abbott as accurate to the best of its ability based on information then available to Abbott, setting forth for such […***…] the following information on a Product by Product basis […***…]. The total Royalty due for the sale of Products during […***…] shall be remitted within […***…] days after the end of each […***…].

d) Taxes and Withholding.

1) VAT. It is understood and agreed between the Parties that any payments made by Abbott under this Agreement are inclusive of any value added or similar tax imposed upon such payments.

2) Tax Cooperation. Where any sum due to be paid to either Party hereunder is subject to any withholding or similar tax, the Parties shall use their commercially reasonable efforts to do all such acts and things and to sign all such documents as will enable them to take advantage of any applicable double taxation agreement or treaty. In the event there is no applicable double taxation agreement or treaty, or if an applicable double taxation agreement or treaty reduces but does not eliminate such withholding or similar tax, the payor shall pay such withholding or similar tax to the appropriate government authority, deduct the amount paid from the amount due to payee and secure and send to payee the best available evidence of such payment. On the Effective Date, each Party shall provide the other with a completed and signed Form W-8BEN.

3) Withholding Tax Matters. In addition, in the event any of the payments made by Abbott to Neurocrine under this Agreement become subject to withholding taxes under the Laws of any jurisdiction, Abbott shall deduct and withhold the amount of such taxes for the account of Neurocrine to the extent required by Law, such payment to Neurocrine shall be reduced by the amount of taxes deducted and withheld, and Abbott shall pay the amount of such taxes to the proper Governmental Authority in a timely manner and promptly transmit to Neurocrine an official tax certificate or other evidence of such tax obligations, together with proof of payment from the relevant Governmental Authority of all amounts deducted and withheld sufficient to enable Neurocrine to claim such payment of taxes. Any such withholding taxes required under applicable Law to be paid or withheld shall be an expense of, and borne solely by, Neurocrine. Abbott will provide Neurocrine with reasonable assistance, at Neurocrine's expense, to enable Neurocrine to recover such taxes as permitted by Law.

e) Currency. All amounts payable and calculations hereunder shall be in United States dollars. Conversion of sales recorded in local currencies to U.S. dollars will be at the monthly rate of exchange used by Abbott in its worldwide accounting system prevailing on the third to last business day of the month preceding the month in which such sales are recorded by Abbott. If governmental regulations prevent remittances from a foreign country with respect to sales made in that country, the Royalties shall continue to accrue but the obligation of Abbott to pay Royalties on sales in that country shall be delayed until such remittances are possible. Neurocrine shall have the right, upon giving written notice to Abbott, to receive payment in that country in local currency.

f) Late Payments. If Neurocrine does not receive payment of any sum due it hereunder on or before the due date set forth herein, simple interest thereon shall accrue on the sum from the due date until the date of payment at the rate equal to […***…]; provided, that with respect to any disputed payments, no interest payment shall be due until such dispute is resolved and

the interest which shall be payable thereon shall be based on the finally-resolved amount of such payment, calculated from the original date on which the disputed payment was due through the date on which payment is actually made.

g) Maintenance of Records; Audit. For a period […***…], Abbott shall maintain and shall cause its Affiliates and Sublicensees to maintain complete and accurate books and records in connection with the sale of Products hereunder, as necessary to allow the accurate calculation of Royalties due hereunder including any records required to calculate any Royalty adjustments hereunder. Once per calendar year, Neurocrine shall have the right to engage an registered public accounting firm of nationally recognized standing selected by Neurocrine and reasonably acceptable to Abbott, at Neurocrine's expense, which shall have the right to examine in confidence the relevant Abbott records as may be reasonably necessary to determine and/or verify the amount of Royalty payments due hereunder for any year ending not more than […***…] months prior to the date of such request. Such examination shall be conducted during Abbott's normal business hours, after at least […***…] days prior written notice to Abbott and shall take place at the Abbott facility(ies) where such records are maintained. In the event the report reflects an under-payment by Abbott hereunder, Abbott shall promptly (but in no event later than […***…] days after Abbott's receipt of the independent auditor's report) make payment to Neurocrine of any short-fall. In the event that there was an over-payment by Abbott hereunder, Neurocrine shall promptly (but in no event later than […***…] days after Neurocrine's receipt of the independent auditor's report so correctly concluding) refund to Abbott the excess amount. In the event any payment by Abbott shall prove to have been incorrect by more than […***…] to Neurocrine's detriment, Abbott will pay the reasonable fees and costs of Neurocrine's independent auditor for conducting the audit.

h) No Other Compensation. Each party hereby agrees that the terms of this Agreement, fully define all consideration, compensation and benefits, monetary or otherwise, to be paid, granted or delivered by one party to the other Party in connection with the transactions contemplated herein. Neither Party previously has paid or entered into any other commitment to pay, whether orally or in writing, any of the other Party's employees, directly or indirectly, any consideration, compensation or benefits, monetary or otherwise, in connection with the transaction contemplated herein.

ARTICLE FIVE - MANAGEMENT OF COLLABORATION

5.1 **Goal of the Collaboration.** The goals of the Collaboration are to conduct the Transition Program in accordance with the Transition Program Plan and conduct the Collaborative Development Program in accordance with the Collaborative Development Plan.

5.2 **Meetings of Senior Executives.** Upon agreement of the JDC for the necessity of a meeting(s) with senior executives, the Chief Executive Officer of Neurocrine and Senior Vice President, Pharmaceuticals Research & Development of Abbott shall meet and review the progress of the Collaboration and shall discuss any current issues of the Collaboration with the intent of proposing resolutions for such issues. Meetings may be in person or may be held telephonically or by videoconference.

5.3 **Joint Development Committee.**

a) Formation. Within thirty (30) days following the Effective Date, the Parties shall establish a joint development committee (the "***JDC***"). The JDC shall consist of senior representatives from each Party with decision making authority in such number as mutually agreed on by the Parties not to exceed […***…] from each Party. Each Party shall have the right at any time to substitute individuals, on a permanent or temporary basis, for any of its previously designated representatives to the JDC by giving written notice to the other Party. The JDC shall be chaired by a representative member from Abbott.

b) Responsibility. The JDC will be responsible for coordination and oversight of all activities conducted under the Transition Program and the Collaborative Development Program in accordance with this Agreement. The Parties shall cause their respective representatives on the JDC to use diligent efforts, acting in good faith, to resolve all matters presented to them as expeditiously as possible.

c) Decision Making and Dispute Resolution. All decisions of the JDC will be by consensus whereby each of Neurocrine and Abbott shall have one (1) vote on all matters before the JDC. If for any reason the JDC cannot resolve any matter properly before it, the matter shall be […***…].

d) Withdrawal; Disbandment. Subject to Neurocrine's other obligations herein, Neurocrine may irrevocably withdraw from participation in the JDC upon written notice to Abbott and subject to Abbott's consent, not to be unreasonably withheld, conditioned or delayed. The JDC shall disband upon completion of the Transition Program and Collaborative Development Program.

5.4 **JDC Meetings.** The JDC chairperson shall call meetings […***…], or as otherwise mutually agreed. Meetings may be held in person, by telephone, or by video conference call, and the location of each meeting shall be selected by the chairperson, unless otherwise agreed. In addition to the foregoing, either Party may call a special meeting of the JDC up to […***…] per year upon […***…] days notice to the other Party. Meetings will be minuted and signed by the chairperson and distributed the both Parties. Upon the other Party's consent, additional participants of a Party may be invited by any representative to attend meetings when and where appropriate. If feasible, prior to each JDC meeting, the Parties will distribute to each other written copies (or corresponding electronic files) of materials intended to be discussed at such meeting. In the event that after receipt of any such report, either Party shall request additional data or information, the Party to whom such request is made shall use reasonable efforts to promptly provide to the other Party such data or information.

5.5 **Alliance Managers.** In addition to the JDC set forth above, Neurocrine and Abbott each acknowledge and agree that it would be beneficial to the Collaboration for each to have a senior representative with a general understanding of the non-clinical and pharmaceutical development (API and drug product), clinical, regulatory, and manufacturing issues relating to Products to act as an alliance manager ("***Alliance Manager***"), and will appoint such a person to the extent each Party in its sole discretion determines it is practical. It is envisioned that the Alliance Managers will serve as a single point of contact within each Party with responsibility for facilitating communication and collaboration between the Parties. The Alliance Managers may attend JDC meetings as appropriate and will be provided access to decision making representatives of both Parties.

5.6 **Abbott Authority.** Subject to the oversight of the JDC as provided in Section 5.3 (*Joint Development Committee*) and except as provided elsewhere herein, Abbott shall have sole responsibility and authority with regard to (a) Development activities related to Products, including the timing and staging of Development work on the various Indications and the determination of which Indications to

pursue, (b) manufacturing and commercial supply of Products, including holding title to commercial inventory and responsibility for invoicing, credit and collection, and (c) Commercialization of Products, including pricing of Products, all pricing and reimbursement approvals and all other terms of sale.

5.7 **Reporting.** After the JDC has been disbanded, on […***…] basis until […***…], Abbott will provide to Neurocrine a written report setting forth […***…]; provided however, in the event of a Change of Control, Abbott will provide to Neurocrine, on […***…] basis, a written report setting forth […***…] only. If following receipt of […***…] report or […***…], Neurocrine shall reasonably request additional information about […***…], Neurocrine may make such request through the Alliance Managers of the Parties and Abbott will provide such information within a reasonable time after the request; provided however, in the event of a Change of Control, Abbott shall not be obligated to provide any such information.

ARTICLE SIX - TRANSITION PROGRAM

6.1 **Transition Program.**

a) Term. The activities under the Transition Program as outlined in the Transition Plan will terminate on the date set forth in the Transition Plan, provided that, prior to the end of the Transition Term, (i) all Regulatory Filings in existence on the Effective Date will have been assigned to, and accepted by, Abbott, (ii) all Assigned Third Party Development Contracts will have been assigned to, and accepted by Abbott, and (iii) all Assigned Third Party Manufacturing Contracts will have been assigned to, and accepted by, Abbott. The Parties shall use Commercially Reasonable Efforts to perform the activities set forth in the Transition Plan and complete the Transition Program, in accordance with the timelines set forth in the Transition Plan. The Parties currently agree that the Transition Program will be initiated on […***…] and will be substantially completed and will terminate on […***…], it being understood that such date is an estimate based on the current state of the Transition Program and may be changed by the JDC even if the Parties are exerting Commercially Reasonable Efforts to complete the Transition Program by such date.

b) Goal; Diligence. The goal of the Transition Program will be to (1) […***…] and (2) […***…]. Specifically, the Transition Program may include, but is not limited to, all activities under the Third Party Development Contracts and Third Party Manufacturing Contracts during the term of the Transition Program. Each Party shall use Commercially Reasonable Efforts in carrying out its activities under the Transition Program and Transition Plan and shall conduct the Transition Program in compliance with all applicable Laws.

c) Transition Plan. Subject to oversight of the JDC, Neurocrine shall (i) perform Product manufacturing, clinical, and regulatory activities set forth in the Transition Plan, in accordance with the terms of the Transition Plan, and (ii) transfer to Abbott the data and other assets set forth in the Transition Plan, in accordance with the terms of the Transition Plan. The Transition Plan will be updated by the JDC as needed and will specifically include detailed plans for staffing levels and activities, timelines and transition dates. In particular, the Transition Plan will address the timelines for the transfer of data and Technology to Abbott, and for the assignment to Abbott of Regulatory Filings, Third Party Manufacturing Contracts and Third Party Development Contracts, and the specific Development activities

(and corresponding timelines) to be performed by Neurocrine. Each amendment and update to the Transition Plan shall be prepared jointly by the Parties through the JDC in accordance with the limitations on total numbers of FTEs in any given period and allocation across functional areas set forth on Exhibit F. The Transition Plan may be amended by the JDC to accelerate, decelerate, add or remove activities thereunder including reducing or eliminating Neurocrine's responsibilities for an activity thereunder provided that, the number of Neurocrine FTEs funded and the allocation of Neurocrine FTEs across functional areas (e.g., CMC, pre-clinical, clinical) may not be reduced or increased or altered without Neurocrine's consent.

d) Transfer of Data, Information, Technology and Assets. From and after the Effective Date, all data, information, Technology and assets related to the Compounds and Products that are reasonably requested by Abbott shall be made available to Abbott through a secure electronic document sharing service. Additionally, hardcopy forms of data, information, Technology and assets related to the Compounds and Products that are reasonably requested by Abbott shall be transferred to a site selected by Abbott, and electronic forms of data, information, Technology and assets related to the Compounds that are reasonably requested by Abbott shall be transferred to an Abbott electronic system per Abbott's instructions. These transfers of data, information, Technology and assets shall occur at scheduled intervals as mutually agreed upon by the Parties and will be categorized as high priority, low priority and upon request to determine the expedience of such transfer. The Parties agree that the method of transfer of such data, information, Technology and assets will be of a secure nature, with an agreed upon applied data integrity method (such as a checksum utility), if applicable.

6.2 **Transition Budget.** Notwithstanding anything to the contrary in this Agreement, Abbott's total funding responsibility for the Transition Program shall not exceed […***…] without Abbott's prior written permission.

a) Internal Costs. Abbott will initially provide funding for Neurocrine FTEs devoted to the conduct of the Transition Program in accordance with the Transition Plan, at a rate of […***…] per FTE per year (such rate will be prorated for any partial year), and provided such funding shall not exceed […***…] without Abbott's prior written permission. The contemplated allocation of Neurocrine FTEs devoted to the conduct of the Transition Program in accordance with the Transition Plan, as of the Effective Date, is […***…]. Neurocrine FTEs in […***…] will be allocated by the JDC in accordance with the Transition Plan and Section 6.1(c) from time to time based on the progress of the activities under the Transition Plan. Within […***…] days after the end of each Abbott Quarter after the Effective Date, Neurocrine will provide to Abbott an invoice setting forth the amount of funding for Neurocrine FTEs allocated to Transition Plan activities in such preceding Abbott Quarter as well as a FTE report for the preceding Abbott Quarter, which FTE report details the FTEs committed to the Transition Program by department and/or functional area, and a brief summary of the work performed (which summary may be limited to references to the reports to the JDC). Invoices will be payable by Abbott within […***…] days of receipt of the invoice.

b) External and Third Party Costs.

1) Abbott agrees that Abbott will be responsible for all Third Party and external costs and expenses for the activities set forth on Exhibit F on or after […***…] and accrued and properly expensed under generally accepted accounting principles for activities undertaken on or after […***…], as set forth in the Transition Plan, or otherwise

approved by the JDC, *pr*ovided such amounts do not exceed the budget set forth in the Transition Plan by more than […***…] without Abbott's prior written permission. Within […***…] days after the end of each Abbott Quarter during the term of the Transition Program, Neurocrine will provide to Abbott a report and invoice setting forth the external and Third Party costs arising out of the Transition Program in such Abbott Quarter, including copies of original invoices for such Third Party costs. Neurocrine's quarterly invoice to Abbott will be payable by Abbott within […***…] days of receipt of the report.

2) All expenses under the Third Party Development Contracts and Third Party Manufacturing Contracts relating to activities conducted by Neurocrine pursuant to the Transition Plan on or after […***…] (including termination fees, if applicable, as contemplated by the Transition Plan) are included in the budget in the Transition Plan and will be reimbursed by Abbott as Third Party external costs and expenses hereunder.

3) The budget included in the Transition Plan sets forth all the expenditures that will be incurred in the course of the Transition Program with respect to activities performed by Neurocrine and Third Parties. The Parties acknowledge and agree that, notwithstanding the Parties' efforts to fully budget all cost items of the Transition Program, costs may change over time and/or unbudgeted items may be identified. As such, the JDC will review the Transition Program budget on a quarterly basis and reforecast such budget based on the then current costs and expenses on the basis of whether such expenditure is reasonably necessary to maintain timelines and beyond the reasonable control of the Parties.

6.3 **Regulatory Filings.** In accordance with the Transition Plan, Neurocrine will assign to Abbott all Regulatory Filings and thereafter all Regulatory Filings shall be the property of Abbott and Abbott shall be responsible for, and pay all cost and expenses relating to, Regulatory Filings in the Territory. Each of the Parties shall take all reasonable steps to ensure an orderly transfer of the Regulatory Filings to Abbott as provided herein and in the Transition Plan, and in accordance with the timelines for transfer set forth in the Transition Plan.

6.4 **Adverse Events and Safety Information.** Within ninety (90) days after the date of this Agreement, the Parties shall enter into an agreement to initiate a process for the exchange of adverse event safety data in a mutually agreed format, including but not limited to, postmarketing spontaneous reports received by the Party or its Affiliates in order to monitor the safety of the product and to meet reporting requirements with any applicable regulatory authority.

6.5 **Assignment of Third Party Development Contracts.** If and to the extent applicable, Neurocrine will use Commercially Reasonable Efforts to obtain necessary consents from Third Parties to assign to Abbott all Third Party Development Contracts the JDC requests be assigned to Abbott. Neurocrine will assign to Abbott, and Abbott will accept assignment of, the assignable Third Party Development Contracts identified by the JDC prior to the end of the Transition Program (the "***Assigned Third Party Development Contracts***"). Upon assignment to Abbott of each Assigned Third Party Development Contract, Abbott will be responsible for all future performance under such Assigned Third Party Development Contract and will make all decisions regarding such Assigned Third Party Development Contract and any other future Development contracts Abbott elects. Subject to Section 6.2(b), Neurocrine remains responsible for all rights, duties and obligations of such Assigned Third Party Development Contracts prior to the date of assignment to Abbott. Any Third Party Development Contracts not included in the Assigned Third Party Development Contracts will not be assigned to Abbott and Abbott shall have no rights or obligations under such unassigned Third Party Development Contracts (it being understood that Abbott has certain obligations to Neurocrine with respect to such unassigned Third Party Development Contracts pursuant to Section 6.2(b)).

6.6 **Assignment of Third Party Manufacturing Contracts.** If and to the extent applicable, Neurocrine will use Commercially Reasonable Efforts to obtain necessary consents from Third Parties to assign to Abbott all Third Party Manufacturing Contracts the JDC requests be assigned to Abbott. Neurocrine will assign to Abbott, and Abbott will accept assignment of, all assignable Third Party Manufacturing Contracts identified by the JDC prior to the end of the Transition Program (the "***Assigned Third Party Manufacturing Contracts***"). Upon assignment to Abbott of each Assigned Third Party Manufacturing Contract, Abbott will be responsible for all future performance under such Assigned Third Party Manufacturing Contract and will make all decisions regarding such Assigned Third Party Manufacturing Contract and any future manufacturing or Product supply contracts Abbott elects. Subject to Section 6.2(b), Neurocrine remains responsible for all rights, duties and obligations of such Assigned Third Party Development Contracts prior to the date of assignment to Abbott. Any Third Party Manufacturing Contracts not included in the Assigned Third Party Manufacturing Contracts will not be assigned to Abbott and Abbott shall have no rights or obligations under such unassigned Third Party Manufacturing Contracts (it being understood that Abbott has certain obligations to Neurocrine with respect to such unassigned Third Party Manufacturing Contracts pursuant to Section 6.2(b)).

6.7 **Use of Third Parties**. Neurocrine shall be entitled to utilize the services of Third Parties to perform its share of Transition Program activities, only upon Abbott's prior written consent, which […***…]. Notwithstanding the foregoing, Neurocrine shall remain at all times fully liable for its responsibilities under the Transition Program and this Agreement; provided, further, that Neurocrine shall not subcontract any such obligations unless the written agreement pursuant to which it engages any Third Party: (i) is consistent in all material respects with this Agreement, and (ii) contains terms obligating such Third Party to comply with the confidentiality, intellectual property, and all other relevant provisions no less stringent than those set forth in this Agreement.

ARTICLE SEVEN - COLLABORATIVE DEVELOPMENT PROGRAM

7.1 **Collaborative Development Program.**

a) Goal. The Parties will collaborate in a Collaborative Development Program to achieve […***…], as more expressly set forth in the Collaborative Development Plan.

b) Term. The term of the Collaborative Development Program will begin on […***…] and will end […***…], unless otherwise agreed by the Parties.

c) Efforts. The Parties will use Commercially Reasonable Efforts to perform the activities set forth in the Collaborative Development Plan in accordance with the timelines set forth in the Collaborative Development Plan. Both parties will participate in […***…] and, as appropriate, […***…] as Transition Program or Collaborative Development Program activities, as the case may be.

7.2 **Collaborative Development Plan and Budget.**

a) Activities. The Collaborative Development Program, subject to JDC approval and oversight, may include any of the types of activities contemplated in the Collaborative Development Plan set forth as Exhibit G. The Parties understand and agree that Exhibit G is not intended

to represent a final Collaborative Development Plan. In addition, while Exhibit G includes estimated numbers of Neurocrine FTEs that will be required to conduct development activities, it is understood that these numbers are estimates only and may change depending on timing of the activities and final study designs for selected activities. Within […***…] days following the Effective Date, the JDC will finalize a Collaborative Development Plan for the term of the Collaborative Development Program. The Collaborative Development Plan will allocate to Neurocrine activities equivalent to the Neurocrine FTE Funding Commitment (as defined in Section 7.3(a) in accordance with the limitations on total numbers of FTEs in any given period and allocation across functional areas set forth on Exhibit G. The initial Collaborative Development Plan will focus on the activities to be conducted in the […***…]. Thereafter the Collaborative Development Plan will be updated by the JDC quarterly as needed and will specifically include detailed plans for staffing levels and activities, timelines and transition dates and outline all Neurocrine FTE funding and external costs and expenses. The Parties acknowledge and agree that, notwithstanding the Parties' efforts to fully budget all cost items of the Collaborative Development Program, costs may change over time and/or unbudgeted items may be identified. As such, the JDC will review the budget set forth in the Collaborative Development Plan on a quarterly basis and reforecast such budget based on the then current costs and expenses on the basis of whether such expenditure is reasonably necessary to maintain timelines and beyond the reasonable control of the Parties.

b) Amendments. The Collaborative Development Plan and each amendment and update thereto shall be prepared jointly by the Parties through the JDC. The JDC shall have the authority to amend the Collaborative Development Plan with […***…] days prior written notice to Neurocrine, including accelerating, decelerating, extending, adding or removing activities thereunder; provided that, (i) the amendment is consistent with the goals of the Collaborative Development Program and (ii) the number of Neurocrine FTEs funded pursuant to Section 7.3(a), the limitations on total numbers of FTEs in any given period and the allocation of Neurocrine FTEs across functional areas (e.g., CMC, pre-clinical, clinical) may not be decreased or extended or activities added that result in an increase, in either case except as set forth in Section 7.3(a) or with Neurocrine's written approval, (iii) the Third Party activities set forth in the Third Party Development Contracts and Third Party Manufacturing Contracts will not be terminated except in accordance with their terms (and any associated expenses being payable pursuant to Section 7.3(b)).

7.3 **Collaborative Development Program Funding.**

a) Internal Costs. Abbott will provide funding for Neurocrine FTEs devoted to the conduct of the Collaborative Development Program in accordance with the Collaborative Development Plan at a rate of […***…] per year (such rate will be prorated for any partial year), in an amount equal to […***…] over the term of the Collaborative Development Program (the "***Neurocrine FTE Funding Commitment***"). The Neurocrine FTE Funding Commitment will not exceed […***…] without Abbott's prior written permission.

b) External and Third Party Costs. Abbott will be responsible for all Third Party and external costs and expenses approved in advance by Abbott for the Collaborative Development Program activities.

c) Invoices. During the term of the Collaborative Development Program, within […***…] days after the end of each Abbott Quarter, Neurocrine will provide to Abbott an invoice

setting forth the amount of funding for Neurocrine FTEs allocated to Collaborative Development Plan activities and Third Party external costs and expenses incurred by Neurocrine pursuant to the Collaborative Development Plan for such preceding Abbott Quarter, as well as a FTE report for the preceding Abbott Quarter, which FTE report details the FTEs committed to the Collaborative Development Program by department and/or functional area, and a brief summary of the work performed (which summary may be limited to references to the reports to the JDC). Invoices will be payable by Abbott within […***…] days of receipt of the invoice.

7.4 **Use of Third Parties**. The provisions set forth in Section 6.7 (*Use of Third Parties*) apply *mutatis mutandis* for the Collaborative Development Program.

ARTICLE EIGHT - MANUFACTURING

8.1 **Manufacturing Responsibility.** Product manufacturing shall be the responsibility of Abbott and Abbott, at its sole discretion, may (1) modify or terminate Assigned Third Party Manufacturing Agreements, subject to the terms of such agreements; (2) negotiate with Neurocrine or its designee an agreement for the manufacture and supply Compound or Product to Abbott, its Affiliates or Sublicensees which agreement will contain standard manufacturing commercial terms, conditions and payments mutually acceptable to Neurocrine and Abbott (for avoidance of doubt Neurocrine will not be obligated to enter into such a manufacturing agreement if it mutually acceptable terms cannot be negotiated); (3) transfer some or all of the manufacture of the Product to locations selected by Abbott, (4) modify the manufacturing process for Products, (5) modify the quality assurance process for the manufacture or release of Product, and (5) take such other actions related to the manufacture of Products that Abbott deems appropriate.

8.2 **Clinical Supply.** Neurocrine will arrange for the transfer to Abbott of all *Elagolix* clinical trial material owned by Neurocrine on the Effective Date. Neurocrine will invoice Abbott for all costs incurred by Neurocrine in the manufacture, testing, formulation, packaging, storage, and release of the *Elagolix* clinical trial material as well as shipment costs to Abbott, provided however such cost shall not exceed […***…] without Abbott's prior written consent. Abbott shall only be responsible to pay for such clinical trial material that conforms to the applicable Product specifications in effect on the Effective Date, and (b) which has been manufactured in compliance with cGMP and all applicable laws and regulations; and (c) which is not adulterated or misbranded within the meaning of the U.S. Food, Drug & Cosmetics Act or other applicable law. Abbott may request that Neurocrine assume responsibility for *Elagolix* clinical supply production after the Effective Date as a Collaborative Development Program activity.

8.3 **Inspections.** Abbott shall be responsible for the management of any governmental or regulatory review, audit or inspection of facilities or processes relating to the manufacture of Products and all communications to governmental or regulatory authorities on such matters shall be made by Abbott.

8.4 **Manufacturing Technology Transfer.** All manufacturing Neurocrine Technology transfer activities will be Transition Program or Collaborative Development Program activities, as the case may be. Upon receipt of written notice from Abbott, Neurocrine shall use Commercially Reasonable Efforts to make available or to cause to be made available to Abbott or its designee, all manufacturing Neurocrine Technology, including, product manufacturing, packaging and sterilization specifications, utilities and process equipment information, and other technical information, relating to the manufacture of the

Products, then within Neurocrine's possession or Control, and shall thereafter render such assistance to Abbott or its designee as would allow Abbott or its designee to manufacture the Products (such transfer, the "***Manufacturing Technology Transfer***"). If any manufacturing Neurocrine Technology is within the control or possession of a Third Party pursuant to a Third Party Manufacturing Contract, Neurocrine shall use Commercially Reasonable Efforts to obtain the cooperation and assistance of such Third Party in such Manufacturing Technology Transfer. The Manufacturing Technology Transfer shall include the successful completion of installation qualification, operational qualification, performance qualification and process validation of the manufacturing process at the facility designated by Abbott. In connection with the Manufacturing Technology Transfer, Neurocrine and/or its Third Party manufacturer shall (i) deliver a comprehensive manual in English setting forth in detail the techniques, processes, documentation and know-how that are reasonably necessary or directly useful in the manufacture of Products then within either Neurocrine's possession or control and (ii) make available to Abbott at a site designated by Abbott the services of such personnel of Neurocrine's as Abbott may reasonably request in order to assist Abbott in establishing the manufacturing facility.

ARTICLE NINE - CONFIDENTIAL INFORMATION

9.1 **Treatment of Confidential Information.** During the Term and for a period of […***…] years thereafter, each Party shall maintain Confidential Information of the other Party in confidence, and shall not disclose, divulge or otherwise communicate such Confidential Information to any Third Party, or use it for any purpose other than as permitted under this Agreement or in connection with the development, manufacture, marketing, promotion, distribution or sale of the Products pursuant to this Agreement, and each Party agrees to exercise its reasonable efforts to prevent and restrain the unauthorized disclosure of such Confidential Information by any of its directors, officers, employees, or permitted Third Parties.

If, in the opinion of the receiving Party's counsel, any of the disclosing Party's Confidential Information is required to be disclosed pursuant to law, regulation, or court order, the receiving Party shall give the disclosing Party prompt, written notice and, to the extent practical and consistent with the receiving Party's legal obligations (as determined in good faith by counsel to the receiving Party) withhold disclosure to allow the disclosing Party to take whatever action it reasonably deems necessary to protect its Confidential Information. In the event that (i) no protective order or other remedy is obtained, or (ii) the disclosing Party waives compliance with the terms of this Article 9 (*Confidential Information*), or (iii) in the good faith opinion of counsel to the receiving Party, disclosure of the disclosing Party's Confidential information can or should not be withheld to allow (i) or (ii) above, then in each case the receiving Party will furnish only that portion of the Confidential Information which receiving Party is advised by counsel is legally required.

Notwithstanding the foregoing, the receiving Party may disclose the disclosing Party's Confidential Information to the extent that such:

a) is disclosed to governmental or other regulatory agencies in order to obtain and/or maintain patents pursuant to and in accordance with Article 12 (*Intellectual Property*) or to gain or maintain Regulatory Approvals in accordance with a Party's rights to do so under this Agreement, but such disclosure, in each case, may only be to the extent reasonably necessary to obtain and/or maintain patents or Regulatory Approvals and reasonable measures shall be taken to assure confidential treatment of such information;

b) is deemed reasonably necessary by a Party to be disclosed to agents, consultants, Sublicensees and/or other Third Parties for the research, development, manufacturing and/or marketing of

Products (or for such entities to determine their interest in entering into applicable agreements to perform such activities with or for such Party) in accordance with this Agreement provided such Third Parties agree to be bound by confidentiality and non-use provisions no less stringent that those contained in this Agreement for terms of not less than […***…] years; or

c) is deemed necessary by counsel to the receiving Party to be disclosed to (1) such Party's directors, attorneys, auditors and advisors for the sole purpose of enabling such parties to provide advice to the receiving Party, or (2) to […***…], provided such Third Parties agree to be bound by confidentiality and non-use provisions no less stringent that those contained in this Agreement for terms of not less than […***…] years; or

d) is required to be disclosed by the receiving Party defend or prosecute litigation pursuant to and in accordance with Article 12 (*Intellectual Property*), provided that the receiving Party provides prior notice of such disclosure to the other Party and takes reasonable and lawful actions to avoid and/or minimize the degree of such disclosure; or

e) is required to be disclosed by the receiving Party to comply with applicable Laws including disclosure required by the U.S. Securities and Exchange Commission, subject to the second paragraph above and Section 9.3.

9.2 **Publications.** The Parties, through the JDC, will develop a publication plan for the Collaboration, as well as a Joint Publication Practices, Processes, and Policies document that is consistent with the Parties' respective policies and procedures for publication and disclosure of results of clinical trials. During the term of the Transition Program and Collaborative Development Program, each Party will submit to the other Party through the JDC for review and approval all peer-reviewed academic, scientific and medical publications relating to the Development of Compounds or Products. The submitting Party will also provide all data (eg, final protocol, statistical analysis plan, relevant statistical tables generated from the plan, figures, and reports) needed to prepare the publication. Neurocrine agrees that it will, and will cause its Affiliates to, not publish any such publications without the prior written consent of Abbott. The non-publishing Party shall have at least […***…] days to review each proposed publication. The review period may be extended for up to […***…] days in the event the non-publishing Party can demonstrate to the JDC a reasonable need for such extension including, but not limited to, the preparation and filing of patent applications. Such period may be further extended by the JDC. In the event that the two Parties differ in their opinion or interpretation of data in the publication, the parties shall resolve such differences in good faith through appropriate scientific debate. The Parties agree to, and will cause their respective Affiliates to, comply with the ICMJE criteria for authorship of scientific publications and acknowledgement of contributions of other Parties in any publications relating to research or Development of Products. Notwithstanding the foregoing, the Parties shall endeavor as far as possible, for ease and convenience, to agree on a universal basis joint authorship in respect of such publications. After the expiration of the Transition Program and Collaborative Development Program, Neurocrine agrees that it will, and will cause its Affiliates to, not publish any such publications relating to the Compounds or Products without the prior written consent of Abbott.

9.3 **Public Announcements.**

a) Coordination. The Parties agree on the importance of coordinating their public announcements respecting this Agreement and the subject matter thereof (other than academic, scientific or medical publications that are subject to the publication provision set forth above). Neurocrine and Abbott will, from time to time, and at the request of the other Party discuss and agree on the general information content relating to this Agreement and/or Products which may be publicly disclosed.

b) Announcements. The Parties agree that the public announcement of the execution of this Agreement shall be in the form of the press release attached as Exhibit I. Any other publication, news release or other public announcement relating to this Agreement or to the performance hereunder, may only be made by Neurocrine or Abbott with the review and prior written approval of the other Party, […***…]. The party wishing to make a publication, news release or other public announcement hereunder shall provide written notice to the other Party regarding the same. If a publication, news release or other public announcement is agreed upon by both Parties, the other Party shall be allowed to review and comment on the publication, news release or other public announcement. The aforementioned approval procedure and review period in total shall not exceed […***…] days. In no event shall such statements or disclosures disclose, if previously undisclosed, the stage of development of Products and/or the financial terms of the transaction; provided, however, that any disclosure which is required by applicable law, including disclosures required by the U.S. Securities and Exchange Commission or made pursuant to the requirements of the national securities exchange or other recognized stock market on which such Party's securities are traded, as advised by the disclosing Party's counsel, may be made without the prior consent of the other Party, although, to the extent practicable and in opinion of counsel to the disclosing Party consistent with such Party's disclosure obligations, the other Party shall, as far in advance as reasonably practicable but in no event less than […***…] days provide advance notice of any such legally required disclosure to comment and reasonably consider such comments provided by such Party on the proposed disclosure. Notwithstanding the foregoing, with respect to […***…], and is thus […***…], the Parties agree: […***…].

c) Notwithstanding anything to the contrary in this Agreement, but subject to the provisions of Article 9 (*Confidential Information*) and Section 13.19 (*Use Of Names, Logos Or Symbols*), Abbott shall have the right to publicly disclose research, development and commercial information regarding the Compound(s) and Product(s).

ARTICLE TEN - INDEMNIFICATION AND INSURANCE

10.1 **Indemnification by Abbott.** Abbott will indemnify, defend and hold harmless Neurocrine, its licensees, sublicensees and Affiliates, and each of its and their respective employees, officers, directors and agents (each, a "***Neurocrine Indemnified Party***") from and against any and all liability, loss, damage, expense (including reasonable attorneys' fees and expenses) and cost (collectively, a "***Liability***") which the Neurocrine Indemnified Party may be required to pay to one or more Third Parties resulting from or arising out of: (i) any claims of any nature arising out of (y) the conduct of the Product Development or Commercialization by, on behalf of or under authority of, Abbott (other than by a Neurocrine Indemnified Party) or (z) research, Development and/or Commercialization of Products by, on behalf of or under authority of, Abbott (other than by Neurocrine Indemnified Party) and/or (ii) any Abbott representation or warranty set forth herein being untrue in any material respect when made; except in each case, to the extent caused by the negligence or willful misconduct of Neurocrine or any Neurocrine Indemnified Party. Notwithstanding the foregoing, Abbott shall have no obligation to defend, indemnify or hold harmless any Neurocrine Indemnified Party from and against any Liability arising out of or resulting from the infringement of a Third Party Patent Right provided such indemnify does fall within the foregoing indemnification requirements.

10.2 **Indemnification by Neurocrine.** Neurocrine will indemnify, defend and hold harmless Abbott, its licensees, Sublicensees and Affiliates, and each of its and their respective employees, officers, directors and agents (each, a "***Abbott Indemnified Party***") from and against and all Liability which the

Abbott Indemnified Party may be required to pay to one or more Third Parties arising out of (i) any claims of any nature arising out of (x) the conduct of Product Development or Commercialization of by, on behalf of or under authority of, Neurocrine (other than by an Abbott Indemnified Party) or (y) research, Development and/or Commercialization of Products by, on behalf of or under authority of, Neurocrine (other than by an Abbott Indemnified Party) and/or (ii) any Neurocrine representation or warranty set forth herein being untrue in any material respect when made; except in each case, to the extent caused by the negligence or willful misconduct of Abbott or any Abbott Indemnified Party. Notwithstanding the foregoing, Neurocrine shall have no obligation to defend, indemnify or hold harmless any Abbott Indemnified Party from and against any Liability arising out of or resulting from the infringement of a Third Party Patent Right provided such indemnify does fall within the foregoing indemnification requirements.

10.3 **Procedure.** Each Party will provide prompt written notice to the other in the event it becomes aware of a claim for which indemnification may be sought hereunder. In case any proceeding (including any governmental investigation) shall be instituted involving any Party in respect of which indemnity may be sought pursuant to this Article 10, such Party (the "***Indemnified Party***") shall promptly notify the other Party (the "***Indemnifying Party***") in writing. Within […***…] days after delivery of such notification, the Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such Third Party claim with counsel reasonably satisfactory to the Indemnified Party and control the disposition or settlement thereof (including all decisions relative to litigation, appeal, and settlement subject to this Article). The Indemnified Party shall cooperate fully with the Indemnifying Party in such defense. If the Indemnifying Party does not assume control of such defense, the Indemnified Party shall control such defense. The Party not controlling such defense may participate therein at its own expense; provided the Indemnified Party shall bear the expense if the named parties to any such proceeding (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. All such fees and expenses shall be reimbursed as they are incurred, and provided reasonable documentation along with an invoice is provided. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its prior written consent, but if settled with such prior written consent or if there be a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any Liability by reason of such settlement or judgment. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which the Indemnified Party is, or arising out of the same set of facts could have been, a party and indemnity could have been sought hereunder by the Indemnified Party, unless […***…].

10.4 **Insurance.** Each Party acknowledges that they each maintain and shall, maintain adequate insurance for liability insurance adequately covering such Party's obligations under this Agreement. During the Term Abbott shall maintain comprehensive general liability insurance, including products liability insurance, with reputable and financially secure insurance carriers, or shall provide an explanation of self insurance, in a minimum amount of $[…***…] per occurrence and $[…***…] aggregate prior to first commercial sale and $[…***…] aggregate on and after first commercial sale (exclusive of deductible amounts) as respects personal injury, bodily injury and property damage arising out of a Abbott's Development and Commercialization of Products. Abbott shall provide Neurocrine with evidence of such insurance, upon request. Such insurance shall include Neurocrine as a named insured and shall require prior notice to the Neurocrine before cancellation. Notwithstanding the foregoing, either Party may self-insure in whole or in part the insurance requirements described above, provided such Party continues to be investment grade determined by reputable and accepted financial rating agencies. This Section shall apply *mutatis mutandis* to Neurocrine, in the event Neurocrine obtains a license to Compounds and Products pursuant to Section 11.2(b), 11.3, 11.4, 11.5 and 11.7.

10.5 **Survival.** All obligations of indemnification and insurance imposed under this Article 10 (*Indemnification and Insurance*) shall expire […***…] years following the longer of termination or expiration of this Agreement or, with respect to a particular Party, last sale of a Product sold under this Agreement by a Party.

ARTICLE ELEVEN - TERM AND TERMINATION

11.1 **Term; Effect of Expiration**.

a) Unless earlier terminated by mutual agreement of the Parties, or pursuant to the provisions of this Article 11, this Agreement shall commence on the Effective Date and will continue in full force and effect, on a country by country and Product by Product basis, until the final obligation to pay Royalties with respect to the sale of such Product in a country expires as provided in Article 4 and Abbott's obligations […***…] expire, at which time this Agreement shall expire in its entirety in such country for such Product ("***Term***").

b) On a country by country and Product by Product basis, upon expiration of this Agreement with respect to a Product in a country pursuant to this Section 11.1(a) (*Term*), the license set forth in Section 3.1 (*License*) shall be deemed to be irrevocable, unrestricted, perpetual and fully paid-up with respect to such Product in such country.

11.2 **Termination for Convenience; Effects.**

a) Termination for Convenience. Notwithstanding anything contained herein to the contrary, Abbott shall have the right to terminate this Agreement at any time in its sole discretion by giving Neurocrine one hundred eighty (180) days prior written notice.

b) Effects of Termination. If Abbott terminates this Agreement pursuant to Section 11.2(a), (i) Abbott will pay all amounts due and owing to Neurocrine as of the termination effective date; and (ii) Abbott shall continue to be obligated during the termination notice period to perform all of its obligations under this Agreement, including its obligation to pay all expenses associated with the Transition Program and Collaborative Development Program. In addition, if Abbott terminates this Agreement pursuant to Section 11.2(a):

1) All of Abbott's licenses and rights to the Neurocrine Technology and Neurocrine Patent Rights will terminate;

2) All Neurocrine Confidential Information provided to Abbott in tangible form and all substances or compositions provided by Neurocrine to Abbott will be returned to Neurocrine or destroyed, except that Abbott may retain one copy of the Neurocrine Confidential Information solely for legal archive purposes;

3) All Abbott Confidential Information provided to Neurocrine in tangible form and all substances or compositions delivered or provided to Neurocrine by Abbott shall be returned to Abbott or destroyed, except that Neurocrine may retain one copy of the Abbott Confidential Information solely for legal archive purposes;

4) Abbott will transfer to Neurocrine such […***…] and information reasonably necessary to allow Neurocrine to […***…], including, at Neurocrine's option, exercisable within […***…] days following the effective date of such termination, transfer to Neurocrine of any […***…];

5) Abbott will transfer to Neurocrine any […***…];

6) Abbott will transfer and assign ownership to Neurocrine of all […***…] as well as (1) a copy of the […***…], (2) copies of […***…], and access to the […***…], (3) copies of all documents […***…], (4) access to […***…] (5) copies of correspondence with […***…] and (6) access to information Abbott determines is relevant to […***…];

7) At Abbott's option, Abbott will either […***…], provided, if Abbott […***…]; and

8) Abbott will grant to Neurocrine an […***…] license under the Abbott Technology, Abbott Patent Rights, […***…] and […***…] to make, have made, use, import, offer for sale and sell Compounds and Products.

9) The […***…] pursuant to subsections 7 and 8 above, shall be […***…]. Subject to […***…], if there is a termination […***…] pursuant to […***…], then the parties shall negotiate in good faith […***…], whereby the Parties shall take into consideration: […***…].

11.3 **Termination if Abbott** […***…]. In the event Abbott, Abbott's Affiliates or Sublicensees […***…], Neurocrine shall have the right to terminate this Agreement upon […***…] days written notice to Abbott. Any such termination shall only become effective if Abbott or its Affiliate or Sublicensees, as applicable, has not […***…] before the end of the above notice period and the provisions of Section 11.2(b) shall apply *mutatis mutandis* to termination pursuant to this Section.

11.4 **Termination for Cause**.

a) Termination for Cause. If either Party (the "***Notifying Party***") believes that the other Party (the "***Other Party***") is in Default of this Agreement, then the Notifying Party may deliver notice of such breach to the Other Party.

1) If the Other Party disputes that it is in Default of this Agreement, the matter shall be handled pursuant to Section 13.2 (*Dispute Resolution*). If the neutral renders a ruling that the Other Party is in Default of this Agreement (the "***Adverse Ruling***"), such ruling shall also specify the actions to be taken by the Other Party to cure such Default, which actions must be completed within […***…] days after such ruling (or […***…] days if such Default relates […***…]). If the Other Party has failed to comply with the terms of the Adverse Ruling within such […***…] or […***…] day period, as applicable, or if such compliance cannot be fully achieved within such […***…] day or […***…] day period, the Other Party has failed to commence compliance and/or has failed to use diligent efforts to achieve full compliance as soon thereafter as is reasonably possible, then the Notifying Party shall have the following rights:

a) where […***…] is the Other Party and where the basis for such Default is […***…] failure to abide by a material obligation under this Agreement with respect to […***…] may terminate this Agreement with respect […***…] by delivering written notice to […***…] of such termination; and

b) notwithstanding (A) above, where […***…] is the Other Party and where the basis for such breach is […***…] may terminate this Agreement by delivering written notice to […***…] of such termination; and

c) where […***…] is the Other Party, […***…] may terminate this Agreement by delivering written notice to […***…] of such termination.

2) If the Other Party does not dispute that it has committed a material breach of this Agreement, then if the Other Party fails to cure such breach, or take steps as would be considered reasonable to effectively cure such breach, within […***…] (or […***…] days if such Default relates to […***…]), after receipt of notice as provided above, the the provisions of Section 11.4(1)(a)(b) or (c) shall apply.

b) Effect of Termination for Cause. If a Party terminates this Agreement pursuant to Section 11.4(a), the Parties shall have the rights set forth below, each measured from the date written notice of such termination is given to the Other Party.

(i) Neurocrine. Where Neurocrine is the Other Party and Abbott terminated […***…] pursuant to 11.4(a), Abbott may in its sole discretion: (i) […***…] and (ii) […***…]. Except as set forth in this clause (a): all rights and obligations under this Agreement shall survive such termination and continue unaffected , subject to […***…], as determined in accordance with Section 13.2 (*Dispute Resolution*).

(ii) Abbott. Where Abbott is the Other Party and Neurocrine terminated […***…] pursuant to 11.4(a), the provisions of Section 11.2(b) shall apply provided however, that if this Agreement is terminated only with respect to […***…], the provisions of Section 11.2(b) shall apply *mutatis mutandis* to termination by Neurocrine pursuant to this Section but only with respect to […***…].

11.5 **Bankruptcy.** Each Party may, in addition to any other remedies available to it by Law or in equity, exercise the rights set forth below by written notice to the other Party (the "***Insolvent Party***"), in the event the Insolvent Party shall have become insolvent or bankrupt, or shall cease conducting business in the ordinary course, or shall have made an assignment for the benefit of its creditors, or there shall have been appointed a trustee or receiver of the Insolvent Party or for all or a substantial part of its property, or any case or proceeding shall have been commenced or other action taken by or against the Insolvent Party in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganization or other similar act or Law of any jurisdiction now or hereafter in effect, or there shall have been issued a warrant of attachment, execution, distraint or similar process against any substantial part of the property of the Insolvent Party, and any such event shall have continued for sixty (60) days undismissed, unbonded and undischarged.

All rights and licenses granted under or pursuant to this Agreement by Neurocrine and Abbott are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the Bankruptcy Code or its foreign equivalent, licenses of rights to "intellectual property" as defined under Section 101

of the Bankruptcy Code or its foreign equivalent. The Parties agree that the Parties as licensees of such rights under this Agreement shall retain and may fully exercise all of their rights and elections under the Bankruptcy Code or its foreign equivalent. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against either Party under the Bankruptcy Code or its foreign equivalent, the other Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and the same, if not already in the other Party's possession, shall be promptly delivered to other Party (i) upon any such commencement of a bankruptcy proceeding upon its written request therefore, unless the Party subject to such proceeding elects to continue to perform all of their obligations under this Agreement or (ii) if not delivered under (i) above, upon the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefore by the other Party.

a) Neurocrine. In the event Neurocrine is the Insolvent Party, in addition to any other remedies available to Abbott at Law or in equity, Abbott may in its sole discretion (i) […***…]. Except as set forth in this clause (a), all rights and obligations under this Agreement shall survive such termination and continue unaffected upon Neurocrine becoming an Insolvent Party, unless this Agreement is terminated by Abbott pursuant to Section 11.2(a).

b) Abbott. In the event Abbott is the Insolvent Party, in addition to any other remedies available to Neurocrine at Law or in equity, Neurocrine may terminate this Agreement and the provisions of Section 11.2(b) shall apply to termination by Neurocrine pursuant to this Section.

11.6 **Change of Control.** In the event of a Change of Control of Neurocrine, Abbott may in its discretion within […***…] days following the Change of Control elect some or all of the following:

a) with no less than […***…] prior written notice […***…] and thereafter […***…];

b) with no less than […***…] prior written notice, terminate […***…];

c) Abbott may elect to require Neurocrine and the Change of Control party to adopt […***…];

d) Abbott may elect to terminate the […***…];

e) All other rights and obligations under this Agreement shall continue unaffected upon a Change of Control, unless this Agreement is terminated pursuant to this Agreement.

11.7 **Divestiture by** […***…]**.** If in connection with any proposed acquisition, merger, or agreement, […***…] determines that in order to […***…], it would be advisable, in […***…] business judgment, […***…] shall notify […***…] thereof […***…].

If […***…] in good faith believes, based on a determination made by […***…], that it is capable of […***…] shall have […***…] days from […***…] to (i) […***…] and (ii) […***…]. Upon receipt of […***…] notice hereunder, […***…] shall […***…]. […***…] shall be free at any and all times to […***…]; provided however, […***…] shall provide to […***…] notice of […***…] and […***…] shall have […***…] days following receipt of such notice to […***…].

11.8 **Debarment and Exclusion**.

a) Neurocrine represents and warrants that prior to the Effective Date neither it, nor any of its employees, nor […***…] each of its consultants, or independent contractors or any other person working on its behalf that provided services in connection with an NDA for a Product, were at the time the services were performed a Debarred Entity or Debarred Individual, an Excluded Entity or Excluded Individual or a Convicted Entity or Convicted Individual, or after the services were performed, […***…] became a Debarred Entity or Debarred Individual, an Excluded Entity or Excluded Individual or a Convicted Entity or Convicted Individual due to actions related to the services in connection with an NDA for a Product.

b) Neurocrine covenants that with respect to work conducted pursuant to the Transition Plan and Collaborative Development Plan neither it, nor any of its employees, nor […***…] each of its consultants, or independent contractors and any other person working on its behalf that provide services in connection with an NDA for a Product (i) will be at the time services are performed a Debarred Entity or Debarred Individual, an Excluded Entity or Excluded Individual or a Convicted Entity or Convicted Individual or (ii) […***…] are currently the subject of a proceeding that could lead to it or such employees, consultants, independent contractors, becoming, as applicable, a Debarred Entity or Debarred Individual, an Excluded Entity or Excluded Individual or a Convicted Entity or Convicted Individual.

c) Abbott covenants that neither it, nor any of its employees, nor […***…] each of its consultants, or independent contractors or any other person working on its behalf that provide services in connection with an NDA for a Product, (i) will be at the time services are performed a Debarred Entity or Debarred Individual, an Excluded Entity or Excluded Individual or a Convicted Entity or Convicted Individual or (ii) […***…] are currently the subject of a proceeding that could lead to it or such employees, consultants, independent contractors, becoming, as applicable, a Debarred Entity or Debarred Individual, an Excluded Entity or Excluded Individual or a Convicted Entity or Convicted Individual.

d) Each Party covenants, represents and warrants that if, during the Term, it, or any of its employees, consultants, independent contractors, or any other person working on its behalf that provided services or are providing services in connection with an NDA for a Product becomes, as applicable, a Debarred Entity, or Debarred Individual, an Excluded Entity or Excluded Individual, a Convicted Entity, or Convicted Individual, it shall immediately notify the other Party. The parties shall serve said written notice in accordance with Section 13.4 (Notices).

e) Upon breach of this Section 11.7, the […***…].

For purposes of this provision, the following definitions shall apply

a) A “Debarred Individual” is an individual who has been debarred by the FDA pursuant to 21 U.S.C. §335a (a) or (b) from providing services in any capacity to a person that has an approved or pending drug or biological product application.

b) A “Debarred Entity” is a corporation, partnership or association that has been debarred by the FDA pursuant to 21 U.S.C. §335a (a) or (b) from submitting or assisting in the submission of any abbreviated drug application, or a subsidiary or affiliate of a Debarred Entity.

c) An “Excluded Individual” or “Excluded Entity” is (i) an individual or entity, as applicable, who has been excluded, debarred, suspended or is otherwise ineligible to participate in federal health care programs such as Medicare or Medicaid by the Office of the Inspector General (OIG/HHS) of the U.S. Department of Health and Human Services, or (ii) is an individual or entity, as applicable, who has been excluded, debarred, suspended or is otherwise ineligible to participate in federal procurement and non-procurement programs, including those produced by the U.S. General Services Administration (GSA).

d) A “Convicted Individual” or “Convicted Entity” is an individual or entity, as applicable, who has been convicted of a criminal offense that falls within the ambit of 21 U.S.C. §335a (a) or 42 U.S.C. §1320a - 7(a), but has not yet been excluded, debarred, suspended or otherwise declared ineligible.

11.9 **Liabilities**. Termination of this Agreement shall not release either Party from any obligation or liability which shall have accrued at the time of termination, or preclude either Party from pursuing all rights at Law and in equity with respect to any Default under this Agreement.

11.10 **LIMITATION ON LIABILITY**. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT OR OTHERWISE, EXCEPT FOR THE WILLFUL MISCONDUCT OF A PARTY OR ITS AFFILIATES, OR A MATERIAL BREACH OF THE CONFIDENTIALITY AND INTELLECTUAL PROPERTY PROVISIONS, NEITHER PARTY SHALL BE LIABLE TO THE OTHER WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT, WHETHER UNDER CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY FOR ANY INCIDENTAL, INDIRECT, SPECIAL, EXEMPLARY, PUNITIVE, MULTIPLE OR CONSEQUENTIAL DAMAGES EXCEPT SUCH DAMAGES OWED TO THIRD PARTIES EXPRESSLY PROVIDED IN THIS AGREEMENT.

11.11 **Survival**. Upon expiration or termination of this Agreement the following provisions shall expressly survive any such expiration or termination: Articles 1, 12, and 13 and Sections 2.6, 3.5, 3.6, 11.1(c), 11.2(b), 11.4(b), 11.5(a) and 11.5(b), 11.8, 11.9, 11.10, and this 11.11 and the following provisions shall expressly survive any such expiration or termination for the period stated therein: Articles 9, 10, and Section 4.7(g).

ARTICLE TWELVE - INTELLECTUAL PROPERTY

12.1 **Ownership, Filing, Prosecution and Maintenance**.

a) Abbott Patent Rights. Abbott shall solely own and shall, at its expense, be solely responsible for the preparation, filing, all prosecution matters, including all inter parte and ex parte patent office submissions, procedural decisions and patent office adversarial proceedings, for example, requests for, or filing or declaration of, interference or opposition, or reexamination (collectively, “Prosecution”) and maintenance of Abbott Patent Rights. Abbott shall have no obligation to continue the Prosecution and/or maintenance of any Abbott Patent Right in any country and shall be free to abandon such Abbott Patent Rights at its sole discretion.

b) Program Patent Rights. Abbott shall solely own and shall, at its expense, be solely responsible for the preparation, filing, Prosecution and maintenance of Program Patent Rights. Neurocrine agrees that it will, and will cause its Affiliates to, (i) execute and file those notices and other filings as Abbott shall request be made, from time to time, with the United States Patent and Trademark Office (or any successor agency) or any analogous patent office in the Territory with respect to the rights granted under this Agreement, and (ii) execute and deliver to Abbott all assignments and other instruments as Abbott shall request to effect the ownership, filing, Prosecution and maintenance of Program Patent Rights. Abbott will keep Neurocrine reasonably informed of the status of the Program Patent Rights and will provide Neurocrine with copies of all substantive documentation submitted to, or received from, the patent offices in connection therewith. With respect to any substantive submissions that Abbott is required to or otherwise intends to submit to a patent office, Abbott shall provide a draft of such submission to Neurocrine at least […***…] days prior to the deadline or intended filing date, whichever is earlier, for submission of such documentation. Neurocrine shall have the right to review and comment upon any such submission by Abbott to a patent office, and will provide such comments, if any, no later than […***…] days prior to the applicable deadline or intended filing date provided that Abbott shall not be obligated to incorporate comments provided by Neurocrine. Abbott shall have the right to cease the Prosecution and/or maintenance of, or not to pursue, or cease to pay the expenses of Prosecution or maintenance of, any Program Patent Right in any country in which such Program Patent Right has been filed. In all cases, Abbott shall have final decision-making authority with respect to the filing, Prosecution, and maintenance of Program Patent Rights.

c) Neurocrine Patents.

(i) Neurocrine shall solely own the Neurocrine Patent Rights and shall be responsible for, through […***…] counsel reasonably acceptable to Abbott, the preparation, filing, Prosecution (except as provided in Article 12.1(c)(ii)) and maintenance of Neurocrine Patent Rights. […***…]. Neurocrine will keep Abbott fully informed of all significant steps to be taken in the preparation and Prosecution of all patent applications and any subsequent actions to be taken with respect to issued patents within the Neurocrine Patents and Neurocrine shall furnish Abbott with copies of any such applications, amendments thereto and other related […***…] correspondence to and from patent offices and patent associates to allow for review by and consultation with Abbott reasonably in advance of any submission to a patent office which could […***…] affect the scope or validity of the patent coverage that may result. Copies of all such applications filed prior to the Effective Date shall be provided to Abbott promptly after the Effective Date. With respect to any substantive submissions that Neurocrine is required to or otherwise intends to submit to a patent office, Neurocrine shall provide a draft of such submission to Abbott at least […***…] days prior to the deadline or intended filing date, whichever is earlier, for submission of such documentation. Abbott shall have the right to review and comment upon any such submission by Neurocrine to a patent office, and will provide such comments, if any, no later than […***…] days prior to the applicable deadline or intended filing date. Neurocrine shall also act on recommendations Abbott may make with respect to issued patents within the Neurocrine Patent Rights.

(ii) Notwithstanding the foregoing, Neurocrine shall promptly inform Abbott of any adversarial patent office proceeding, including, but not limited to a request for, or filing or declaration of, any interference, opposition, or reexamination relating to Neurocrine Patent Rights. Abbott and Neurocrine shall thereafter consult and cooperate fully to determine a course of action with respect to any such proceeding and Neurocrine shall incorporate all comments provided by Abbott. Neurocrine shall not initiate any reexamination, interference or reissue proceeding relating to Neurocrine Patent Rights without the prior written consent of Abbott.

(iii) In the event that Neurocrine disagrees with any comment or suggestion provided by Abbott under Section 12.1(i) or Section 12.1(ii), Neurocrine shall provide Abbott with a written explanation detailing the basis for such disagreement. If Abbott does not accept Neurocrine's explanation, Abbott shall have final decision-making authority with respect to the matter in dispute.

d) Abandonment of Patent Rights. Abbott may elect to discontinue payment for the costs and expenses of preparation, filing, Prosecution, validation or maintenance of any Program Patent Right pursuant to Section 12.1(b) or Neurocrine Patent Right pursuant to Section 12.1(c) on a country-by-country and application-by-application or patent-by-patent basis, at any time and in its sole discretion. If Neurocrine thereafter chooses to resume the preparation, filing, Prosecution, validation or maintenance of any Program Patent Rights […***…] or Neurocrine Patent Right, the licenses to Abbott hereunder with respect to such applications or patents shall terminate and Neurocrine will own sole right, title and interest in and to such applications or patents.

e) Trademarks. Abbott shall solely own and shall, at its expense, be solely responsible for the development, selection, filing prosecution, enforcement, and maintenance of the Trademarks. Abbott shall have no obligation to continue the prosecution and/or maintenance of any Trademark in any country and shall be free to abandon such Trademark at its sole discretion. Neurocrine agrees, at its own expense, to cooperate with Abbott in the protection of the Trademarks by executing documents, and by taking any other action reasonably requested by Abbott to effectuate the intent of this Section 12.1(e). Neurocrine also agrees not to take any action detrimental to Abbott's interest in the Trademarks. Neurocrine agrees to notify Abbott immediately if Neurocrine becomes aware of any infringement of the Trademarks. Abbott shall have the sole right but no obligation to initiate any legal proceedings alleging infringement of the Trademarks.

12.2 **Extension of Patent Rights.** At the time of the granting of approval of an NDA or equivalent in any country in respect of a Product, Abbott shall have the exclusive right, but not the obligation, to seek, in Neurocrine's name if so required, patent term extensions or supplemental patent protection in any country in the Territory in respect of a Neurocrine Patent Right, Program Patent Right or Abbott Patent Right. Abbott shall use Commercially Reasonable Efforts to obtain such patent term extensions or supplement protection, where applicable. Neurocrine and Abbott shall cooperate in connection with all such activities, and Abbott, its agents and attorneys will give due consideration to all suggestions and comments of Neurocrine regarding any such activities, but in the event of a disagreement between the parties, Abbott will have the final decision-making authority. In the case where Abbott determines to seek such patent term extensions or supplement patent protection in respect of a Neurocrine Patent Right, Neurocrine shall appoint Abbott or its designee as Neurocrine's agent for the sole purpose of submitting an application to extend the term of such patent, an application for a Supplementary Protection Certificate, or an equivalent thereof. Neurocrine shall co-operate with Abbott or its designee in connection with any such application.

12.3 **Enforcement and Defense of Patent Rights.**

a) Notification. Each Party shall promptly notify each other of any infringement, alleged infringement or non-patent office adverserial proceeding challenging the validity or enforceability of the Neurocrine Patent Rights or Program Patent Rights. In the event of a

notification under 21 U.S.C. §355(b)(2)(A)(iv) or 355(j)(2)(A)(vii) (IV) concerning Neurocrine Patent Rights or Program Patent Rights, then the Party receiving the notice shall provide a copy of such notice to the other Party within […***…] days after its receipt thereof.

b) Abbott shall have the sole right, but not the obligation, in its own name, to (i) enforce Neurocrine Patent Rights and Program Patent Rights against any Third Party suspected of infringing a claim of such a Patent Right in the Territory, and (ii) defend Neurocrine Patent Rights and Program Patent Rights against any Third Party asserting that a claim of such a Patent Right is invalid or unenforceable. Neurocrine, upon request of Abbott, shall reasonably cooperate with Abbott in any such litigation, or file such action in Neurocrine's name, if required, at Abbott's expense and shall join in any such litigation at Abbott's request and expense. Abbott shall have exclusive control over the conduct of any such proceedings, including the right to not bring an action, settle or compromise such proceedings. Any award or recovery paid to Abbott by a Third Party as a result of such patent infringement or defense proceedings (whether by way of settlement or otherwise) shall first be applied toward reimbursement of legal fees, costs and expenses incurred by Abbott, and from the remainder, if any, […***…]. Any excess shall be […***…].

c) In the event Abbott shall not elect to enforce or defend any such Patent Right in the Territory pursuant to 12.3(b), it may grant, in its sole discretion, such right to Neurocrine and Neurocrine shall have the sole right, but not the obligation, in its own name, to (i) enforce Neurocrine Patent Rights and Program Patent Rights against any Third Party suspected of infringing a claim of such a Patent Right in the Territory, and (ii) defend Neurocrine Patent Rights and Program Patent Rights against any Third Party asserting that a claim of such a Patent Right is invalid or unenforceable. Abbott, upon request of Neurocrine, shall reasonably cooperate with Neurocrine in any such litigation, or file such action in Abbott's name, if required, at Neurocrine's expense and shall join in any such litigation at Neurocrine's request and expense. Neurocrine shall have exclusive control over the conduct of any such proceedings, including the right to not bring an action, settle or compromise such proceedings. Any award or recovery paid to Neurocrine by a Third Party as a result of such patent infringement proceedings (whether by way of settlement or otherwise) shall first be applied toward reimbursement of legal fees, costs and expenses incurred by Neurocrine, and the excess, if any shall be […***…].

12.4 **Infringement Defense.** Abbott will be responsible for defending and controlling any suit against any of Abbott, Abbott's Affiliates or Sublicensees, alleging infringement of any patent or other intellectual property right of a Third Party arising out of the manufacture, use, sale, offer to sell or importation of a Product by Abbott, Abbott's Affiliates or Sublicensees in the Territory. Abbott shall be responsible for the costs and expenses, including legal fees and costs, associated with any suit or action. Upon Abbott's request, Neurocrine will consult with Abbott and co-operate in the defense of any such action. If Abbott finds it necessary or desirable to join Neurocrine as a party to any such action, Neurocrine will execute all papers and perform such acts as shall be reasonably required, at Abbott expense.

12.5 **Inventorship.** Inventorship with respect to all Patent Rights under this Agreement shall be determined according to United States Law.

12.6 **Hold Harmless.** The Parties hereby agree to hold each other harmless in respect of their good faith activities hereunder to file, prosecute, maintain, enforce and defend Patent Rights under this Article 12.6.13.

ARTICLE THIRTEEN - MISCELLANEOUS

13.1 **Governing Law.** This Agreement (and any claims or disputes arising out of or related thereto or to the transactions contemplated thereby or to the inducement of a Party to enter therein, whether for breach of contract, tortious conduct, or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and interpreted in accordance with the internal laws of […***…], including all matters of construction, validity and performance, and in each case without regard to its conflicts of laws rules that might lead to the application of the laws of any other jurisdiction. Notwithstanding the foregoing, questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent shall have been granted.

13.2 **ADR**. If a dispute arises between the Parties, the Parties will follow the procedures set forth in Exhibit H.

13.3 **Waiver.** Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party or Parties waiving such term or condition. Neither the waiver by any Party of any term or condition of this Agreement nor the failure on the part of any Party, on one or more instances, to enforce any of the provisions of this Agreement or to exercise any right or privilege, shall be deemed or construed to be a waiver of such term or condition for any similar instance in the future or of any subsequent breach hereof. All rights, remedies, undertakings, obligations and agreements contained in this Agreement shall be cumulative and none of them shall be a limitation of any other remedy, right, undertaking, obligation or agreement.

13.4 **Notices.** All notices, instructions and other communications hereunder or in connection herewith shall be in writing, shall be sent to the address below and shall be: (a) delivered personally; (b) sent by registered or certified mail, return receipt requested, postage prepaid; (c) sent via a reputable nationwide overnight courier service; or (d) sent by facsimile transmission. Any such notice, instruction or communication shall be deemed to have been delivered upon receipt if

delivered by hand, three (3) business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, one (1) business day after it is sent via a reputable nationwide overnight courier service, or when transmitted with electronic confirmation of receipt, if transmitted by facsimile (if such transmission is on a business day; otherwise, on the next business day following such transmission).

Notices to Abbott shall be addressed to:

Abbott International Luxembourg S.à r.l.
26, Boulevard Royal
L-2449 Luxembourg
Luxembourg
Attention: Treasurer, Logistics

With a copy to:
Abbott International Luxembourg S.à r.l
c/o Abbott Laboratories
Pharmaceutical Products Group
100 Abbott Park Road
Abbott Park, IL 60064-3500
Attention: Executive Vice President
Facsimile No.: […***…]

Abbott Laboratories
Pharmaceutical Products Group Legal Operations
Bldg. AP6A-2
100 Abbott Park Road
Abbott Park, IL 60064-3500
Attention: DVP & Associate General Counsel
Fax: […***…]

Notices to Neurocrine shall be addressed to:

Neurocrine Biosciences, Inc.
12780 El Camino Real
San Diego, California 92130

Attention: Chief Executive Officer and President
Fax: […***…]
with a copy to: General Counsel
Fax: […***…]

Either Party may change its address by giving notice to the other Party in the manner provided above.

13.5 **Entire Agreement.** This Agreement (including Exhibits and Schedules), contains the complete understanding of the Parties with respect to the subject matter hereof and supersedes all prior agreements or understandings between the Parties with respect to the subject matter hereof, including the Confidential Disclosure Agreement between the Parties, dated […***…]. None of the terms of this Agreement shall be amended, supplemented or modified except in writing signed by duly authorized representatives of the Parties hereto.

13.6 **Headings; References.** Headings in this Agreement are for convenience of reference only and shall not be considered in construing this Agreement. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified.

13.7 **Severability.** If and solely to the extent that any provision of this Agreement shall be invalid or unenforceable, or shall render this entire Agreement to be unenforceable or invalid, such offending provision shall be of no effect and shall not effect the validity of the remainder of this Agreement or any of its provisions; provided, however, the Parties shall use their respective reasonable efforts to renegotiate the offending provisions to best accomplish the original intentions of the Parties.

13.8 **Registration and Filing of the Agreement.** To the extent, if any, that counsel of a Party concludes in good faith that it is required under applicable Laws to file or register this Agreement or a notification thereof with any Governmental Authority, including without limitation the US Securities and Exchange Commission, or the US Federal Trade Commission, in accordance with applicable Laws, such Party may do so and shall provide the other Party to this Agreement with a written copy of all proposed filings or registrations to allow for a reasonably sufficient time for review and comment by the other Party. The other Party shall cooperate in such filing or notification and shall execute all documents reasonably required in connection therewith. If confidential treatment of sensitive provisions of the Agreement is available, the Parties will request such treatment and file a redacted copy of this Agreement mutually agreed to promptly following the Effective Date. The Parties shall promptly inform each other as to the activities or inquiries of any such Governmental Authority relating to this Agreement, and shall cooperate to respond to any request for further information therefrom.

13.9 **Assignment.** Except as expressly set forth herein, this Agreement may not be assigned or transferred, nor may any right or obligation hereunder be assigned or transferred without the prior written consent of the other Party.

a) Abbott may assign this Agreement, in whole or in part, to an Affiliate of Abbott or in whole to a Third Party in connection with the transfer or sale of all or substantially all of business unit which relates to this Agreement, or to a Third Party in the event of its merger, consolidation, change in control or similar transaction.

b) Neurocrine may assign this Agreement to the surviving entity in a merger, consolidation, reorganization or similar transaction of Neurocrine with another person that does not constitute a Change of Control, provided the management and Board of Directors of the surviving entity are predominantly comprised of the Neurocrine management and Board of Directors immediately preceding the transaction.

c) Subject to Section 11.6 (*Change of Control*), Neurocrine may assign this Agreement to a Change of Control party.

Any attempted assignment not in accordance with this Section 13.9 shall be void.

13.10 **Successors and Assigns.** This Agreement will be binding on and inure to the benefit of successors and permitted assigns.

13.11 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed an original and all of which together shall constitute one and the same instrument. Signatures provided by facsimile transmission or in Adobe™ Portable Document Format (PDF) sent by electronic mail shall be deemed to be original signatures.

13.12 **Force Majeure.** The Parties agree that, if either of them find themselves wholly or partially unable to fulfill their respective obligations in this Agreement by reasons of Force Majeure, the Party affected will advise the other Party in writing of its inability to perform giving a detailed explanation of the occurrence of the event which excuses performance as soon as possible after the cause or event has occurred. If said notice is given, the performance of the Party giving the notification, except for the payment of funds and except as otherwise expressly provided in this Agreement, shall be abated, and any time deadlines shall be extended, for so long as performance may be prevented by such event of Force Majeure. Except as otherwise expressly provided in this Agreement and except for the payment of funds that are due and payable, neither Party shall be required to make up any performance that was prevented by Force Majeure.

13.13 **Non-Solicitation of Employees.** Commencing on the Effective Date and for a period of […***…] thereafter, neither Party shall, directly or indirectly, actively recruit, or solicit any employee of the other Party with whom such Party has come into contact or interacted for the purposes of performing this Agreement, without the prior consent of the other Party For purposes of this Section, "solicit" shall be deemed not to include: (a) circumstances where an employee of one Party or any of its Affiliates initially contacts the other Party, or any of such Party's Affiliates, seeking employment or (b) general solicitations of employment not specifically targeted at such employees.

13.14 **Third Party Beneficiaries.** Except as provided in Article 10 (*Indemnification and Insurance*), None of the provisions of this Agreement shall be for the benefit of or enforceable by any Third Party, including, any creditor of either Party hereto. Except as provided in Article 10 (*Indemnification and Insurance*), no such Third Party shall obtain any right under any provision of this Agreement or shall by reason of any such provision make any claim in respect of any debt, liability or obligation (or otherwise) against either Party hereto.

13.15 **Relationship of the Parties.** Each Party shall bear its own costs incurred in the performance of its obligations hereunder without charge or expense to the other except as expressly provided in this Agreement. Neither Party shall have any responsibility for the hiring, termination or compensation of the other Party's employees or for any employee compensation or benefits of the other Party's employees. No employee or representative of a Party shall have any authority to bind or obligate the other Party to this Agreement for any sum or in any manner whatsoever, or to create or impose any contractual or other liability on the other Party without said Party's approval. For all purposes, and notwithstanding any other provision of this Agreement to the contrary, each Party's legal relationship under this Agreement to the other Party shall be that of independent contractor. Nothing in this Agreement shall be construed to establish a relationship of partners or joint venturers between the Parties.

13.16 **Further Assurances.** Following the date hereof, Neurocrine and Abbott shall, and shall cause each of their respective Affiliates to, from time to time, execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be

necessary or otherwise reasonably requested by Abbott or Neurocrine, to confirm and assure the rights and obligations provided for in this Agreement, and render effective the consummation of the transactions contemplated thereby provided however that neither Party will be required under this Section 13.16 to deliver instruments, documents, conveyances or assurances of any third Party.

13.17 **Waiver of Rule of Construction.** Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting Party shall not apply.

13.18 **Cumulative Remedies.** No remedy referred to in this Agreement is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under Law.

13.19 **Use Of Names, Logos Or Symbols**. No Party shall use the name, trademarks, logos, physical likeness, employee names or owner symbol of the other Party for any promotional or publicity purpose without the other Party's prior written consent. The restrictions imposed by this Section 13.19 shall not prohibit either Party from making any disclosure identifying the other Party that is required by Law or the requirements of a national securities exchange or similar regulatory body, provided the procedures set forth in Section 9.3(b) (*Announcements*) are followed. Nothing contained in this Agreement shall be construed as granting either Party any rights or license to use any of the other Party's trademarks or trade names without separate, express written permission of the owner of such trademark or trade name or name.

13.20 **Exhibits; Schedules**. In the event of inconsistencies between this Agreement and any exhibits, schedules or attachments hereto, the terms of this Agreement shall control.

[The remainder of this page is intentionally blank]

IN WITNESS WHEREOF, the Parties have signed this Agreement as of the date first written above.

ABBOTT INTERNATIONAL LUXEMBOURG S.À R.L

/s/ William J. Chase

By: William J. Chase

Title: Vice President, Corporate Licensing and Acquisitions

NEUROCRINE BIOSCIENCES, INC.

/s/ Kevin C. Gorman

By: Kevin C. Gorman

Title: President and Chief Executive Officer

Exhibit A

Elagolix

[…*…]**

***** Confidential Treatment Requested**

Exhibit B

Follow-On Compounds

[…*…]**

***** Confidential Treatment Requested**

Exhibit C

Neurocrine Patent Rights

[…*…]**

***** Confidential Treatment Requested**

Exhibit D

Third Party Development Contracts

[…*…]**

***** Confidential Treatment Requested**

Exhibit E

Third Party Manufacturing Contracts

[…*…]**

***** Confidential Treatment Requested**

Exhibit F

Transition Plan

[…*…]**

***** Confidential Treatment Requested**

Exhibit G

Collaborative Development Plan

[…*…]**

***** Confidential Treatment Requested**

Exhibit H

ALTERNATIVE DISPUTE RESOLUTION

[…*…]**

***** Confidential Treatment Requested**

Exhibit I
PRESS RELEASE

ABBOTT PARK, Ill. and SAN DIEGO, June 16 /PRNewswire-FirstCall/ — Abbott (NYSE: ABT) and Neurocrine Biosciences, Inc. (Nasdaq: NBIX) today announced that they have entered into a collaboration agreement to develop and commercialize elagolix for the treatment of endometriosis-related pain. Elagolix is a novel, first-in-class oral gonadotropin-releasing hormone (GnRH) antagonist, which has recently completed a phase IIb study in endometriosis. In addition to endometriosis, elagolix will be evaluated for the treatment of uterine fibroids.

“Extensive preclinical and clinical experience with elagolix suggests this drug could be an important advance for women with endometriosis and uterine fibroids, highly prevalent conditions where there is a need for new treatments,” said John Leonard, M.D., senior vice president, pharmaceuticals, research and development, Abbott. “This agreement enhances Abbott’s late stage pipeline, with the potential for additional compounds in earlier stage development.”

Under the terms of the agreement, Abbott will receive worldwide exclusive rights to develop and commercialize elagolix and all next-generation GnRH antagonists for women’s and men’s health. Abbott will make an upfront payment of $75 million and will fund all ongoing development activities. Neurocrine is eligible to receive additional milestone payments of approximately $500 million from Abbott for the achievement of certain development, regulatory and commercial milestones; funding for certain internal collaboration expenses; plus royalty payments on any future product sales.

“We are pleased to have one of the world’s most admired companies as our partner in developing our entire GnRH portfolio for both women’s and men’s health indications,” said Kevin Gorman, president and chief executive officer, Neurocrine Biosciences. “Abbott shares our long-term vision for elagolix, and, together, we look forward to bringing this important new treatment option to endometriosis and uterine fibroid sufferers.”

About GnRH and Elagolix

Elagolix inhibits gonadatropin releasing hormone (GnRH) receptors in the pituitary gland and ultimately reduces circulating sex hormone levels. Elagolix has a unique profile that allows partial estrogen suppression. It maintains estradiol in the low-normal range, providing symptom reduction while avoiding significant bone loss or other adverse effects that can sometimes be associated with excessive suppression of estrogen. In Phase II studies, elagolix has been found to be effective in reducing the pain associated with endometriosis. To date, elagolix has been studied in 18 clinical trials totaling more than 1,000 subjects.

About Endometriosis and Uterine Fibroids

Endometriosis is associated with a multitude of symptoms, some of the most common of which include pain related both to menstruation (dysmenorrhea) as well as chronic pelvic pain

throughout the menstrual cycle, and infertility. The World Endometriosis Research Foundation estimates that there are approximately 100 million women worldwide who suffer from endometriosis. With annual healthcare costs and endometriosis-related productivity losses of approximately $4,000 per patient, the annual direct and indirect costs of endometriosis are estimated to exceed $20 billion in the United States alone.

Uterine fibroids are benign tumors that form on the wall of the uterus. They are the most common type of growth found in a woman's pelvis and are most common in women aged 30-40 years. While many women do not have symptoms, depending on the size, location and number, uterine fibroids can cause heavy menstrual bleeding, can put pressure on the bladder and rectum, and can cause pain and nausea. Symptoms can also include miscarriages and infertility. Depending on the symptoms, treatment sometimes requires surgery.

About Neurocrine Biosciences

Neurocrine Biosciences is a biopharmaceutical company focused on neurological and endocrine diseases and disorders. Our product candidates address some of the largest pharmaceutical markets in the world including endometriosis, anxiety, depression, pain, diabetes, irritable bowel syndrome, insomnia, and other neurological and endocrine related diseases and disorders. Neurocrine Biosciences news releases are available through the Company's website at http://www.neurocrine.com.

About Abbott Laboratories

Abbott is a global, broad-based health care company devoted to the discovery, development, manufacture and marketing of pharmaceuticals and medical products, including nutritionals, devices and diagnostics. The company employs approximately 83,000 people and markets its products in more than 130 countries. Abbott's news releases and other information are available on the company's website at www.abbott.com

Neurocrine Biosciences Forward Looking Statement

In addition to historical facts, this press release may contain forward-looking statements that involve a number of risks and uncertainties. Among the factors that could cause actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties associated with Neurocrine's business and finances in general, as well as risks and uncertainties associated with the Company's GnRH program and Company overall. Specifically, the risks and uncertainties the Company faces with respect to the Company's GnRH program include, but are not limited to, risk that the elagolix clinical trials will fail to demonstrate that elagolix is safe and effective; risk that elagolix will not proceed to Phase III clinical trials; risk associated with the Company's dependence on Abbott for Phase III development, commercial manufacturing and marketing and sales activities. With respect to its pipeline overall, the Company faces risk that it will be unable to raise additional funding required to complete development of all of its product candidates; risk relating to the Company's dependence on contract manufacturers for clinical drug supply; risks associated with the Company's dependence on corporate collaborators for commercial manufacturing and marketing and sales

activities; uncertainties relating to patent protection and intellectual property rights of third parties; risks and uncertainties relating to competitive products and technological changes that may limit demand for the Company's products; and the other risks described in the Company's report on Form 10-K for the year ended December 31, 2009 and reports on Form 10-Q for the quarter ended March 31, 2010. Neurocrine undertakes no obligation to update the statements contained in this press release after the date hereof.

Abbott Forward Looking Statement

Some statements in this news release may be forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. Abbott cautions that these forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in Item 1A, "Risk Factors," to our Annual Report on Securities and Exchange Commission Form 10-K for the year ended Dec. 31, 2009, and in Item 1A, "Risk Factors," to our Quarterly Report on Securities and Exchange Commission Form 10-Q for the period ended March 31, 2010, and are incorporated by reference. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as a result of subsequent events or developments.

EXHIBIT 31.1

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

I, Kevin C. Gorman, 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 the 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 control over financial reporting.

Dated: July 29, 2010

/s/ Kevin C. Gorman

Kevin C. Gorman
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 the 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 control over financial reporting.

Dated: July 29, 2010

/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. (Company) on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (Report), I, Kevin C. Gorman, 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.

July 29, 2010

By: /s/ Kevin C. Gorman
Name: Kevin C. Gorman
Title: President and Chief Executive Officer

In connection with the Quarterly Report of Neurocrine Biosciences, Inc. (Company) on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (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.

July 29, 2010

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