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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended SEPTEMBER 30, 1999

OR

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

For the transition period from _____ to _____

Commission file number 0-28150

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.)

10555 SCIENCE CENTER DRIVE
SAN DIEGO, CALIFORNIA 92121
(Address of principal executive offices)

(858) 658-7600
(Registrant's telephone number, including area code)

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

Yes X No

The number of outstanding shares of the registrant's Common Stock, par value of $0.001, was 19,081,984 as of October 31, 1999.

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NEUROCRINE BIOSCIENCES, INC
FORM 10-Q INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NEUROCRINE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	Sep 30, 1999	Dec 31, 1998
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,591	$ 11,708
Short-term investments, available-for-sale	40,946	50,962
Receivables under collaborative agreements	3,591	863
Receivables from related parties	1,045	544
Other current assets	1,059	1,556
Total current assets	54,232	65,633
Property and equipment, net	11,521	10,899
Other assets	2,534	3,997
Total assets	$ 68,287	$ 80,529
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 811	$ 2,481
Accrued liabilities	2,532	2,077
Deferred revenues	736	169
Current portion of long-term debt	149	149
Current portion of capital lease obligations	772	693
Total current liabilities	5,000	5,569
Long-term debt	349	461
Capital lease obligations	1,882	1,786
Deferred rent	834	257
Other liabilities	929	498
Total liabilities	8,994	8,571
Stockholders' equity:		
Preferred Stock, $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	--	--
Common Stock, $0.001 par value; 100,000,000 shares authorized; issued and outstanding shares were 19,080,853 in 1999 and 18,930,865 in 1998	19	19
Additional paid in capital	97,864	97,064
Deferred compensation and shareholder notes	(496)	(306)
Accumulated other comprehensive (loss) income	(111)	31
Accumulated deficit	(37,983)	(24,850)
Total stockholders' equity	59,293	71,958
Total liabilities and stockholders' equity	$ 68,287	$ 80,529

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Revenues:				
Sponsored research and development	$ 4,209	$ 2,112	$ 9,760	$ 6,749
Sponsored research and development from related party	--	2,066	501	2,066
Milestones	750	750	1,500	2,000
Grant income and other revenues	272	126	831	666
Total revenues	5,231	5,054	12,592	11,481
Operating expenses:				
Research and development	8,331	6,393	21,893	15,457
General and administrative	1,882	1,814	5,587	4,681
Write-off of acquired in-process research and development and licenses	--	--	--	4,910
Total operating expenses	10,213	8,207	27,480	25,048
Loss from operations	(4,982)	(3,153)	(14,888)	(13,567)
Other income and (expenses):				
Interest income	623	1,174	2,209	3,293
Interest expense	(59)	(23)	(169)	(87)
Equity in NPI loss and other adjustments	(284)	(2,299)	(1,174)	(3,742)
Other income	295	264	889	905
Loss before taxes	(4,407)	(4,037)	(13,133)	(13,198)
Income taxes	--	--	--	--
Net loss	$ (4,407)	$ (4,037)	$(13,133)	$(13,198)
Loss per common share:				
Basic & Diluted	$ (0.23)	$ (0.22)	$ (0.69)	$ (0.74)
Shares used in the calculation of loss per common share:				
Basic & Diluted	19,006	18,189	18,975	17,925

See accompanying notes to the condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	1999	1998
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	$(13,133)	$(13,198)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Acquisition of NNL	--	4,200
Equity in NPI losses and other adjustments	1,175	1,281
Depreciation and amortization	1,532	1,261
Deferred revenues	567	(875)
Deferred expenses	1,260	185
Change in operating assets and liabilities, net of acquired business:		
Accounts receivable and other current assets	(2,732)	(522)
Other non-current assets	124	924
Accounts payable and accrued liabilities	(1,215)	(1,249)
Net cash flows used in operating activities	(12,422)	(7,993)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(26,763)	(31,144)
Sales/maturities of short-term investments	36,637	42,961
Purchases of property and equipment	(1,990)	(3,069)
Net cash flows provided by investing activities	7,884	8,748
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of Common Stock	358	477
Proceeds from capital lease financing	771	2,334
Principal payments on long-term obligations	(708)	(776)
Payments received on notes receivable from stockholders	--	1
Net cash flows provided by financing activities	421	2,036
Net (decrease) increase in cash and cash equivalents	(4,117)	2,791
Cash and cash equivalents at beginning of the period	11,708	15,771
Cash and cash equivalents at end of the period	$ 7,591	$ 18,562

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 financial statements include the accounts of Neurocrine Biosciences, Inc. ("Neurocrine" or the "Company") and its wholly owned subsidiary, Northwest NeuroLogic, Inc. ("NNL"). All significant intercompany transactions have been eliminated in consolidation. The Company's minority ownership interest in Neuroscience Pharma, Inc. ("NPI") has been accounted for under the equity method. Certain reclassifications have been made to prior year amounts to conform to the presentation for the three and nine months ended September 30, 1999.

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions of the Securities and Exchange Commission on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles 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 periods shown in this report are not necessarily indicative of results expected for the full year. The financial statements should be read in conjunction with the audited financial statements and notes for the year ended December 31, 1998, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

2. NET INCOME PER SHARE

In accordance with Financial Accounting Standards Board Statement No. 128, "Earnings Per Share", basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of the Company such as common stock which may be issuable upon exercise of outstanding common stock options, warrants and preferred stock. These shares are excluded when their effects are antidilutive. For the three and nine months ended September 30, 1999 and 1998, potentially dilutive securities were excluded from the diluted earnings per share calculation.

3. COMPREHENSIVE INCOME

Financial Accounting Standards Board Statement No. 130, "Comprehensive Income", requires the disclosure of all components of comprehensive income, including net income and changes in equity during a period from transactions and other events and circumstances generated from non-owner sources. Other comprehensive income consisted of gains (losses) on short-term investments of $8,000 and ($142,000) for the three and nine months ended September 30, 1999; and $16,000 and $21,000 for the same periods in 1998, respectively.

4. SEGMENT INFORMATION

Financial Accounting Standards Board Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information", establishes standards for reporting financial and descriptive information about an enterprise's operating segments in its annual financial statements and selected segment information in interim financial reports. The Company is engaged in the discovery and development of prescription drugs and considers its operations to be a single reportable segment. Financial results of this reportable segment are presented in the accompanying financial statements. The Company has no foreign operations.

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 of the Company contain forward-looking statements which involve risks and uncertainties, pertaining generally to the expected continuation of the Company's collaborative agreements, the receipt of research payments thereunder, the future achievement of various milestones in product development and the receipt of payments related thereto, the potential receipt of royalty payments, pre-clinical testing and clinical trials of potential products, the period of time the Company's existing capital resources will meet its funding requirements, and financial results and operations. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below and those outlined in the Company's 1998 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

OVERVIEW

Since the founding of the Company in January 1992, Neurocrine has been engaged in the discovery and development of novel pharmaceutical products for diseases and disorders of the central nervous and immune systems. To date, Neurocrine has not generated any revenues from the sale of products, and does not expect to generate any product revenues in the foreseeable future. The Company has funded its operations primarily through public offering and payments under research and development agreements. The Company is developing a number of products with corporate collaborators and will rely on those collaborators and new collaborators to meet funding requirements. Revenues are expected to come from the Company's strategic alliances. The Company expects to generate future net losses in anticipation of significant increases in operating expenses as products are advanced through the various stages of clinical development. As of September 30, 1999, Neurocrine has incurred a cumulative deficit of $38.0 million and expects to incur operating losses in the future, which may be greater than losses in prior years.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

Revenues for the third quarter of 1999 were $5.2 million compared to $5.1 million for the respective period in 1998. The increase in revenues primarily resulted from the 1999 collaborations with Wyeth-Ayerst and Janssen Pharmaceutica, a subsidiary of Johnson & Johnson. The Wyeth-Ayerst agreement included a number of milestone payments, one of which was achieved during the third quarter earning a $750,000 payment in addition to quarterly sponsored research payments of $750,000. The Janssen agreement contributed sponsored research and development revenues of $1.7 million to third quarter revenues. Revenues in 1998 included $2.1 million in sponsored development from NPI and a $750,000 milestone payment from Novartis.

Research and development expenses increased to $8.3 million for the third quarter of 1999 compared to $6.4 million for the same period in 1998. The increase reflects higher costs associated with increased scientific personnel and related expenditures as the Company advances its drug candidates through clinical testing. Currently, the Company has five compounds in clinical development.

General and administrative expenses increased to $1.9 million during the third quarter of 1999 compared to $1.8 million for the same period in 1998. The increase resulted primarily from additional administrative personnel, business development and professional service expenses to support the expanded clinical development efforts.

Interest income decreased to $623,000 during the third quarter of 1999 compared to $1.2 million for the same period last year. The decrease was primarily due to a decline in investment balances. The Company anticipates further decline in interest income as cash reserves are used to fund progressive clinical trials.

Net loss for the third quarter of 1999 was $4.4 million or $0.23 per share compared to $4.0 million or $0.22 per share for the same period in 1998. Increased revenues of $177,000 were used to finance the $2.0 million increase in operating expenses primarily related to clinical development costs. Interest income declined by $551,000 and non-cash charges relating to NPI equity transactions decreased by $2.0 million.

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

NINE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

Revenues for the nine months ended September 30, 1999 were $12.6 million compared to $11.5 million for the same period in 1998. The increase in revenues primarily resulted from the 1999 collaborations with Wyeth-Ayerst and Janssen Pharmaceutica, a subsidiary of Johnson & Johnson. The Wyeth-Ayerst agreement included a number of milestone payments, two of which were achieved earning a $1.5 million payment in addition to quarterly sponsored research payments of $750,000. The Janssen agreement contributed sponsored research and development revenues of $1.7 million to third quarter 1999 revenues. Revenues in 1998 included $2.1 million in sponsored development from NPI and a $750,000 milestone payment from Novartis.

Research and development expenses increased to $21.9 million for the nine months ended September 30, 1999 compared to $15.5 million for the same period in 1998. The increase reflects higher costs associated with increased scientific personnel and development costs as the Company advances its drug candidates through the clinical testing. The Company currently has five compounds in clinical development.

General and administrative expenses increased to $5.6 million during the nine months ended September 30, 1999 compared to $4.7 million for the same period last year. The increase is attributable to additional administrative personnel, business development and professional service expenses to support the expanded clinical development efforts.

During 1998, the Company wrote-off acquired in-process research and development fees of $4.9 million. Of that total, $4.2 million were non-cash charges relating to the acquisition of NNL. The balance is attributable to the in-licensing of compounds for insomnia and glioblastoma. Both compounds are currently in clinical development programs.

Interest income decreased to $2.2 million during the nine months ended September 30, 1999 compared to $3.3 million for the same period last year. The decline in interest income resulted from lower investment balances. The Company anticipates further decline in interest income as cash reserves are used to fund progressive clinical trials.

Net loss for the nine months ended September 30, 1999 was $13.1 million or $0.69 per share compared to $13.2 million or $0.74 per share for the same period in 1998. During 1999, increased revenues of $1.1 million were used to finance the $7.3 million increase in operating expenses related to clinical development and administration. Write-off of acquired in-process research and development costs and equity transactions related to NPI decreased by $7.5 million. In addition, the Company experienced a decline of $1.1 million in interest income.

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

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1999, the Company's cash, cash equivalents, and short-term investments totaled $48.5 million compared with $62.7 million at December 31, 1998. The decline in cash balances during 1999 reflects the increased losses associated with the progressive clinical development programs and the addition of scientific personnel.

Net cash used in operating activities during the first nine months of 1999 was $12.4 million compared with $8.0 million for the same period last year. Net cash used during 1999 and 1998 reflects the payment of clinical development expenses and other accrued liabilities. The Company anticipates continued funding of clinical trials to use cash in future periods.

Net cash provided by investing activities during 1999 was $7.9 million compared with $8.7 million during 1998. The increase in cash provided was primarily the result of timing differences in the investment purchases and sales/maturities and the fluctuations in the Company's portfolio mix between cash equivalents and short-term investment holdings, net of capital asset purchases of $2.0 and $3.1 million during 1999 and 1998, respectively.

Net cash provided by financing activities during 1999 was $421,000 compared to $2.0 million in 1998. Cash provided by proceeds from Common Stock issuances and capital lease financing, net of payments on long-term obligations, resulted in net cash provided during 1999 and 1998.

The Company believes that its existing capital resources, together with interest income and future payments due under the strategic alliances, will be sufficient to satisfy its current and projected funding requirements at least through the year 2001. However, no assurance can be given that such capital resources and payments will be sufficient to conduct its research and development programs as planned. The amount and timing of expenditures will vary depending upon a number of factors, including progress of the Company's research and development programs. Failure of a corporate collaborator to meet its contractual obligations could have a material adverse effect on the Company's financial position and results of operations.

INTEREST RATE RISK

The Company is exposed to changes in interest rates primarily from its long-term debt. The Company believes that a hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would not materially effect the fair value of interest sensitive financial instruments nor the costs associated with the long-term debt.

Interest risk exposure on long-term debt relates to the Company's note payable which bears a floating interest rate of prime plus one quarter percent (8.50% at September 30, 1999 and 8.00% at December 31, 1998). At September 30, 1999 and December 31, 1998, the note balance was $498,000 and $610,000, respectively. This note is payable in equal monthly installments through January 2003.

IMPACT OF YEAR 2000

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs or hardware that have date-sensitive software or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

In the normal course of business over the past two years, the Company has made incremental modifications and improvements to all of its operational and financial software. An integral part of this process has been to ensure that all newly purchased software and hardware are Year 2000 compliant. The Company has completed an evaluation of all of the existing software and hardware used in its internal systems and operations and is now Year 2000 compliant. The Company has also evaluated and replaced or remediated various hardware components used in its laboratory operations and now believes it is Year 2000 compliant in this area as well. In general, the Company management is satisfied with its efforts to be Year2000 prepared, however, it will continue to monitor and reassess systems through the end of the year.

Because third party failures could have a material adverse impact on the Company's ability to conduct business, the Company has requested written assurances from all material customers and vendors that their systems are or will be Year 2000 compliant. The Company has received such assurances from many of its domestic material customers and vendors as well as many of its international customers and vendors; however, this is an on-going process. The business interruption of any of the Company's significant customers, materials suppliers and service providers resulting from their Year 2000 issues, could have a material adverse impact on the Company's revenues and results of operations.

Based on information obtained from third parties and on-going evaluations of the Company's own systems, management believes it has identified the most reasonably likely worst case scenario with respect to possible losses in connection with Year 2000 related problems. Based on this scenario, the Company has developed contingency plans for restoration of financial and scientific data, replacement of material suppliers and service providers and the building of safety stocks of critical materials in the event that current vendors experience Year 2000 compliance issues.

The incremental cost to the Company of Year 2000 compliance was approximately $175,000. The expensed costs do not include internal costs, as the Company does not separately track the internal costs of Year 2000 compliance. Such internal costs are principally the related payroll costs for the Company's information technology group.

There are many factors outside the Company's control that could cause the Year 2000 problem to seriously disrupt its operations. However, the Company has identified certain risks and has developed contingency plans in order to reduce its exposure in these areas. The scope of the Company's efforts regarding each risk is limited to the Company's key products, key compounds, subsidiaries, critical suppliers, and major customers. The most critical of these risks are: a disruption in the supply of product with particular emphasis on failures of raw material suppliers, commercial partners, and external distribution channels; internal infrastructure failures such as utilities, communications, internal information technology services and integrated information technology systems.

The information above contains forward-looking statements including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions, and adequate resources that are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that forward-looking statements about the Year 2000 should be read in conjunction with the Company's disclosures under the heading: "Caution on forward-looking statements".

CAUTION ON FORWARD-LOOKING STATEMENTS

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

Neurocrine will require additional funding for the continuation of its research and product development programs, for progress with preclinical testing and clinical trials, for operating expenses, for the pursuit of regulatory approvals for its product candidates, for the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims, if any, for the cost of product in-licensing and any possible acquisitions, and may require additional funding for establishing manufacturing and marketing capabilities in the future. The Company may seek to access the public or private equity markets whenever conditions are favorable. The Company may also seek additional funding through strategic alliances and other financing mechanisms, potentially including off-balance sheet financing. There can be no assurance that adequate funding will be available on terms acceptable to the Company, if at all. If adequate funds are not available, the Company may be required to curtail significantly one or more of its research or development programs or obtain funds through arrangements with collaborative partners or others. This may require the Company to relinquish rights to certain of its technologies or product candidates.

The Company believes that its existing capital resources will be adequate to satisfy its current and planned operations through the year 2000. Neurocrine expects to incur additional operating expenses over the next several years as its research, development, preclinical testing and clinical trial activities increase. To the extent that the Company is unable to obtain third party funding for such expenses, the Company expects that increased expenses will result in increased losses from operations. There can be no assurance that the Company's products under development will be successfully developed or that its products, if successfully developed, will generate revenues sufficient to enable the Company to earn a profit.

For a further discussion of the risks associated with an investment in the Company, please see the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 1998.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

A discussion of the Company's exposure to, and management of, market risk appears in Part 1, Item 2 of this Quarterly Report on Form 10-Q under the heading "Interest Rate Risk".

PART II: OTHER INFORMATION

ITEM 5. OTHER INFORMATION

The Company has been advised, that due to personal commitments, Harry F. Hixson, Jr. will be resigning from the Board of Directors effective December 31, 1999. The Company has not identified a replacement director as of the date of this report.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibits. The following exhibits are filed as part of this report:

*10.1 Agreement by and among Dupont Pharmaceuticals Company, Janssen Pharmaceutica, N.V. and Neurocrine Biosciences, Inc.

*10.2 Amendment Number One to the Agreement between Neurocrine Biosciences, Inc. and Janssen Pharmaceutica, N.V.

27 Financial Data Schedule.

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*Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Commission. The omitted portions have been filed separately with the Commission.

Reports on Form 8-K. During the quarter ended September 30, 1999, the Company filed no current reports on Form 8-K.

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: 11/12/99

/s/ Paul W. Hawran
Paul W. Hawran
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

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27 Financial Data Schedule.

*Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Commission. The omitted portions have been filed separately with the Commission.

REDACTED FOR CONFIDENTIALITY

AGREEMENT

BY AND AMONG

DUPONT PHARMACEUTICALS COMPANY

JANSSEN PHARMACEUTICA, N.V.

AND

NEUROCRINE BIOSCIENCES, INC.

[***] CONFIDENTIAL TREATMENT REQUESTED

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AGREEMENT

This Agreement is made effective as of the 28th day of September, 1999 by and among DuPont Pharmaceuticals Company, a Delaware general partnership having a principal place of business at 974 Centre Road, Wilmington, Delaware ("DPC"), Neurocrine Biosciences, Inc., a Delaware corporation having its principal place of business at 10555 Science Center Drive, San Diego, CA 92121 ("Neurocrine") and Janssen Pharmaceutica, N. V., a Belgium corporation having its principal place of business at Turnhoutseweg 30, 2340 Beerse, Belgium ("Janssen"). DPC, Neurocrine and Janssen are each referred to by name or as a "Party" or, collectively, as "Parties".

RECITALS WHEREAS, The Parties each have on-going research in the field of corticotropin-releasing factor (CRF) receptor antagonists and have developed certain technology in this field.

WHEREAS, the Parties each have an interest in various intellectual properties in the field of CRF receptor antagonists which is a source of potential dispute among them.

WHEREAS, the Parties desire to settle potential disputes by the exchange of certain rights and obligations hereunder. NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

[***] CONFIDENTIAL TREATMENT REQUESTED

ARTICLE I
DEFINITIONS

The terms in this Agreement with initial letters capitalized, whether used in the singular or the plural, shall have the meaning set forth below or, if not listed below, the meaning designated in places throughout this Agreement.

1.1 "Affiliate" means an individual, trust, business trust, joint venture, partnership, corporation, association or any other entity which (directly or indirectly) is controlled by, controls or is under common control with a Party. For the purposes of this definition, the term "control" (including, with correlative meanings, the term "controlled by" and "under common control with") as used with respect to any Party, shall mean the possession of the power to direct or cause the direction of the management and policies of an entity, through the ownership of the outstanding voting securities or by contract or otherwise.

1.2 "Control" means possession of the ability to grant a license or sublicense as provided for herein without violating the terms of any agreement or other arrangements with a Third Party.

*** **********.

1.4 "Date of First Sale" means, on a Product-by-Product basis, the date on which a Party (or an Affiliate or a Sublicensee) first sells a Product to an unaffiliated Third Party in an arms length commercial transaction. 1.5 "DPC X-Patents" means the rights granted by any governmental authority under a Patent derived from ********** and any counterparts thereof, and additionally, the rights granted by any governmental authority under a Patent which claims ********** **********, which Patent is owned or Controlled by DPC at any time.

1.6 "Effective Date" means the date first written above.

1.7 "EMEA" means the European Medical Evaluation Agency.

1.8 "FDA" means the United States Food and Drug Administration or any successor agency.

1.9 "Field" means the discovery, synthesis, and selection of X-Compounds and N-Compounds and the manufacture, development and use of Products. 1.10 "IND" means an investigational new drug application for a Product filed with the FDA as more fully defined in 21 C.F.R.
ss.312.3 or its equivalent in any country.

1.11 "Information" means information, generally not known to the public, relating to the Field and including screening data, pharmacological, toxicological, clinical test data and analytical data. 1.12 "Janssen X-Patents" means the rights granted by any governmental authority under a Patent derived from ********** and any counterparts thereof, and additionally, the rights granted by any governmental authority under a Patent which claims ********** **********, which Patent is owned or Controlled by Janssen at any time.

1.13 "Major European Country" means France, Germany or the United Kingdom.

1.14 "N-Compounds" means those compounds which, as compounds or chemical entities, are specifically or generically within the scope of ********** and includes those compounds as described in the disclosure of ********** and shown **********.

1.15 "NDA" means a New Drug Application and all supplements filed pursuant to the requirements of the FDA, including all documents, data and other information concerning Product which are necessary for or included in, FDA approval to market a Product as more fully defined in 21 C.F.R. ss.314.50 et. seq.

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1.17 "Net Sales" means the amount billed by a Party or an Affiliate or Sublicensee for sales of a Product to a Third Party less: (a) discounts, including cash discounts, discounts to managed care or similar organizations or government organizations, rebates paid, credited, accrued or actually taken, including government rebates such as Medicaid chargebacks or rebates, and retroactive price reductions or allowances actually allowed or granted from the billed amount, and commercially reasonable and customary fees paid to distributors (other than to a distributor that is an Affiliate of a Party), (b) credits or allowances actually granted upon claims, rejections or returns of such sales of Products, including recalls, regardless of a Party requesting such recalls, (c) freight, postage, shipping and insurance charges paid for delivery of such Product, to the extent billed separately on the invoice and paid by the buyer, and (d) taxes, duties or other governmental charges levied on or measured by the billing amount when included in billing, as adjusted for rebates, charge-backs and refunds and (e) provisions for actual uncollectible accounts determined in accordance with U.S. generally accepted accounting practices, consistently applied to all products of a Party. Where a Product is sold in the form of a combination Product containing one or more active ingredients in addition to an X-Compound or N-Compound, Net Sales for such combination Product will be calculated by multiplying actual Net Sales of such combination Product by the fraction A/(A+B) where A is the invoice price of the X-Product or N-Product if sold separately in the same dose, and B is the total invoice price of any other active component or components, or devices, in the combination, if sold separately in

the same dose. If, on a country-by-country basis, the other active component or components in the combination are not sold separately in the same dose in said country, Net Sales for the purpose of determining royalties of the combination Product shall be calculated by multiplying actual Net Sales of such combination Product by the fraction A/C where A is the invoice price of the Product, if sold separately in the same dose, and C is the invoice price of the combination Product. If, on a country-by-country basis, neither the Product nor the other active component or components of the combination Product is sold separately in the same dose in said country, Net Sales for the purposes of determining royalties of the combination Product shall be determined by the Parties by mutual agreement.

1.18 "N-Product" means a Product comprised of an N-Compound.

1.19 "Neurocrine N-Patents" means the rights granted by any governmental authority under a Patent derived from ********** and any counterparts thereof, and additionally, the rights granted by any governmental authority under a Patent which claims ********** **********, which Patent is owned or Controlled by Neurocrine at any time.

1.20 "Neurocrine Receptor License" means the license granted to Neurocrine pursuant to the ********** **********, including rights under **********.

1.21 "Neurocrine X-Patents" means the rights granted by any governmental authority under a Patent derived from ********** and any counterparts thereof, and additionally, the rights granted by any governmental authority under a Patent which claims ********** **********, which Patent is owned or Controlled by Neurocrine at any time.

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1.23 "Patent" means (i) valid and enforceable letters patent including any extensions, registration, confirmation, reissue, continuation, divisional, continuation-in-part, re-examination, or renewal thereof, and (ii) pending applications for letters patent.

1.24 "Patent Costs" means the reasonable fees and expenses paid to outside legal counsel and other Third Parties, and filing and maintenance expenses, incurred in connection with the establishment and maintenance of rights under Patents.

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1.26 "Phase II" means that portion of the clinical development program for a Product which provides for an indication of the dosage regimen in patients and as an initial assessment of efficacy and safety required as more fully defined in 21 C.F. R.
312.21(b).

1.27 "Phase III" means that portion of the clinical development program for a Product which provides for large scale clinical studies intended as pivotal trials for regulatory filings conducted in a sufficient number of patients to establish Product clinical efficacy for one or more indications and its safety, as more fully defined in 21 C.F.R. 312.21 (c).

1.28 "Product" means any form or dosage of a compound for pharmaceutical use in humans or other animals or for use as a diagnostic tool that consists of an X-Product or N-Product, as the case may be.

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1.30 "Regulatory Approval" means all official approvals by government, pricing or health authorities in a country (or ---------- super-national organizations, such as the EMEA) which are required for first use or sale, including, importation, manufacture (where manufacture is required), pricing or reimbursement of a pharmaceutical product in such country where required.

1.31 "Sublicensee" means, with respect to a particular Product, a Third Party to whom a Party has granted a license or sublicense ---------- under any Patents to make, use and sell such Product. As used in this Agreement, "Sublicensee" shall also include a Third Party to whom a Party has granted the right to distribute a Product, provided that such Third Party is responsible for marketing and promotion of such Product within its distribution territory.

1. 32 "Third Party" means any entity other than a Party hereto, excepting Affiliates of a Party. ----------

1.33 "X-Compounds" means compounds which, as compounds or chemical entities, are specifically or generically within the published ---------- claims of ********** or which are specifically or generically within the published claims of ********** having the following base structure: ********** **********. For clarity and in accordance with the foregoing, an "X-Compound" is not and does not include those compounds described ********** **********.

1.34 "X-Product" means a Product comprised of an X-Compound.

1.35 "Valid Patent Claim" means a claim in any unexpired Patent, which has matured into an issued patent which has not been held invalid by a non-appealed or unappealable decision by a court or other appropriate body of competent jurisdiction. The scope of a Valid Patent Claim shall be limited to its terms as set forth in the Patent itself and as further defined by any court, body or law of competent jurisdiction. For the purpose of royalty determination and payment, any claim being prosecuted in a pending patent application shall be deemed to be the equivalent of a Valid Claim of an issued, unexpired patent, provided it is not pending for greater ********* ********* from the filing date of the patent application in which case it shall cease being a Valid Claim until the patent issues, provided further that in the case of interference proceedings in the United States, ********** period will be extended until the completion of the interference.

ARTICLE II
LICENSE GRANTS

2.1 Common Interest Patent Cross License.

(a) DPC. DPC grants to Janssen and Neurocrine, separately, a non-exclusive worldwide license under any Patent derived from ********** and any counterparts thereof, to make, have made, use, sell, offer to sell, have sold and import X-Compounds and X-Products.

(b) Janssen and Neurocrine.
Janssen and Neurocrine, separately, grant to DPC a non-exclusive worldwide license in and to their respective rights under any Patent derived from ********** and any counterparts thereof, to make, have made, use, sell, offer to sell, have sold and import X-Compounds and X-Products.

(c) Sublicenses. The licenses of this paragraph are without the right to grant sublicenses except to the license grantor. ----------

2.2 Special Interest Patent Cross License.
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(a) DPC. Janssen and Neurocrine, separately, grant to DPC an exclusive worldwide license, with a right to grant sublicenses, under their respective rights in and to the Janssen X-Patents and Neurocrine X-Patents and under their respective interests in DPC X-Patents to make, have made, use, sell, offer for sale, have sold and import certain X-Compounds, which X-Compounds contain ********** ********** as in formula ********** and formula ****** ********** where such ********** is otherwise ********** otherwise specifically do not include a total of ******** compounds which may be ********** and provided that said specifically ********** were not previously********** or which may be ******** ********** after ********** and before ********** ****** ********** and provided that said specifically named ********** were not ********** in a written record before **********.

(b) Janssen and Neurocrine. DPC grants to Janssen and Neurocrine, separately, co-exclusive worldwide licenses, with the right to grant sublicenses, under DPC X-Patents and under DPC's interest in Janssen X-Patents and Neurocrine X-Patents to make, have made, use, sell, offer to sell, have sold and import X-Compounds, which X-Compounds

do not contain ********** as in formula ********** and formula ********* ******** where such ********** is otherwise ********** ********** otherwise specifically include a total********** compounds which may be********** and provided that said specifically ********** were not ********** ********** or which may be ********** after ****** ********** and provided that said ********** were not ********** and in accordance with the foregoing, DPC does not grant to Janssen or Neurocrine a license (exclusive or non-exclusive) to any subject matter disclosed or claimed in ********** or otherwise as shown in formula **********.

(c) Program Patents. DPC X-Patents licensed to Janssen and Neurocrine under this Article will be considered by Janssen and Neurocrine a "Program Patent" under the agreement between Janssen and Neurocrine effective January 1, 1995 for the purpose of determining the rights therein and the obligations therefor as between Janssen and Neurocrine only. 2.3 Other Patent Licenses.

(a) Neurocrine N-Patents. Neurocrine grants to DPC an exclusive worldwide license, with a right to grant sublicenses, under the Neurocrine N-Patents, to make, have made, use, sell, offer to sell and import N-Compounds or N-Products.

(b) Neurocrine Receptor License. At the election of DPC, Neurocrine agrees to grant and will grant to DPC, by way of sublicense, a non-exclusive license, with no right to grant sublicenses, under the Neurocrine Receptor License, to ********** ********** This sublicense will terminate ********** unless extended by mutual agreement and is fully paid-up with respect to license fees and patent prosecution and maintenance expenses following provision by DPC of the payment specified in Section 4.13(i). In the event DPC wishes to exercise its right to receive such a sublicense, DPC must notify Neurocrine of such election in writing within by no later than **********. Following the Effective Date, DuPont may request that Neurocrine deliver to DPC the relevant terms, with appropriate substantiation, under which Neurocrine has received the Neurocrine Receptor License. Neurocrine will deliver the relevant terms, with appropriate substantiation, within 30 days of the date of the request. Neurocrine and DPC will then **********, Neurocrine will provide a sublicense to DPC and DPC will agree to pay royalties and other amounts payable ********** ********** in accordance with the terms of such sublicense to ********** by reason of DPC's exploitation of the sublicense. In any event,

DPC will not be obligated to pay the Third Party licensor or Neurocrine for acts under such license or sublicense any amount ********** with respect to equivalent acts.

2.4 Initial Payments License. In the event that Janssen elects to avoid any obligation of payment to DPC required under sub-paragraph 4.1(b), then Janssen agrees (and Neurocrine approves and consents to the extent that any such approval or consent are necessary) that DPC may, at its option, assume from Janssen all of Janssen's rights and obligations ********** which are held or owed by Janssen at the time Janssen notified DPC of its intent to avoid such payment and which are held or owed by Janssen **********. In the event DPC exercises this right, Neurocrine hereby agrees to cooperate to the extent reasonably necessary to permit DPC to assume such rights and obligations. DPC may exercise this right of assumption by written notice to Janssen within ninety (90) days following DPC's receipt of the notice of Janssen's intent to avoid payment pursuant to sub-paragraph 4.1(b). Upon exercise of this right of assumption, DPC will assume all of Janssen's rights and obligations relating specifically ********** ********** ********** For clarification, the future development and marketing efforts of DPC with Neurocrine and Janssen with Neurocrine will be considered as independent relationships with all rights and obligations being independently determined. Specifically, the ********** ********** will have no effect on the other rights and obligations of Janssen ********** ********** and the further development and sale of compounds by Janssen and Neurocrine will have no effect

on the rights and obligations of DPC under the portion of **********.

ARTICLE III
PRODUCT DEVELOPMENT AND COMMERCIALIZATION

3.1 Independent Programs. Unless otherwise specifically stated herein or provided for elsewhere, each Party's efforts to identify, develop and commercialize Products are separate and independent efforts. Unless otherwise specifically stated herein or provided for elsewhere, there is no obligation or right of the Parties herein to consult, collaborate or exchange information.

3.2 No diligence. Unless provided for by separate agreement between the Parties, no research, development or commercialization diligence or efforts are agreed to or required by the Parties hereunder. All business decisions, including, but not limited to, the design, sale, price and promotion of X-Products and N-Products under this Agreement and the decisions whether to market or discontinue marketing any particular X-Product or N-Product shall be within the sole discretion of the marketing Party. Any marketing of an X-Product or N-Product in one market or country shall not obligate the marketing Party to market said Product in any other market or country. Furthermore, the Parties make no representation or warranty that the marketing of an X-Product or N-Product, as the case may be, shall be the exclusive means by which a Party will participate in any therapeutic field. **********
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ARTICLE IV **
PAYMENTS **

In consideration of the assignments, rights and licenses granted under this Agreement, the Parties agree to pay each other as follows:

4.1 License Fees Payable to DPC.

(a) Initial Payment. Within thirty (30) days after the Effective Date, ********** ---------- **********. (b) Subsequent Payments. ********** ********** ********** ********** may avoid any payment under this subparagraph by notifying *** of its intent to avoid such payment and warranting to ********** ********** so long as the payment is not made by no later than the payment due date. No further amounts will be payable under this subparagraph

(b) and DPC will be entitled to exercise it option under Paragraph 2.4 above. In the event Janssen shall have terminated or forfeited its rights to develop and commercialize X-Products in favor of Neurocrine, then Neurocrine will be solely responsible for the warranty made under this sub-Paragraph. 4.2 Milestone Payments to DPC. Janssen agrees to make the following payments to DPC upon the first occurrence of each milestone event for the first ********** developed by Janssen, its Affiliates, or Sublicensees during the term of this Agreement. Janssen shall not be required to make any milestone payment for ********** once the applicable milestone payment has been paid for **********. If an ********** is dropped from development by Janssen and replaced with ********** (a **********), Janssen shall not be obligated to make the same milestone

payments for the ********** as it already made in connection with the ********** which was replaced. Except as specifically provided for below, it is understood that in no event shall Janssen be obligated to make the payment due on any milestone more than once with respect to the same ********** (or its **********), regardless of the number of indications for which such ********** is developed.

Milestone	Payment
Filing and acceptance for review of an IND or its equivalent in any Major European Country	$**********
Enrollment of the fifth patient in a Phase II clinical trial or its equivalent in any country	$**********
Enrollment of the fifth patient in a Phase III clinical trial or its equivalent in any country	$**********
Filing and acceptance for review of a U. S. NDA	$**********
Regulatory Approval in the U. S. for a first indication	$**********
Regulatory Approval in any Major European Country or by the EMEA	$**********
Regulatory Approval in the U. S. of each additional indication	$**********

4.3 Milestone Payments to Janssen. DPC agrees to make the following payments to Janssen and/or Neurocrine, as the case may be, upon the first occurrence of each milestone event for the first **********, collectively, developed by DPC, its Affiliates, or Sublicensees, during the term of this Agreement. Payments for ********** shall be made to Janssen and payments ********** shall be made to Neurocrine. DPC shall not be required to make any milestone payment for subsequent ********** or **********

once the applicable milestone payment has been paid for ********** ********. If an ********** is dropped from development by DPC and replaced with another ********** or "**********"), DPC shall not be obligated to make the same milestone payments for the ********** or ********** as it already made in connection with the ********** which was replaced. Except as specifically provided for below, it is understood that in no event shall DPC be obligated to make the payment due on any milestone more than once with respect to the same ********** **********, regardless of the ********** **********. For clarification, ********** shall be considered to form a single group of compounds for the determination of amounts due under this Paragraph.

Milestone	Payment
Filing and acceptance for review of an IND or its equivalent in any Major European Country	$**********
Enrollment of the fifth patient in a Phase II clinical trial or its equivalent in any country	$**********
Enrollment of the fifth patient in a Phase III clinical trial or its equivalent in any country	$**********
Filing and acceptance for review of a U. S. NDA	$**********
Regulatory Approval in the U. S. for a first indication	$**********
Regulatory Approval in any Major European Country or by the EMEA	$**********
Regulatory Approval in the U. S. of each additional indication	$**********

4.4 Milestone Payment Timing. The Party achieving any milestone event shall promptly give notice to the Party receiving payment that a milestone event has been achieved and a milestone payment earned under Paragraphs 4.2 or 4.3 hereof. The payments set forth in Paragraphs 4.2 and 4.3 shall each be due and payable by the paying Party within thirty (30) days of receipt of such notice, provided however, that in the event any of the milestone events have occurred prior to the Effective Date, said milestone payments shall be due and payable within thirty (30) days of the Effective Date. 4.5 DPC Earned Royalties For X-Products. On a Product-by-Product basis, Janssen shall pay DPC a royalty, based on Net Sales of X-Products sold by or for Janssen, or its Affiliates or Sublicensees according to the following schedule:

(a) for Net Sales in the United States (its territories and possessions) only, where a Valid Patent Claim on a composition of matter exists in a DPC X-Patent or any Patent derived from ********** and any counterparts thereof that covers the sale or use of an X-Product;

Annual U. S. Net Sales	Royalty Rate
Less that **********	**********
From **********	**********
Greater than **********	**********

(b) for all consolidated Net Sales outside the United States (its territories and possessions), where a Valid Patent Claim on a composition of matter exists in a DPC X-Patent or any Patent derived from ********** and any counterparts thereof that covers the sale or use of an X-Product;

Annual ex-U. S. Net Sales	Royalty Rate
Less that **********	**********
From **********	**********
From **********	**********
Greater than **********	**********

The royalties payable under Section 4.5(a) are paid to DPC regardless of the **********.

4.6 Janssen and Neurocrine Earned Royalties For Products. On a Product by Product basis, DPC shall pay Janssen a royalty, based on Net Sales of X-Products and Neurocrine a royalty based on Net Sales of N-Products sold by or for DPC, or its Affiliates or Sublicensees according to the following schedule:

(a) for Net Sales in the United States (its territories and possessions) only, where a Valid Patent Claim on a composition of matter exists in a Neurocrine N-Patent, Neurocrine X-Patent, Janssen X-Patent or any Patent derived ********* ****** and any counterparts thereof that covers the sale or use of an X-Product or N-Product;

Annual U. S. Net Sales	Royalty Rate
Less that $**********	**********
From **********	**********
Greater than **********	**********

(b) for all consolidated Net Sales outside the United States (its territories and possessions), where a Valid Patent Claim on a composition of matter exists in which Janssen or Neurocrine have rights and that covers sale or use of an X-Product or N-Product;

Annual ex-U. S. Net Sales	Royalty Rate
Less that $**********	**********
From $**********	**********
From $**********	**********
Greater than $**********	**********

The royalties payable under Section 4.6(a) are paid regardless of the **********.

4.7 Term For Royalty Payment. Royalties payable under Paragraphs 4.5 and 4.6 shall be paid on a country-by-country, Product-by-Product basis from the Date of First Sale until the expiration of the last to expire of any Janssen X-Patent, Neurocrine X-Patent, DPC X-Patent and/or Neurocrine N-Patent including a Valid Patent Claim on a composition of matter that covers the sale or use of such Product. For clarification, the royalty rates are applicable to the incremental Net Sales with which they are associated only, so that, for example, the highest royalty rate is applicable to those incremental Net Sales in excess of $********** only. For further clarification, no royalty is due in countries where there is no Valid Patent Claim that covers the sale or use of the Product and Net Sales therein are not included in any calculation of royalty due.

4.8 Third Party Patents. In the event that during the term of the royalty obligation for a Product under this Article IV, a Third Party shall control a Patent or Patents in any country covering the sale of a Product, and in the reasonable judgment of the Party selling such Product pursuant to the licenses granted hereunder, it would be impractical or impossible for such Party (or its Affiliates or Sublicensees) to continue to sell the Product without obtaining a royalty bearing license from such Third Party, then such Party shall be entitled to a credit against the royalties due hereunder with respect to such country an amount equal to ********** of the royalty paid to such Third Party, said credit not to exceed ********** of the royalty rate due under this Agreement, arising from the sale of the Product in said country. By way of example, in no event shall a ********** royalty rate be less than **********

4.9 Compulsory License. If at any time and from time to time a Third Party in any country shall, under the right of a compulsory license granted or ordered to be granted by a competent governmental authority, manufacture, use or sell a Product with respect to which royalties would be payable pursuant to Paragraphs 4.5 or 4.6 hereof, manufacture, use or sale of such Product by the Third Party shall not be considered sales by a Sublicensee hereunder. The Party by whom a royalty would have been payable and the Party to whom a royalty would have been payable under Paragraph 4.5 or 4.6, shall each be entitled to fifty percent (50%) of the compulsory royalty payable by said Third Party as consideration for the compulsory license.

4.10 Currency Restrictions. Except as herein provided in this Paragraph, all royalties shall be paid in U.S. Dollars. If, at any time, legal restrictions prevent the prompt remittance of part of or all royalties with respect to any country where Products are sold, the paying Party shall have the right and option to make such payments by depositing the amount thereof in local currency to the receiving Party's accounts in a bank or depository in such country.

4.11 Royalty Reports and Records.

(a) Reports. During the term of this Agreement and commencing with the Date of First Sale of Product, the paying Party shall furnish, or cause to be furnished to the receiving Party, written reports, including royalty payment due, within sixty (60) days following the end of each calendar quarter for which royalties are due, showing: (i) the Net Sales of all X-Products or N-Products sold by the paying Party, its Affiliates and its Sublicensees, during the calendar quarter; (ii)the royalties payable in U.S. Dollars, which shall have accrued hereunder in respect to such Net Sales; (iii) the exchange rates used, if any, in determining the amount of U.S. Dollars; and (iv) any withholding taxes required to be paid from such royalties.

(b) Currency. All payments to be made by the paying Party to the receiving Party shall be made in U.S. Dollars, except as provided in Paragraph 4.10. In the case of sales outside the United States, royalty payments shall be converted to U.S. Dollars in accordance with the paying Party's current customary and usual procedures for calculating same.

(c) Audit. The paying Party shall maintain complete and accurate records, in accordance with U.S. generally accepted accounting practices, which are relevant to costs, expenses and payments under this Agreement and such records shall be open during reasonable business hours for a period of two (2) years from creation of individual records for examination at the receiving Party's expense and not more often than once each year by a certified public accountant or other representative selected by the

receiving Party and acceptable to the paying Party for the sole purpose of verifying the correctness of calculations or such costs, expenses or payments made under this Agreement. In the absence of material discrepancies (in excess of five percent (5%)) in any request for reimbursement resulting from such audit, the accounting expense shall be paid by the receiving Party. If material discrepancies do result, the paying Party shall bear the reasonable audit expense. Any records or accounting information received from the paying Party shall be Confidential Information for purposes of Article VII.

4.12 Taxes. The Party receiving royalties shall pay any and all taxes levied on account of royalties it receives under this Agreement. If laws or regulations require that taxes be withheld, the paying Party will (i) deduct those taxes from otherwise remittable royalty, (ii) timely pay the taxes to the proper taxing authority, and (iii) send proof of payment to the receiving Party within thirty (30) days of receipt of confirmation of payment from the relevant taxing authority.

4.13 Neurocrine Receptor License Payment. In the event that DPC elects to receive a sublicense under the Neurocrine Receptor License, (i) in consideration for **********, DPC shall pay Neurocrine the amount of ********** within thirty (30) days after the effective date of any such sublicense for said rights under said sublicense, and (ii) DPC shall be responsible for payment to the Third Party licensor of the Neurocrine Receptor License, all amounts payable under the Neurocrine Receptor License which are attributable to DPC's activities under its sublicense. DPC shall pay to Neurocrine **********
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**********. For purposes of clarification, it is intended that Neurocrine may arrange with its Third Party licensor that royalty or milestone sums due under this Paragraph will be paid directly to such Third Party licensor by DPC and DPC will cooperate in such agreement. 4.14 Janssen or Neurocrine Obligation of Payment. Except as specifically provided for otherwise, any obligation of payment to DPC pursuant to the terms of this Article for the development and sale of Products are the responsibility of Janssen. In the event Janssen shall have terminated or forfeited its rights to develop and commercialize a Product in favor of Neurocrine and where the obligation of payment arose due to acts taken by Neurocrine subsequent to such termination or forfeiture, then such payments shall be the obligation of Neurocrine alone. Additionally, the actions of Janssen and Neurocrine under this Article will be considered the actions of a single party in the determination of what milestone payments are due, in the determination of royalty rate and in the determination of the number of Products developed.

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ARTICLE VI **
RELEASE **

6.1 Release. Each of DPC, Neurocrine, and Janssen for itself, its officers, directors, investors, employees, assigns and ** successors, in consideration of the promises and covenants contained herein, the sufficiency of which is hereby acknowledged, does ** hereby fully and forever release, remise, acquit and discharge each other, their representatives, agents, employees, employers, ** officers, directors, shareholders, administrators, successors, attorneys, insurers and assigns and any of their Affiliates of and ** from any and all actions, causes of action, suits, claims, cross-claims, demands, debts, damages, losses, costs and expenses, of ** every kind, nature and description, which it now has, ever had, or which its administrators, successors, insurers and assigns now ** have or may hereafter have on account of, or arising out of, or relating to (i) the **********
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**********. Each of DPC, Neurocrine and Janssen expressly agrees and intends that this release shall release each other from any and all claims, actual and potential, known and unknown, fixed and contingent including claims of which the Parties are not aware as of the date hereof relating to ********** despite the fact that each may later discover facts in addition to or different from those which it now believes to be true. Each of DPC, Neurocrine and Janssen agrees that it will withdraw and desist from any proceedings or arbitrations presently in progress with the acknowledgement that the issues of such proceeding or arbitration have been finally settled. 6.2 General Release. Each of DPC, Neurocrine and Janssen, being represented by legal counsel, acknowledges that it is familiar with provisions of California Civil Code Section 1542, which provides as follows: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR. Each of DPC, Neurocrine and Janssen, being aware of said code section, agrees to expressly waive any rights it may have thereunder, as well as under any other statute or common law principles of similar effect. Neurocrine and Janssen further acknowledge and agree that this

waiver of rights under Section 1542 of the Civil Code by DPC has been separately bargained for and is essential and material term of this Agreement and, without such waiver, each of DPC, Neurocrine and Janssen would not have entered into this Agreement.

6.3 No Admission. DPC acknowledges that Neurocrine and Janssen have denied, and continue to deny, any and all liability with respect to or relating ********** ********** **********. Nothing in this Agreement shall constitute any acknowledgment or admission of liability whatsoever by Neurocrine and/or Janssen nor is this Agreement to be construed as an admission or suggestion of liability on the part of Neurocrine and/or Janssen. At all times and for all purposes, this is a settlement of any disputed claims intended to forever terminate any claims or continuing demands which may be or may have been made between DPC and/or Neurocrine and/or Janssen, or any of their respective representatives, successors, assigns, officers, directors, shareholders, members, agents employees or insurers with respect to the foregoing.

6.4 Remedies. The Parties agree that after the Effective Date, each of DPC, Neurocrine and Janssen shall be permitted to enforce this Agreement with respect to any duty or obligation each other have undertaken hereunder, but in no event and under no circumstances will each of DPC, Neurocrine and Janssen be permitted to assert, publicly allege, threaten to bring or bring any claim against each other for any act, event or omission which occurred prior to the Effective Date relating ********** ********** **********

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ARTICLE VII **
CONFIDENTIALITY **

7.1 Confidentiality; Exceptions. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing, ** ---------- the Parties agree that, for the time royalties are due and for five (5) years thereafter, the receiving Party shall keep confidential and shall not publish or otherwise disclose or use for any purpose other than as provided for in this Agreement any Information and ** other confidential and proprietary information and materials furnished to it by the other Party pursuant to this Agreement ** (collectively, "Confidential Information"), except to the extent that it can be established by the receiving Party that such ** Confidential Information:

(a) was in the lawful knowledge and possession of the receiving Party prior to the time it was disclosed to, or learned by, the receiving Party, or was otherwise developed independently by the receiving Party, as evidenced by written ** records kept in the ordinary course of business, or other documentary proof of actual use by the receiving Party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party;
(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement; or
(d) was disclosed to the receiving 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.

7.2 Authorized Disclosure. If a Party is required by law or regulation to make any disclosure of the other Party's Confidential Information it will, except where impracticable for necessary disclosures, for example in the event of medical emergency, give reasonable advance notice to the other Parties of such disclosure requirement and, except to the extent inappropriate in the case of Patents, will use its reasonable efforts to secure confidential treatment of such Confidential Information required to be disclosed.

7.3 Survival. This Article VII shall survive the termination or expiration of this Agreement for a period of five (5) years.

7.4 Public Announcements. No Party shall originate any publicity, news release or public announcements, written or oral, whether to the public or press, stockholders or otherwise, relating to this Agreement, including its existence, the subject matter to which it relates, performance under it or any of its terms, to any amendment hereto or performances hereunder, other than those announcements that are required by law to be made without the prior written consent of the other Parties. Such announcements shall be brief and factual. If a Party decides to make an announcement required by law, it will where reasonable possible give the other Parties

at least five (5) business days advance notice, of the text of the announcement so that the other Parties will have an opportunity to comment upon the announcement. To the extent that any Party reasonably requests that a disclosing or announcing Party seek confidential treatment pursuant to Rule 406 of the Securities Act of 1933 or Rule 24b-2 of the Securities Exchange Act of 1934 as amended, as applicable (or any other applicable regulation relating to the confidential treatment of information) of any information proposed to be disclosed or announced, the disclosing or announcing Party will omit the information from the disclosure or announcement unless in the opinion of the disclosing Party's legal counsel such information is legally required to be fully disclosed.

ARTICLE VIII
INTELLECTUAL PROPERTY

8.1 Ownership of Patents. Patents shall be owned according to the laws in effect and agreements made by the Parties hereto. There is no provision herein affecting or transferring the ownership of any Patent. 8.2 Patent Filings on N-Compounds or N-Products. Neurocrine will cooperate with DPC to file divisional applications worldwide, as necessary, to isolate those claims relating to N-Compounds or N-Products and contained in Neurocrine N-Patents in separate applications. In regard to such divided applications relating N-Compounds and N-Products, DPC shall assume all control and responsibility for filing, prosecuting and maintaining such Patents, including having the right to direct or control all material actions relating to the prosecution or maintenance of such Patents. DPC will determine the countries in which to file Patents relating to N-

Compounds and N-Products and will assume all Patent Costs relating to filing, prosecuting and maintaining such Patents. The parties will cooperate with each other with respect to any interference between subject matter in DPC's patents covering subject matter that overlaps with the subject matter in the Neurocrine N-Patents.

8.3 Patent Filings.

(a) Prosecution and Maintenance. Each Party shall prepare, file, prosecute, maintain and own Janssen X-Patents, Neurocrine X-Patents, Neurocrine N-Patents and DPC X-Patents to cover discoveries and inventions made solely by its own employees or consultants and use reasonable efforts to file initially all such applications in the United States, the European Patent Office or the appropriate forum under the circumstances.

(b) Control. The Party who is responsible for filing a Janssen X-Patent, Neurocrine X-Patent, or DPC X-Patent will be termed the "Filing Party" and, unless specifically provided for otherwise, shall have the right to direct or control all material actions relating to the prosecution or maintenance of such Patent and shall bear all Patent Costs associated therewith. The Filing Party shall keep the other Parties apprised of the status of each Janssen X-Patent, Neurocrine X-Patent, or DPC X-Patent and shall seek the advice of the other Parties with respect to patent strategy and drafting applications and shall give reasonable consideration to any suggestions or recommendations of the other Parties concerning the preparation, filing, prosecution, maintenance and defense thereof, in so far as such status and advice relates to X-Compounds, or X-Products. The Parties shall cooperate reasonably in the prosecution of all Janssen X-Patents, Neurocrine X-Patents, or DPC X-Patents and shall share all material information relating thereto, including all material communications from patent offices, promptly after receipt of such information, in so far as such information relates to X-Compounds, or X-Products.

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(d) Breadth of Filing. Unless specifically provided for otherwise, the determination of the countries in which to file Janssen X-Patents, Neurocrine X-Patents, and DPC X-Patents shall be made by the Filing Party. In the case of applications *********** and ***********, equivalent Patents covering X-Compounds and X-Products must be filed in at least** ***. The country list of this sub-Paragraph may be reduced as to one application or the other where there is a good faith discussion and agreement among the Parties that such filing would not serve the interest of the Parties.

(e) Discontinuation. If, during the term of this Agreement, the Filing Party intends to allow any Janssen X-Patent, Neurocrine X-Patent, or DPC X-Patent to lapse or go abandoned, the Filing Party shall, whenever practicable, notify the non-filing Parties of such intention at least sixty (60) days prior to the date upon which such Patent shall lapse or become abandoned, and the non-filing Parties shall thereupon have the right, but not the obligation, to assume responsibility for the prosecution, maintenance and defense thereof and all expenses related thereto. The Filing Party will receive a non-exclusive, royalty-free license under such Patent in the countries concerned.

8.4 Infringement by Third Parties. If any Janssen X-Patent, Neurocrine X-Patent, and/or DPC X-Patent is infringed by a Third Party in any country in connection with the manufacture, use and sale of a X-Product in such country, the Party to this Agreement first having knowledge of such infringement shall promptly notify the others in writing. The notice shall set forth the known facts of that infringement in reasonable detail. The Party owning such Patent shall have the primary right, but not the obligation, to institute, prosecute, and control any action or proceeding with respect to such infringement, by counsel of its own choice, and at its own expense. If the owning Party fails to bring an action or proceeding within a period of one hundred eighty (180) days after a request by the exclusively licensed Party of the infringed subject matter to do so, the exclusively licensed Party of the infringed subject matter shall have the right to bring and control any such action by counsel of its own choice, and at its own expense. The Party bringing suit under this Paragraph shall bear all costs and expenses of the suit and shall retain any damages or other monetary awards recovered. A settlement or consent judgment or other voluntary final disposition of a suit brought by such exclusively licensed Party under this Paragraph may be entered into without the consent of the owning Party; provided that such settlement, consent judgment or other disposition does not admit the invalidity or unenforceability of any Patent; and provided further, that any rights to continue the infringing activity in such settlement, consent judgment or other disposition shall be limited to the Product or activity that was the subject of the suit. A settlement or consent judgment or other voluntary final disposition of a suit brought by the owning Party under this Paragraph may be entered into only with the consent of such exclusively licensed Party. 8.5 Defense and Settlement of Third Party Claims. If a Third Party asserts that a patent, trademark or other intangible right owned by it is infringed by the manufacture, use or sale of

any Product, the Party responsible for the payment of royalties on such Product pursuant to Article IV above (the "Defending Party') will be solely responsible for defending against any such assertions at its cost and expense. The Defending Party shall have the right to defend and settle against such charge of infringement

8.6 Patent Assignment. No Party may assign its rights under any Janssen X-Patent, Neurocrine X-Patent, Neurocrine N-Patent or DPC X-Patent, except with the prior written consent of the Party(ies) obligated to pay royalties on Products covered by such Patent under Article IV above; provided, however, that a Party may assign such rights without consent to permitted assignee under this Agreement in connection with a merger or similar reorganization or the sale of all or substantially all of its assets.

8.7 Notices Relating to the Act. The Filing Party with respect to any Janssen X-Patent, Neurocrine X-Patent, DPC X-Patent shall notify the Party(ies) obligated to pay royalties on Products covered by such Patent under Article IV above, of communications as to which the Filing Party receives (as patent owner) a notice pursuant to the Drug Price Competition and Patent Term Restoration Act of 1984 (hereinafter the "Act"), including but not necessarily limited to notices pursuant to ss.ss.101 and 103 of the Act from persons who have filed an abbreviated NDA ("ANDA") or a "paper" NDA.

8.8 Authorization Relating to Patent Term Extension. The Filing Party of any Janssen X-Patent, Neurocrine X-Patent, or DPC X-Patent hereby authorizes the Party(ies) obligated to pay royalties on Products covered by such Patent under Article IV above, to (a) provide in any NDA a list of patents which includes the Filing Party Patents that relate to such Product and such other information as the Party believes is appropriate; (b) commence suit for infringement of the Patents under ss. 271(e) (2) of Title 35 of the United States Code; and (c) exercise any rights that

may be exercisable by the Filing Party as Patent owner under the Act, including without limitation, applying for an extension of the term of any patent licensed to such Party hereunder. In the event that applicable law in any country provides for the extension of the term of any patent included among the Filing Party's Patents, such as under the U.S. Drug Price Competition and Patent Term Restoration Act of 1984, the Supplementary Certificate of Protection of the Member States of the European Union and other similar measures in any other country, the Filing Party shall apply for and use its reasonable efforts to obtain such an extension or, should the law require the Party(ies) obligated to pay royalties to so apply, the Filing Party hereby gives permission to such Party hereunder to do so. The Party(ies) obligated to pay royalties hereunder and the Filing Party agree to cooperate with one another in obtaining such extension. The Filing Party agrees to cooperate with the Party(ies) obligated to pay royalties or its Sublicensee, as applicable, in the exercise of the authorization granted herein and will execute such documents and take such additional action as such Party hereunder may reasonably request in connection therewith, including, if necessary, permitting itself to be joined as a Party in any suit for infringement brought by such Party licensed hereunder. DPC agrees that Janssen and Neurocrine will in all cases be considered as the Party obligated to pay royalties under this Paragraph for any Product for any DPC X-Patent.

ARTICLE IX
INDEMNIFICATION

9.1 Indemnification. Each Party (the "Indemnifying Party") shall indemnify, defend and hold the other Parties (each an "Indemnified Party") harmless from and against any and all liabilities, claims, damages, costs, expenses or money judgments ("Losses") incurred by or

rendered against the Indemnified Party and its Affiliates and Sublicensees incurred in the defense or settlement of a Third Party lawsuit or in a satisfaction of a Third Party judgment arising out of any injuries to person and/or damage to property resulting from the research, development and commercialization of Products by the Indemnifying Party, provided however, an Indemnified Party shall not be entitled to indemnification hereunder to the extent any Loss is attributable to the Indemnified Party's negligence. 9.2 Procedure. In the event that an Indemnified Party is seeking indemnification under Paragraph 9.1, it shall inform Indemnifying Party of a claim as soon as reasonably practicable after it receives notice of the claim, shall permit the Indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration), and shall cooperate as requested (at the expense of the Indemnifying Party in the defense of the claim.

ARTICLE X
TERM AND TERMINATION

10.1. Term. This Agreement shall commence on the Effective Date and shall remain in effect on a Product-by-Product basis until the expiration of the obligation to pay royalties on the part of any Party for such Product.

10.2 Material Breach.

(a) In the event that either Party commits a breach of any material term or condition of this Agreement and that Party fails to remedy that breach within sixty (60) days after receipt of written notice of that breach from the other Party, the Party giving notice may, at its option, begin arbitration proceedings pursuant to Paragraph 11.2 and seek whatever relief he is entitled to under the law.

(b) The Parties agree that a breach, including a material breach, by one Party under this Agreement in its obligations to a second Party will not effect the rights and obligations of the third Party hereunder. Specifically, a breach by Janssen of its obligations owed to DPC will not disturb the rights of Neurocrine, including the licenses held by Neurocrine, and a breach by Neurocrine of its obligations owed to DPC will not disturb the rights of Janssen, including the licenses held by Janssen.

(c) A material breach by Janssen under this Agreement which results in a loss of rights by Janssen which effects Janssen's ability to market X-Products will be considered a material breach by Janssen under the agreement between Janssen and Neurocrine effective January 1, 1995.
10.3 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 any other Party (the "Insolvent Party"), in the event the Insolvent Party shall have become insolvent or bankrupt, 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 are, and shall otherwise be deemed to be, for purposes of Section 365 (n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. 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 U.S. Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against any Party under the U.S. Bankruptcy Code, the other Parties 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 same, if not already in the their possession, shall be promptly delivered to them (i) upon any such commencement of a bankruptcy proceeding upon its written request therefor, 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 therefor by the other Party. Upon the insolvency of any Party hereto, the other Parties shall have the option to (i) terminate this Agreement or (ii) keep this Agreement in full force and effect and retain all licenses granted hereunder subject to the payment of all milestones and royalties set forth above. The Parties expressly agree that a Party reserves a security interest in any amounts owed to the Insolvent Party and maintains a right of setoff against amounts owed to such Party by the Insolvent Party or the value of damages caused by any failure to perform by the Insolvent Party. 10.4 Survival. Termination, relinquishment or expiration of the Agreement for any reason shall be without prejudice to any obligations which shall have accrued prior to such termination, relinquishment or expiration, including, without limitation, the any payment obligations and any

and all damages arising from any breach hereunder. Such termination, relinquishment or expiration shall not relieve any Party from obligations that are expressly indicated to survive termination or expiration of the Agreement.

ARTICLE XI
DISPUTE RESOLUTION

11.1 Dispute Resolution and Arbitration. In the case of any disputes between the Parties arising from this Agreement, and in case this Agreement does not provide a solution for how to resolve such disputes, the Parties shall discuss and negotiate in good faith a solution acceptable to both Parties and in the spirit of this Agreement. If after good faith discussions, the Parties fail to reach an amicable agreement, then either Party may upon written notice to the other submit to binding arbitration pursuant to Section 11.2. 11.2 Arbitration. Any dispute, controversy or claim arising out of or in connection with or relating to this Agreement, or the interpretation, application, breach, termination or validity thereof, including any claim of inducement by fraud or otherwise not settled by the procedures set forth in Paragraph 11.1 above or the breach or alleged breach of a material provision of this Agreement shall be adjudicated by arbitration in accordance with the Arbitration Proceedings as set forth in Exhibit A attached hereto.

ARTICLE XII
REPRESENTATIONS AND WARRANTIES; EXCLUSIVITY.

12.1 Representations and Warranties. Each of the Parties hereby represents and warrants and covenants as follows: (a)

(a) Binding Agreement. 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 enforcement of creditor's rights and (ii) equitable principles of general applicability.

(b) Due Authorization. Each party is duly authorized and validly existing under the laws of the state of Delaware and has full corporate power and authority to enter into this Agreement and carry out the provisions hereof.

(c) No Conflict. The execution, delivery and performance of the Agreement by such Party does not conflict with any agreement, instrument or understanding, oral or written, to which it is a Party or by which it is bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(d) Third Party Rights. Each Party has not, and during the term of the Agreement will not, grant any right to any Third Party relating to its respective technology in the Field which would conflict with the rights granted to the other Party hereunder.

(e) Patents. Each Party owns or otherwise controls all of the rights, title and interest in and to Patents licensed by it hereunder.

12.2 Patents Warranties. To its reasonable best knowledge as of the Effective Date, each Party represents and warrants that it is not aware of any Third Party right, other than **********; which would interfere with the exercise by the Parties of the rights granted hereunder.

12.3 Exclusivity. Unless specifically stated herein or provided for elsewhere, the Parties are free to compete in any market or therapeutic area, including the Field, without restriction and make no promises of exclusivity.

ARTICLE XIII
MISCELLANEOUS

13.1 Relationship of Parties. For the purposes of this Agreement, each Party is an independent contractor and not an agent or employee of any other Party. No Party shall have authority to make any statements, representations, or commitments of any kind, or to take any action which shall be binding on any other Party, except as may be explicitly provided for herein or authorized in writing.

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

13.3 Headings. All headings in this Agreement are for convenience only and shall not affect the meaning of any provision hereof. 13.4 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective lawful successors and assigns. 13.5 Assignment. No party may assign this Agreement without the prior written consent of the other Parties, except that a Party may assign this Agreement to an Affiliate or to a successor in connection with the merger, consolidation, or sale of all or substantially all of its assets or that portion of its business pertaining to the subject matter of this Agreement.

13.6 Amendment and Waiver. This Agreement may be amended, supplemented, or otherwise modified at any time, but only by means of a written instrument signed by all of the Parties. Any waiver of any rights or failure to act in a specific instance shall relate only to such instance and shall not be construed as an agreement to waive any rights or fail to act in any other instance, whether or not similar.

13.7 Governing Law. This Agreement and the legal relations among the parties shall be governed by and construed in accordance with the laws of the State of Delaware, USA, irrespective of any choice of laws or conflict of laws principles.

13.8 Severability. In the event that any provision of this Agreement shall, for any reason, be held to be invalid or unenforceable in any respect, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision had not been included herein.

13.9 Entire Agreement. This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes any and all prior or contemporaneous oral and prior written agreements and understandings.

13.10 Advice of Counsel. The Parties have each consulted counsel of their choice regarding this Agreement, and each acknowledges and agrees that this Agreement shall not be deemed to have been drafted by one party or another and will be construed accordingly.

13.11 Consents Not Unreasonably Withheld. Whenever provision is made in this Agreement for a Party to secure the consent or approval of any other, that consent or approval shall not unreasonably be withheld, and whenever in this Agreement provision is made for a Party to object to or disapprove a matter, such objection or disapproval shall not unreasonably be exercised.

13.12 Retained Rights. Nothing in this Agreement shall limit in any respect the right of any Party to conduct research and development with respect to and market products outside the Field using such Party's know-how.

13.13 Force Majeure. No Party shall lose any rights hereunder or be liable to any other Party for damages or losses on account of failure of performance by the defaulting Party if the failure is occasioned by government action, war, fire, explosion, flood, strike, lockout, embargo, act of God, or any other similar cause beyond the control of the defaulting Party, provided that the Party claiming force majeure has exerted all reasonable efforts to avoid or remedy such force majeure; provided, however, that in no event shall a Party be required to settle any labor dispute or disturbance. Notwithstanding the foregoing, this Section 13.13 shall not operate to relieve a Party from performance of any obligation for more than ninety (90) days.

13.14 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 this Agreement.

13.15 No Trademark Rights. Except as otherwise provided herein, no right, express or implied, is granted by the Agreement to use in any manner the name of any Party, or any other trade name or trademark of the any Party or its Affiliates in connection with the performance of the Agreement.

13.16 Notices. All notices hereunder shall be in writing and shall be deemed given if delivered personally or by facsimile transmission (receipt verified), telexed, mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by express courier service, to the Parties at the following addresses (or at such other addresses for a Party as shall be specified

by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof).

If to DPC,

addressed to: Vice-President
Product Planning & Acquisition
DuPont Pharmaceuticals Company
974 Centre Road
Chestnut Run Plaza, Walnut Run
Wilmington, DE 19805
Phone: (302) 992-4545
Facsimile: (302) 992-3040

With a copy to: Patent Department
Chief Intellectual Property Counsel
DuPont Pharmaceuticals Company
974 Centre Road
Chestnut Run Plaza, Walnut Run
Wilmington, DE 19805
Facsimile: (302) 992-3999

If to Janssen:

addressed to: President, JRF

Janssen Pharmaceutica N. V.
Turnhoutseweg 30
2340 Beerse, Belgium
Phone: (32 +14) 602111
Facsimile: (32+14) 602841

With a copy to: Office of General Counsel
Johnson & Johnson
One Johnson & Johnson Plaza
New Brunswick, NJ 08933
Facsimile: 732-524-2788

If to Neurocrine:

addressed to: President & CEO

Neurocrine Biosciences Inc.
10555 Science Center Drive
San Diego, CA 92121
Phone: 858-658-7600
Facsimile: 858-658-7605

With a copy to: General Counsel

Each of the Parties consent to the personal jurisdiction of the U.S. Federal Courts and agree to accept any legal process served upon such Party at the addresses specified above for such Party.

13.17 Waiver. Except as specifically provided for herein, the waiver from time to time by any Party of any of its rights or its failure to exercise any remedy shall not operate or be construed as a continuing waiver of same or of any other of such Party's rights or remedies provided in this Agreement.

13.18 Compliance with Laws. The Parties shall comply with all applicable laws, rules, regulations and orders of the United States and applicable European countries and supra-governmental organizations and all jurisdictions and any agency or court thereof in connection with this Agreement and the transactions contemplated thereby.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement as a sealed instrument effective as of the date first above written.

.....JANSSEN PHARMACEUTICA, N.V.

.....By:...../s/ Dr. Alan Dunton
.....President

NEUROCRINE BIOSCIENCES, INC.

.....By:...../s/ Gary Lyons
.....President

DUPONT PHARMACEUTICALS COMPANY.

.....By: ...../s/ Kurt M. Landgraf
.....Kurt M. Landgraf
.....Executive Vice-President &
Chief Operating Officer, DuPont

Exhibit A
Arbitration Proceedings

1.1 (a) Any dispute, controversy or claim arising out of or in connection with or relating to this Agreement, or the interpretation, application, breach, termination or validity thereof, including any claim of inducement by fraud or otherwise, shall, before submission to arbitration, first be mediated through non-binding mediation in accordance with the Model Procedures for the Mediation of Business Disputes promulgated by the Center for Public Resources ("CPR") then in effect, except where those rules conflict with these provisions, in which case these provisions control. The mediation shall be conducted in Philadelphia, PA and shall be attended by a senior executive with authority to resolve the dispute from each of the operating companies that are Parties.

(b) The mediator shall be an attorney specializing in business litigation who has at least 15 years of experience as a lawyer with a law firm of over 25 lawyers or was a judge of a court of general jurisdiction and who shall be appointed from the list of neutrals maintained by CPR.

(c) The Parties shall promptly confer in an effort to select a mediator by mutual agreement. In the absence of such an agreement, the mediator shall be selected from a list generated by CPR with each Party having the right to exercise challenges for cause and two peremptory challenges within three business days of receiving the CPR list.

(d) The mediator shall confer with the Parties to design procedures to conclude the mediation within no more than forty-five (45) days after initiation. Unless agreed upon by the Parties in writing, under no circumstances shall the commencement of arbitration under Section 1.2 hereof be delayed more than forty-five (45) days by the mediation process specified herein.

(e) Each Party agrees to toll all applicable statutes of limitation during the mediation process and not to use the period or pendency of the mediation to disadvantage the other Party procedurally or otherwise. All negotiations pursuant to this clause will be confidential and shall be treated as compromise and settlement negotiations for the purposes of the Federal Rules of Evidence and all other evidentiary purposes.

(f) Each Party has the right to pursue provisional relief from any court, such as attachment, preliminary injunction, replevin, etc., to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration, even though mediation has not been commenced or completed.

1.2 (a) Following the mediation procedures set forth in Exhibit A Section 1.1, any dispute, controversy or claim arising out of or in connection with or relating to this Agreement, or the interpretation, application, breach, termination or validity thereof, including any claim of inducement by fraud or otherwise, will be submitted for resolution to arbitration pursuant to the commercial arbitration rules then pertaining of the Center for Public Resources ("CPR"), except where those rules conflict with these provisions, in which case these provisions control. The arbitration will be held in Philadelphia, PA.

(b) The panel shall consist of three arbitrators chosen from the CPR Panels of Distinguished Neutrals each of whom is a lawyer specializing in business litigation with at least 15 years experience with a law firm of over 25 lawyers or was a judge of a court of general jurisdiction.

(c) The Parties agree to cooperate (1) to obtain selection of the arbitrators within thirty (30) days of initiation of the arbitration, (2) to meet with the arbitrators within thirty (30) days of selection and (3) to agree at that meeting or before upon procedures for discovery and as to the conduct of the hearing which will result in the hearing being concluded

within no more than nine (9) months after selection of the arbitrators and in the award being rendered within sixty (60) days of the conclusion of the hearings, or of any post-hearing briefing, which briefing will be completed by both Parties with twenty (20) days after the conclusion of the hearings. In the event no such agreement is reached, the CPR will select arbitrators, allowing appropriate strikes for reasons of conflict or other cause and three peremptory challenges for each side. The arbitrators shall set a date for the hearing, commit to the rendering of the award within sixty (60) days of the conclusion of the evidence at the hearing, or of any post-hearing briefing (which briefing will be completed by both sides in no more than twenty (20) days after the conclusion of the hearings), and provide for discovery according to these time limits, giving recognition to the understanding of the Parties hereto that they contemplate reasonable discovery, including document demands and depositions, but that such discovery be limited so that the time limits specified herein may be met without undue difficulty. In no event will the arbitrators allow either side to obtain more than a total of forty (40) hours of deposition testimony from all witnesses, including both fact and expert witnesses. In the event multiple hearing days are required, they will be scheduled consecutively to the greatest extent possible.

(d) The arbitrators shall render their award following the substantive law of Delaware. The arbitrators shall render an opinion setting forth findings of fact and conclusions of law with the reasons therefor stated. A transcript of the evidence adduced at the hearing shall be made and shall, upon request, be made available to either Party.

(e) To the extent possible, the arbitration hearings and award will be maintained in confidence.

(f) Any United States District Court having jurisdiction of the matter may enter judgment upon any award. In the event the panel's award exceeds Five Million Dollars (5,000,000) in monetary damages or includes or consists of equitable relief, then the court shall vacate, modify or correct any award where the arbitrators' findings of fact are clearly erroneous, and/or where the arbitrators' conclusions of law are erroneous; in other words, it will undertake the same review as if it were a federal appellate court reviewing a district court's findings of fact and conclusions of law rendered after a bench trial. An award for less than Five Million Dollars (5,000,000) in damages and not including equitable relief may be vacated, modified or corrected only upon the grounds specified in the Federal Arbitration Act. The Parties consent to the jurisdiction of the District Court for the enforcement of these provisions, the entry of judgment on any award, and the vacatur, modification and correction of any award as above specified.

(g) Each Party has the right before or during the arbitration to seek and obtain from the appropriate court provisional remedies such as attachment, preliminary injunction, replevin, etc. to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration.

(h) Each Party hereto waives its right to trial of any issue by jury.

(i) Each Party hereto waives any claim to punitive, exemplary and consequential damages from the other.

[***] CONFIDENTIAL TREATMENT REQUESTED
REDACTED FOR CONFIDENTIALITY

AMENDMENT NUMBER ONE
TO AGREEMENT BETWEEN
NEUROCRINE BIOSCIENCES, INC. AND
JANSSEN PHARMACEUTICA, N.V.

AMENDMENT NUMBER ONE dated September 24, 1999 (this "Amendment") to the Agreement effective as of January 1, 1995 (the "Original Agreement") by and between Neurocrine Biosciences, Inc., a Delaware corporation with principle offices located at 10555 Science Center Drive, San Diego, California 92121 ("Neurocrine") and Janssen Pharmaceutica, N.V., a corporation organized under the laws of Belgium with principle offices located at Turnhoutseweg 30, 2340 Beerse, Belgium ("Janssen").

WHEREAS, pursuant to the Original Agreement, Janssen and Neurocrine have conducted a collaborative research program in the field of corticotropin-releasing factor (CRF) Receptor Antagonists (as defined below) and have developed certain technology in this field.

WHEREAS, the Research (as defined below) conducted by Neurocrine and Janssen pursuant to the Original Agreement has led to filing of patents and the identification of certain CRF Receptor Antagonist pre-clinical and clinical development candidate compounds.

WHEREAS, Research Term (as defined in the Original Agreement) expired on January 1, 1998 and Janssen and Neurocrine now wish to conduct an additional program of collaborative research (the "Back-up Program") designed to identify new CRF Receptor Antagonist which will be subject to the terms of the Original Agreement as amended hereby.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

Defined Terms. Capitalized terms used herein that are not defined herein shall have the meanings assigned to such terms in the Original Agreement.

1.1 "Amendment Effective Date" shall mean April 15, 1999.

1.2 "Back-up PCC" shall mean any composition of matter that (or, in the case of prodrugs, an active ----------- metabolite of which):

(a) demonstrates CRF Receptor Antagonist activity ***************************** ****************; and

(b) demonstrates CRF Receptor Antagonist activity at a dosage of ** ***, provided that at the request of Neurocrine, such activity is confirmed in the ******** by repeating the experiment; and

(c) is within the scope of the Back-up Program Patents; and

(d) is discovered, identified, synthesized, developed or acquired by or on behalf of Neurocrine or Janssen within the scope and during the Back-up Program Term and is recognized by either Party to meet the conditions of (a) and (b) hereof, prior to the first anniversary of the end of the Back-up Program Term.

1. 3 "Back-up Program" shall mean all work performed by the Parties or on their behalf directed towards or in connection with the discovery, identification and synthesis of Back-up PCCs during the Back-up Program Term, but shall not include work performed by Janssen on the PCCs of the Original Agreement without the direct cooperation or assistance of Neurocrine.

1. 4 "Back-up Program Patents" shall mean the Patents ****************

********** which consist of ********** ********** and the Neurocrine Back-up Patents.

1.5 "Back-up Program Term" shall mean the term beginning on April 15, 1999 and ending February 15, 2001 or such earlier date as Janssen shall terminate the Back-up Program in accordance with section 2a.13.

1.6 "Neurocrine Back-up Patents" shall mean ********** filed by Neurocrine, excluding any genus thereof outlicensed to a Third Party with the knowledge of Janssen.

1.7 "Preliminary Back-up Candidate" shall mean a PCC, including Back-up PCC, that meets the following criteria:

(i) demonstrates ********** in Exhibit B; and
(ii) demonstrates the ********** in Exhibit B; and
(iii) demonstrates no ********** as set forth in Exhibit B; and
(iv) falls within the scope of the claims of a Program Patent, including Back-up Program Patent, or is licensed to Janssen and Neurocrine by DuPont Pharmaceuticals Company under the executed Settlement Proposal, and on the basis of review of published applications appears to be free of published Patent claims of Third Parties.

1.8 "Settlement Proposal" shall mean the settlement proposal among Janssen, Neurocrine and a Third Party (DuPont Pharmaceuticals Company), **********.

ARTICLE 2
AMENDMENT OF CERTAIN DEFINITIONS.

2.1 The definition of Collaboration Tangible Research Product is hereby revised to read as set forth below: ----------

"Collaboration Tangible Research Product" means any composition of matter or other tangible asset, including but not limited to compounds, natural products or fermentation broths and/or extracts or factions thereof, immunoglobulin molecules, including active fragments thereof and monoclonal antibodies, cells and cell lines, DNA and RNA molecules, plasmids, proteins, peptides, receptors, receptor fragments, research tools, materials for use in screening methods and techniques made or synthesized by either Party in the course of the Research or Back-up Program, or acquired by Neurocrine in the course of the Research or Back-up Program with funds provided by Janssen under 2.5(c) or 2a.7(iii) as mutually agreed.

2.2 The definition of Non-Collaboration Tangible Research Product is hereby revised to read as set forth below:

"Non-Collaboration Tangible Research Product" means any composition of matter or other tangible asset, including but not limited to compounds, natural products or fermentation broths and/or extracts or factions thereof, immunoglobulin molecules, including active fragments thereof and monoclonal antibodies, cells and cell lines, DNA and RNA molecules, plasmids, proteins, peptides, receptors, receptor fragments, research tools, materials for use in screening methods and techniques made or synthesized by either Party outside of the Research or Back-up Program before, during or after the Research Term and Back-up Program Term and actually utilized by such Party in conducting the Research or Back-up Program, respectively.

2.3 The definition of Primary Collaboration Compounds or PCC is hereby amended so that subparagraphs (c)(i) and (c)(ii) shall read as set forth below:

(i) is (A) discovered, identified, synthesized or acquired by or on behalf of Neurocrine or Janssen prior to the end of the Research Term and is recognized by either Party to meet the conditions of (a) and (b) hereof, prior to the first anniversary of the end of the Research Term or (B) is a Back-up PCC; or

(ii) is (A) first discovered, identified, synthesized or acquired by or on behalf of Janssen during the period beginning with the end of the Research Term and ending on the Amendment Effective Date and recognized by Janssen to meet the condition of (b) hereof prior to the third anniversary of the end of the Research Term, or (B) first discovered, identified, synthesized or developed by Janssen or by a Third Party directly or indirectly on behalf of Janssen during the period beginning on the Amendment Effective Date and ending on the third anniversary of the end of the Research Term and

recognized by Janssen to meet the condition of (b) hereof during such period if the discovery, identification, synthesis or development (whether by Janssen or a Third Party) would, but for any licenses granted hereunder or pursuant to the Settlement Proposal, infringe any Neurocrine Patent; or

2.4 The definition of Program Patents is hereby amended to read as set forth below:

"Program Patents" shall mean on a genus by genus basis, the genuses in any Patent (or pending application for a Patent) the subject of which is an invention that (i) was conceived (in a writing provided to the other Party) or reduced to practice by Janssen or Neurocrine in the course of the Research or within the scope and during the term of the Back-up Program and (ii) that comprises a PCC or SCC or a formulation, method of use or method of manufacture thereof.

ARTICLE 3
OTHER AMENDMENTS

3.1 Amendment of Paragraph 9.1. Paragraph 9.1 of the Original Agreement is hereby amended so that the second sentence shall read as set forth below:

Title to all other Patents claiming inventions made solely by an employee of a Party in the course of performing Research or the Back-up Program shall be owned by such Party.

3.2 Amendment of Paragraph 9.2. Paragraph 9.2 of the Original Agreement is hereby amended so that the first sentence shall read as set forth below:

Each Party shall provide to the other any invention disclosure submitted in the normal course and disclosing an invention arising in the course of the Research or Back-up Program.

3.3 Amendment of Paragraph 10.3. Paragraph 10.3 of the Original Agreement is hereby amended to read as set forth below:

10.3 Exclusivity/ Non-Competition. During the Research Term and thereafter until the Amendment Effective Date, Neurocrine shall not conduct, have conducted or fund any research, development, regulatory, manufacturing or commercialization activity directed to the discovery, development or commercialization of CRF Antagonists for use in anxiety, depression or drug abuse except as permitted pursuant to this Agreement.

3.4 Amendment of Paragraph 11.6. The first sentence of Paragraph 11.6 of the Original Agreement is hereby revised to read as set forth below:

11.6 Termination for Convenience. Janssen may terminate this Agreement for any reason without cause at any time with further obligations of payment on the part of Janssen being limited to amounts expected by Neurocrine under Paragraph 2.5 (including

without limitation 2.5(b)), Paragraph 6.1 above and paragraph 2a.7, which Neurocrine would have received if the Agreement had not been terminated under this Paragraph 11.6.

3.5 Amendment of Paragraph 15.8. Paragraph 15.8 of the Original Agreement is hereby amended to read as set forth below.

15.8 Notices. All notices hereunder shall be in writing and shall be deemed given if delivered personally or by facsimile transmission (receipt verified), telexed, mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by express courier service, to the Parties at the following address (or at such other address for a party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof.

If to Neurocrine,

addressed to: Neurocrine Biosciences, Inc.
10555 Science Center Drive
San Diego, CA 92121
Attention: President & CEO
Telephone: 858-658-7600
Telecopy: 858-658-7605

If to Janssen,

addressed to: Janssen Pharmaceutica,N.V.
Turnhoutseweg 30
2340 Beerse, Belgium
Attention: President, JRF
Telephone: (32 + 14) 60-21-11
Telecopy: (32 + 14) 60-28-41

With a copy to: Office of General Counsel
Johnson & Johnson
One Johnson & Johnson Plaza
New Brunswick, NJ 08933

Each of the Parties consent to the personal jurisdiction of the U.S. Federal Courts and agree to accept any legal process served upon such Party at the addresses specified above for such Party.

ARTICLE 4
ADDITION OF NEW ARTICLE II A

The Original Agreement is hereby amended by the addition of the following new article covering the terms and conditions under which the parties have agreed to conduct the Back-up Program.

ARTICLE II A
BACK-UP PROGRAM

2a.1 Back-up Program. Janssen and Neurocrine agree to conduct a collaborative Back-up Program under the terms and conditions set forth in this Article II A.

(i) Scope. The scope of the Back-up Program will be limited to identification, characterization and pre-clinical development of CRF Antagonist compounds within the scope of the Back-up Program Patents. The Parties acknowledge that a number of CRF Antagonist Compounds identified in the scope of the Research have been designated PCCs. It is anticipated that the Back-up Program will focus on the discovery of new PCCs but to the extent the JRC elects to conduct further characterization and development of PCCs identified in the course of the Research as part of the Back-up Program, the characterization and development of such PCCs shall be subject to the terms of this Article II A.

(ii) Goal. It is the goal of the Back-up Program to********
****
****
**********.
The Parties will in good faith use commercially reasonable efforts to meet the goals of the Back-up Program. For clarification, there is no obligation on the part of Janssen to file an IND or any equivalent thereof on any PCC, including Back-up PCC, imposed by the operation of this Amendment except as provided in 2a.8(ii).

2a.2 The JRC.

(i) Formation. Janssen and Neurocrine will establish a Joint Research and Development Committee ("JRC") to oversee, review and co-ordinate the Back-up Program and the implementation thereof. The JRC will consist of at least three (3) members from each of Janssen and Neurocrine (with Janssen and Neurocrine having equal representation).

(ii) Decisions. Each Party shall have one consolidated vote on any issue and decisions of the JRC shall be by unanimous vote. If the JRC fails to resolve any matter before it for consideration, the matter shall be resolved pursuant to the dispute resolution provisions of Paragraph 13.1.

(iii) FTE use. The JRC will use reasonable efforts to allocate work under the Plan to supply Neurocrine with Neurocrine's expected utilization rate of approximately ******/calendar quarter. The JRC may provide that FTE utilization be moved from one quarter to another where such is in the best interest of the Plan and convenient to Neurocrine.

(iv) Subcommittees. From time to time the JRC may establish subcommittees to oversee particular projects or activities (such as separate committees to manage

the research phase and pre-clinical phase of the Back-up Program) and such committees will be constituted as the JRC agrees.

(v) Meetings. The JRC will meet regularly according to a mutually agreed schedule.

2a.3 Research Plan.

(i) Agreement on Research Plan. Promptly after the Amendment Effective Date, the Parties shall meet and mutually agree on a plan for the conduct of the Back-up Program (the "Plan"). The Plan will outline the Back-up Program objectives and timeline and describe the activities to be conducted by each Party. The JRC shall review the Plan on an ongoing basis and approve changes thereto as the JRC deems appropriate. The Plan shall be consistent with this paragraph 2a.3 and consistent with each Party's available resources. An initial Plan is outlined in Exhibit B.

(ii) Efforts. The Plan will include general responsibilities of Neurocrine and Janssen FTEs devoted to the Back-up Program. Neurocrine will commit to devote approximately ********** FTEs in total to the conduct of the Back-up Program. Janssen will play an active role in both the research phase and pre-clinical phase of the Back-up Program and commit resources accordingly.

(iii) Responsibilities.

(A) Neurocrine. The Parties have agreed that Neurocrine will be responsible for the initial identification, synthesis and pharmacological and toxicological profiling of PCCs, including Back-up PCCs, during the Back-up Program. This will include medicinal chemistry, synthesis scale up, in vitro CRF receptor studies, in vivo pharmacological studies related to depression, anxiety and substance abuse, pharmacokinetics, non-GLP toxicology and teratogenicity screening.

(B) Janssen. The Parties have agreed that Janssen will be responsible for testing of PCCs, including Back-up PCCs, which are suitably scaled up in the ********** and for GLP toxicology. Subject to the obligations imposed by sub-Paragraph 2a.1(ii) and regardless of 2a.2(ii), Janssen shall have final say of which compounds are scaled up for further testing at any point where scale up from the initial synthesis is necessary. Any decision on which Janssen has final say will be consistent with the objective of the Plan and with timelines contained therein.

2a.4 Identification of Preliminary Back-up Candidate. The determination of whether a Preliminary Back-up Candidate has been identified will be based upon the good faith results of the above mentioned animal models. In the case of the **********

**********, the model may be run a second time and the average result will be determinative. In the case of the ********** **********, the first results will be determinative.

2a.5 Collaboration Tangible Research Products. During the Back-up Program Term each Party shall use reasonable efforts to make available to the other, Collaboration Tangible Materials to the extent such transfer shall be reasonably necessary for a party to conduct their responsibilities under the Plan.

2a.6 Reports. Janssen and Neurocrine will use reasonable efforts to make available and disclose to one another Information known by Janssen or Neurocrine on the Amendment Effective Date that directly relates to the scope of the Back-up Program. During the Back-up Program Term Janssen and Neurocrine will use reasonable efforts to disclose to one another Information regarding compounds synthesized or discovered, initial leads, activities of leads, derivatives, and results of in vitro and in vivo studies arising in the course of the conduct of the Back-up Program. Notwithstanding the foregoing, the Parties agree that Information disclosed during the course of the Back-up Program will be limited to Information within the scope of the Back-up Program the disclosure of which is reasonably necessary for the Parties to conduct the Back-up Program in accordance with the Plan. Consistent with the above, each Party will provide the other with raw data for work conducted in the course of the Back-up Program to the extent reasonably requested by the other Party.

2a.7 Funding.

(i) Prior Efforts. In consideration of research conducted and data and information generated prior to the Effective Date, Janssen will pay to Neurocrine ********** within thirty (30) days of the Amendment Effective Date.

(ii) FTEs. Janssen will reimburse Neurocrine for costs associated with the conduct of the Back-up Program by Neurocrine personnel by providing funding equal ********** per calendar quarter for the Back-up Program Term or until the total sum ********** ********** is paid. Such funding shall be provided in advance in quarterly installments. The payments for the first and last quarters shall be prorated to reflect the April 15, 1999 effective date for the Back-up Program Term with the first such payment being due and payable within thirty (30) days after the Amendment Effective Date and the first payment shall include past due amounts for calendar 1999 as well as the advance payment for the fourth quarter of 1999.

(iii) Outside Costs. Janssen will be responsible for all outside and third party costs associated with Back-up Program activities approved by the JRC in the Plan including the costs associated with third party contractors retained to perform tasks approved by the JRC. In addition, Janssen may elect to have third party

contractors reasonably acceptable to Neurocrine perform some of Janssen's obligations under the Plan to the extent Janssen is unable to perform the task internally within the approved timeline or when Janssen otherwise deems it appropriate consistent with the goals of the Back-up Program. Similarly, Neurocrine may elect to use third party contractors for certain toxicology, manufacturing and other tasks approved by the JRC. Janssen will be responsible for all such third party costs. Regardless of 2a.2(ii), Janssen shall have final say as to all outside and third Party Costs associated with Back-up Program activities, including the costs associated with Third Party contractors retained to perform tasks approved by the JRC. Any decision on which Janssen has final say will be consistent with the objectives of the Plan and with timelines contained therein.

(iv) Records. Neurocrine will maintain complete and accurate records relevant to the expenditure of Back-up Program funding hereunder. Such records shall be open during reasonable business hours for a period of three (3) years from the date of creation of such records for the sole purpose of allowing Janssen to verify payments hereunder.

2a.8 Milestones

(i) Payments. Within thirty (30) days following the first occurrence of the events set forth below, Janssen shall make the following one-time milestone payments to Neurocrine:

Event Payment
Identification of Preliminary Back-up Candidate,
which Preliminary Back-up Candidate ******
****
****

Filing and acceptance for review of an IND or equivalent in a country of the European Union of a PCC, including Back-up PCC, discovered, identified or synthesized or developed
in the Back-up Program **********

In the event the event that the milestone on acceptance for review of an IND is paid, then the milestone for identification of a Preliminary Back-up Candidate will be paid where it was previously unpaid. The milestones of this Paragraph will be paid in total only once. Milestone payments based on further post IND development of a PCC developed in the scope of the Back-up Program will be subject to any unpaid milestones under Paragraph 6.3.

(ii) Diligence. In the event that Janssen has not incurred the obligation to pay the milestone for **********, then upon the later of six (6) months following ********** or

nine (9) months following **********
****
****
agrees to either (A) pay such milestone **********
**********, or (B) on a compound by compound basis **********
****
****
****
**********.
The return of rights under this sub-Paragraph will include rights to all data and information and be free of any royalty obligation to Janssen.

(iii) In the event that the milestone for
****
********** and the Milestone For
****
****
**********,
then Janssen agrees to pay such milestone for identification of a Back-up Preliminary Candidate at the time the milestone is paid pursuant to 2a.8(i) or 2a.8(ii).

2a.9 Royalties. Janssen will pay to Neurocrine Royalties on Net Sales of PCCs developed in the scope of the Back-up Program as set forth in Article VI.

2a.10 Clinical Development and Commercialization.

(i) Clinical Development. Clinical development of PCCs developed in the course of the Back-up Program will be conducted in accordance with Article III.

(ii) Commercialization. Commercialization of PCCs developed in the course of the Back-up Program will be conducted in accordance with Article IV.

(iii) Manufacture. Janssen shall be responsible for the manufacture of PCCs developed in the scope of the Back-up Program consistent with Article VII.

(iv) Indemnification. For the purposes of Article XII, the conduct of the Back-up Program shall be considered a Research and Development activity.

2a.11 Licenses and Patents.

(i) Back-up Program. Janssen hereby grants to Neurocrine a non-exclusive license under the Janssen Patents and Program Patents as shall be reasonably necessary or useful for Neurocrine to conduct the Back-up Program. Neurocrine hereby grants to Janssen a non-exclusive license under the Neurocrine Patents (including Neurocrine Back-up Patents) and Program Patents as shall be reasonably necessary or useful for Janssen to conduct the Back-up Program.

(ii)

Janssen. Janssen will receive rights and assume obligations consistent with Article IX for any back-up Program Patents that are determined during the Back-up Program Term to actually contain a PCC to the extent Janssen did not previously have such rights and obligations. Upon the determination that all or a portion of a Neurocrine Back-up Patent is a Program Patent, Janssen will reimburse Neurocrine for past fees and expenses incurred with respect to all or part of such Patent, as the case may be, prior to such determination. Thereafter, Janssen will assume responsibility for such Program Patent consistent with Article IX.

2a.12 Exclusivity/ Non-Competition. Janssen acknowledges that Neurocrine has informed Janssen that during the period between the end of the Research Term and the Amendment Effective Date, Neurocrine has conducted an internal research program directed to the discovery and characterization of CRF Antagonist compounds which do not fall within the scope of the Program Patents ("Neurocrine Compounds") with the intention of developing these compounds for stroke and other indications that would not be categorized as anxiety, depression and/or drug abuse within the time periods dictated by Paragraph 10.3 and, following the expiration of the limitations imposed by Paragraph 10.3, expanding the development of these compounds to anxiety, depression and drug abuse should the compounds demonstrate activity in such indications. Neurocrine has also informed Janssen that Neurocrine's willingness to conduct the Back-up Program is conditioned on Janssen's recognition of Neurocrine's continued right to conduct independent research and development of CRF Antagonist compounds. It is understood that ********** entitles the Parties to use ********** for any purpose subject to obligations of confidentiality in Article VIII. This would include the use of ********** in the development of the **********.

2a.13 Termination.

(i) Convenience. In the event Janssen shall elect to terminate this Agreement under Paragraph 11.6, Janssen shall pay to Neurocrine all amounts that would have been payable under Paragraphs 2a.7(ii) (up to **********) and reimburse Neurocrine for all noncancelable obligations incurred by Neurocrine for JRC approved activities.

(ii) Breach. Notwithstanding the provisions of paragraph 11.2, in the event either Party shall default in ---------- the performance of any material obligation set forth in this Article II A, the sole remedy of the other Party shall be termination of the Back-up Program. In the event the Back-up Program shall be terminated by reason of a default by Janssen, Janssen shall pay to Neurocrine all amounts that would have been payable under paragraph 2a.7(ii) and (iii), grant to Neurocrine an exclusive license under the Program Patents to make, use and sell Back-up PCCs which are Preliminary Back-up Candidates and reimburse Neurocrine for all noncancelable obligations incurred by Neurocrine for JRC approved activities. In the event the (iii)

Back-up Program shall be terminated by reason of a default by Neurocrine, Neurocrine will return to Janssen the initial payment and any milestone payments made by Janssen hereunder and any Neurocrine Back-up Patent and Back-up Program Patent that contains a Preliminary Back-up Candidate will be considered a Program Patent which contains in each chemical genus thereof at least one member which is a PCC meeting the requirements of Paragraph 1.38 (c)(i).

(iii) Early Termination. Janssen shall have the right to terminate the Back-up Program as ********** upon delivering notice of its intention to do so by **********. Upon such termination, Janssen will reimburse Neurocrine for noncancelable obligations incurred by Neurocrine for JRC approved activities and thereafter shall have no further obligation to fund the conduct of the Back-up Program by Neurocrine. Janssen will retain all rights, patent or otherwise, to PCCs which are such by the terms of the Original Agreement except that any development of such a PCC by Janssen which was discovered, identified, synthesized or developed in the Back-up Program will be subject to the milestone payments herein. Upon such termination, Neurocrine will retain all its rights, patent or otherwise, to any compound which, except for the terms of this Amendment would not be a PCC. The definition of Program Patent would return to that of the Original Agreement. Neurocrine's retained rights under this sub-Paragraph will be free of any royalty obligation to Janssen and include all rights to data.

ARTICLE V
MISCELLANEOUS

5.1 Assignment. Either Party may assign this Amendment or its ownership interest in jointly owned Program Patents: (i) to a party that succeeds to substantially all of the business or assets of such Party by reason of a merger or similar reorganization or the sale of substantially all of its business or assets, or (ii) otherwise with the prior written consent of the other Party. This Amendment shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties. Any assignment not in accordance with this Amendment shall be void.

5.2 Force Majeure. Neither Party shall lose any rights hereunder or be liable to the other Party for damages or losses on account of failure of performance by the defaulting Party if the failure is occasioned by government action, war, fire, explosion, flood, strike, lockout, embargo, act of God, or any other similar cause beyond the control of the defaulting Party, provided that the Party claiming force majeure has exerted all reasonable efforts to avoid or remedy such force majeure; provided, however, that in no event shall a Party be required to settle any labor dispute or disturbance.

5.3. 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 this Amendment

5.4 Waiver. Except as specifically provided for herein, the waiver from time to time by either of the Parties of any of their rights or their failure to exercise any remedy shall not operate or be construed as a continuing waiver of same or of any other of such Party's rights or remedies provided in this Amendment.

5.5 Severability. If any term, covenant or condition of this Amendment or the application thereof to any Party or circumstance shall, to any extent, be held to be invalid or unenforceable, then (i) the remainder of this Amendment, or the application of such term, covenant or condition to Parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Amendment shall be valid and be enforced to the fullest extent permitted by law; and (ii) the Parties hereto covenant and agree to renegotiate any such term, covenant or applicable thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant or condition of this Amendment or the application thereof that is invalid or unenforceable, it being the intent of the Parties that the basic purposes of this Agreement are to be effectuated.

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

5.7 Entire Agreement. The Original Agreement as amended hereby, the accompanying Stock Purchase Agreement ********** ****** set forth all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto and supersede and terminate all prior agreements and understanding between the Parties. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as set forth herein and therein. No subsequent alteration, amendment, change or addition to this Amendment shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties.

5.8 Relationship of Parties. Nothing herein shall be construed to create any relationship of employer and employee, agent and principal, partnership or joint venture between the Parties. Each Party is an independent contractor. Neither Party shall assume, either directly or indirectly, any liability of or for the other Party. Neither Party shall have the authority to bind or obligate the other Party and neither Party shall represent that it has such authority.

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first written above.

NEUROCRINE BIOSCIENCES, INC.

/s/Gary Lyons
By: Gary Lyons
President & CEO

JANSSEN PHARMACEUTICA, N.V.

/s/Dr. Alan Dunton
By: Dr. Alan Dunton
President

[***] CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT A

****

EXHIBIT B

****

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
7,591
40,946
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