

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended SEPTEMBER 30, 1997

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 (IRS Employer Identification No.)
incorporation or organization)

3050 SCIENCE PARK ROAD
SAN DIEGO, CALIFORNIA 92121
(Address of principal executive offices)

(619) 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 No

The number of outstanding shares of the registrant's Common Stock, no par value, was 17,041,235 as of October 31, 1997

NEUROCRINE BIOSCIENCES, INC
FORM 10-Q
INDEX

PART I	FINANCIAL INFORMATION	PAGE ----
ITEM 1:	Financial Statements.....	3
3	Condensed Balance Sheets as of September 30, 1997 and December 31, 1996.....	3
	Condensed Statements of Operations for the three months and nine months ended September 30, 1997 and 1996.....	4
	Condensed Statements of Cash Flows for the nine months ended September 30, 1997 and 1996.....	5
	Notes to Financial Statements.....	6
ITEM 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
	Overview.....	7
	Results of Operations.....	7
	Liquidity and Capital Resources.....	8
ITEM 6:	Exhibits and Reports on Form 8-K.....	10
	10.1 Lease between Science Park Center LLC (Lessor) and Neurocrine Biosciences, Inc. (Lessee)	
	10.2 Option Agreement between Science Park Center LLC (Optioner) and Neurocrine Biosciences, Inc. (Optionee)	
	10.3 Construction Loan Agreement	
	10.4 Secured Promissory Note	
	10.5 Operating Agreement for Science Park Center LLC	
	27.1 Financial Data Schedule	
SIGNATURES	11

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

NEUROCRINE BIOSCIENCES, INC.

CONDENSED BALANCE SHEETS

	SEPTEMBER 30, 1997	DECEMBER 31, 1996
	----- (UNAUDITED)	----- (NOTE)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,094,554	\$ 11,325,361
Short-term investments, available for sale	53,832,352	58,594,853
Receivables under collaborative agreements	2,631,488	1,329,513
Other current assets	1,954,596	840,962
	-----	-----
Total current assets	73,512,990	72,090,689
Property, equipment, and leasehold improvements, net	5,340,892	3,546,420
Licensed technology and patent application costs, net	1,306,705	1,443,403
Other assets	4,745,245	876,070
	-----	-----
Total assets	\$ 84,905,832	\$ 77,956,582
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,692,261	\$ 800,157
Accrued expenses, other current liabilities, and current portion of obligations under capital leases	3,579,421	3,267,357
	-----	-----
Total current liabilities	5,271,682	4,067,514
Long-term liabilities	1,101,682	1,122,100
Stockholders' equity:		
Preferred Stock, \$0.001 par value, 5,000,000 shares authorized, no shares issued and outstanding		
Common stock, no par value:		
Authorized shares - 100,000,000		
Issued and outstanding shares - 16,951,073 and 16,776,614 at September 30, 1997 and December 31 1996, respectively	83,496,706	82,788,513
Accumulated deficit	(4,964,238)	(10,021,545)
	-----	-----
Total stockholders' equity	78,782,468	72,766,968
	-----	-----
Total liabilities and stockholders' equity	\$ 84,905,832	\$ 77,956,582
	=====	=====

Note: The balance sheet at December 31, 1996 has been derived from the audited financial statements at that date, but does not include all of the disclosures required by generally accepted accounting principles.

See accompanying notes to condensed financial statements.

NEUROCRINE BIOSCIENCES, INC.
 CONDENSED STATEMENTS OF OPERATIONS
 (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Revenues under collaborative research agreements:				
Sponsored research	\$ 2,987,500	\$ 1,625,000	\$ 8,262,500	\$ 4,875,000
Milestones	1,750,000	--	7,750,000	3,000,000
Other revenue	1,503,279	562,965	3,883,363	1,983,359
Total revenues	6,240,779	2,187,965	19,895,863	9,858,359
Operating expenses				
Research and development	4,997,731	3,032,562	14,027,058	8,339,515
General and administration	1,566,683	717,370	4,055,133	2,012,554
Total operating expenses	6,564,414	3,749,932	18,082,191	10,352,069
Income (loss) from operations	(323,635)	(1,561,967)	1,813,672	(493,710)
Interest income	1,059,015	938,005	2,892,283	1,686,220
Interest expense	(35,088)	(60,277)	(123,499)	(198,216)
Other income	257,380	279,200	696,405	382,781
Income (loss) before income taxes	957,672	(405,039)	5,278,861	1,377,075
Provision for income taxes	145,161	--	221,554	--
Net income (loss)	\$ 812,511	\$ (405,039)	\$ 5,057,307	\$ 1,377,075
Net income (loss) per share	\$ 0.04	\$ (0.02)	\$ 0.28	\$ 0.09
Shares used in computing net income (loss) per share	18,439,495	16,764,209	18,381,141	16,160,506

See accompanying notes to condensed financial statements.

NEUROCRINE BIOSCIENCES, INC.
 CONDENSED STATEMENTS OF CASH FLOWS
 (UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	----- 1997 -----	----- 1996 -----
OPERATING ACTIVITIES		
Net income	\$ 5,057,307	\$ 1,377,075
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Compensation expense recognized for stock options	98,055	56,115
Depreciation and amortization	890,388	697,887
Deferred revenue	125,000	324,065
Deferred rent	292,634	41,457
Change in operating assets and liabilities:		
Other current assets and receivables under collaborative agreements	(2,415,609)	(4,447,227)
Other assets	(3,869,175)	(735,374)
Accounts payable and accrued liabilities	1,360,062	(576,433)
Net cash flows provided by (used in) operating activities	----- 1,538,662	----- (3,262,435)
INVESTING ACTIVITIES		
Purchases of short-term investments	(85,019,124)	(64,454,483)
Sales/maturities of short-term investments	89,932,032	23,336,485
Purchases of furniture, equipment, leasehold improvements, licensed technology and patent application costs	(2,548,162)	(1,831,338)
Net cash flows provided by (used in) investing activities	----- 2,364,746	----- (42,949,336)
FINANCING ACTIVITIES		
Issuance of common stock, net	451,875	47,518,523
Principal payments on obligations under capital leases	(593,946)	(547,632)
Payments received on notes receivable from stockholders	7,856	7,853
Net cash flows (used in) provided by financing activities	----- (134,215)	----- 46,978,744
Increase in cash and cash equivalents	----- 3,769,193	----- 766,973
Cash and cash equivalents at beginning of period	----- 11,325,361	----- 6,392,749
Cash and cash equivalents at end of period	----- \$ 15,094,554 =====	----- \$ 7,159,722 =====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 123,499 =====	\$ 198,216 =====
Taxes paid	\$ 225,000 =====	\$ -- =====

See accompanying notes to condensed financial statements.

NEUROCRINE BIOSCIENCES, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The interim unaudited condensed financial statements contained herein have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The 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, 1996, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

2. NET INCOME PER SHARE

Net income per share is computed using the weighted average number of shares of common stock outstanding during each period. Common stock equivalent shares from stock options, warrants, and convertible preferred shares are excluded from the computation when their effect is antidilutive. For the three and nine month periods ended September 30, 1997, shares used in computing net income per share also include common equivalent shares arising from dilutive stock options, warrants, and convertible preferred shares using the treasury stock method. Income per share on a fully diluted basis was unchanged.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share," which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new method, the dilutive effect of common stock equivalents will be excluded from "basic" earnings per share, and basic earnings per share for the three and nine months ended September 30, 1997 and 1996 will be \$0.05, \$0.30, (\$0.02) and \$0.10, respectively. Under the new method, "diluted" earnings per share will not be materially different than net income (loss) per share as presented herein.

MANAGEMENT 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 Neurocrine Biosciences, Inc. ("Neurocrine" or 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, 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 1996 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 for the foreseeable future. The Company's revenues are expected to come from its strategic alliances. The Company has generated net income for the three and nine month periods ended September 30, 1997 and the nine months ended September 30, 1996 primarily from revenues from its strategic alliances. The Company does not anticipate continuing to generate net income as its operating expenses are anticipated to rise significantly in future periods as products are advanced through the various stages of clinical development. Neurocrine has incurred a cumulative deficit of approximately \$5.0 million as of September 30, 1997 and expects to incur operating losses in the future which are potentially greater than losses in prior years.

RESULTS OF OPERATIONS

Three Months Ended September 30, 1997 Compared to Three Months Ended September 30, 1996

Revenues increased to \$6.2 million for the quarter ended September 30, 1997 compared with \$2.2 million for the same period in 1996. Increased revenues were primarily the result of increased sponsored research and development, and milestone revenues under the Company's collaborations.

Research and development expenses increased to \$5.0 million for the quarter ended September 30, 1997 compared with \$3.0 million for the same period in 1996. This increase reflected continued additions to scientific and clinical development personnel, and related support expenditures, as the Company increased its research and clinical development activities. Clinical development costs include significant amounts which are reimbursable under corporate collaborations. Revenues associated with such reimbursements are classified as "Other revenue".

General and administrative expenses increased to \$1.6 million for the quarter ended September 30, 1997 compared with \$717,000 for the same period in 1996. This increase resulted from additional administrative personnel and related business development and professional services expenses to support the increased research and development efforts and higher patent prosecution costs.

Interest income increased to \$1.1 million for the quarter ended September 30, 1997 compared with \$938,000 for the same period in 1996. This increase was due to increased investment income attributable to increased cash equivalents and short-term investments.

Net income increased to \$813,000 or \$0.04 per share for the quarter ended September 30, 1997 compared with a loss of \$405,000 or \$0.02 per share for the same period in 1996. The increase in net income and net income per share was primarily attributable to increased sponsored research and development, and milestone revenues under the Company's collaborations.

The Company's revenues to date have come from funded research and achievement of milestones under corporate collaborations, which may lead to substantial fluctuations in the results of quarterly revenues and earnings. Accordingly, results of one quarter are not predictive of future quarters.

Nine Months Ended September 30, 1997 Compared to Nine Months Ended September 30, 1996

Revenues increased to \$19.9 million for the nine month period ended September 30, 1997 compared with \$9.9 million for the same period in 1996. Increased revenues were primarily the result of increased sponsored research and development, and milestone revenues under the Company's collaborations.

Research and development expenses increased to \$14.0 million for the nine month period ended September 30, 1997 compared with \$8.3 million for the same period in 1996. This increase reflected continued additions to scientific and clinical development personnel, and related support expenditures, as the Company increased its research and clinical development activities. Clinical development costs include significant amounts which are reimbursable under corporate collaborations. Revenues associated with such reimbursements are classified as "Other revenue".

General and administrative expenses increased to \$4.1 million for the nine month period ended September 30, 1997 compared with \$2.0 million for the same period in 1996. This increase resulted from additional administrative personnel and related business development and professional services expenses to support the increased research and development efforts and higher patent prosecution costs.

Interest income increased to \$2.9 million for the nine month period ended September 30, 1997 compared with \$1.7 million for the same period in 1996. This increase was due to increased investment income attributable to increased cash equivalents and short-term investments.

Net income increased to \$5.1 million or \$0.28 per share for the nine month period ended September 30, 1997 compared with \$1.4 million or \$0.09 per share for the same period in 1996. The increase in net income and net income per share was primarily due to increased sponsored research and development, and milestone revenues under the Company's collaborations.

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

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1997 the Company's cash, cash equivalents, and short-term investments totaled \$68.9 million. Cash held by the Company excludes \$2.6 million due from corporate collaborators of which \$1.0 million had been collected as of October 31, 1997. Total cash, cash equivalents, and short-term investments also excludes approximately \$7.7 million held by Neuroscience Pharma (NPI) Inc. which is available to fund certain of the Company's research and development activities.

Cash provided by operating activities during the nine month period ended September 30, 1997 increased to \$1.5 million compared with a net use of cash of \$3.3 million for the same period in 1996. The increase was primarily the result of increased operating revenues from the Company's collaborators.

Cash provided by investing activities during the nine month period ended September 30, 1997 increased to \$2.4 million compared with a net use of cash of \$42.9 million for the same period in 1996. The increase was primarily the result of timing differences in investment purchases and sales/maturities and fluctuations in the Company's portfolio mix between cash equivalent and short-term investment holdings.

Cash used in financing activities during the nine month period ended September 30, 1997 increased to \$134,000 compared with a net provision of \$47.0 million for the same period in 1996. The increase was due to a decline in cash generated from equity offerings from the same period in 1996.

In May 1997, the Company purchased two adjacent parcels of land in San Diego for approximately \$5.0 million in cash. In July 1997, the Company sold one parcel of land to Science Park Center LLC, a California limited liability company ("the LLC"), of which the Company owns a significant minority interest, which the Company then agreed to lease from the LLC under a 15 year operating lease for the purpose of constructing an expanded laboratory and office complex. The land purchase price of approximately \$3.5 million plus a future cash payment of \$368,000 will be repaid to the Company under a 10 year promissory note bearing interest at 8.25% per annum. The Company has an option to purchase the facility at any time during the lease at a predetermined price. The remaining parcel will be held by the Company until such time as the Company's growth requires additional expansion.

Neurocrine has primarily financed its operations through proceeds of approximately \$63.6 million from the sale of Common Stock in various private and public offerings and approximately \$53.4 million from corporate collaborations.

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 2000. 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.

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 obtaining and enforcing its patents and with patent rights of others, 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 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 patent claims, if any, 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 has generated net income for the three and nine month periods ended September 30, 1997 and the nine month period ended September 30, 1996 primarily from revenues under its strategic alliances. Continued profitability is not expected as the Company's operating expenses are anticipated to rise significantly in future periods as products are advanced through the various development stages. 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.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits. The following exhibits are filed as part of, or incorporated by reference into, this report:

Exhibit Number	Description
10.1*	Lease between Science Park Center LLC (Lessor) and Neurocrine Biosciences, Inc. (Lessee)
10.2*	Option Agreement between Science Park Center LLC (Optioner) and Neurocrine Biosciences, Inc. (Optionee)
10.3*	Construction Loan Agreement
10.4	Secured Promissory Note
10.5*	Operating Agreement for Science Park Center LLC
27.1	Financial Data Schedule

* Certain confidential portions of this Exhibit were omitted by means of blackout of the text (the "Mark"). This Exhibit has been filed separately with the Secretary of the Commission without the Mark pursuant to the Company's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act.

- (b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended September 30, 1997.

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.

NEUROCRINE BIOSCIENCES, INC.

Dated: 11/14/97

/s/ Paul Hawran

PAUL W. HAWRAN
Senior Vice President and Chief Financial
Officer

LEASE

SCIENCE PARK CENTER LLC
"LANDLORD"

AND

NEUROCRINE BIOSCIENCES, INC.
"TENANT"

LOT 30
TORREY PINES SCIENCE CENTER
SAN DIEGO, CALIFORNIA

* Certain confidential portions of this Exhibit were omitted by means of blackout of the text (the "Mark"). This Exhibit has been filed separately with the Secretary of the Commission without the Mark pursuant to the Company's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act.

LEASE

TABLE OF CONTENTS

	PAGE

1. Lease Premises.....	1
2. Basic Lease Provisions.....	1
3. Term.....	2
4. Construction, Possession and Commencement Date.....	2
5. Rent.....	4
6. Rental Adjustments.....	5
7. Additional Rent and Expenses.....	5
8. [Intentionally Left Blank].....	7
9. [Intentionally Left Blank].....	7
10. Use.....	7
11. Brokers.....	10
12. Holding Over.....	11
13. Taxes and Assessments.....	11
14. Condition of Premises.....	13
15. Parking Facilities.....	14
16. Utilities and Services.....	14
17. Alterations.....	14
18. Repairs and Maintenance.....	15
19. Liens.....	16
20. Indemnification and Exculpation.....	17
21. Insurance - Waiver of Subrogation.....	18
22. Damage or Destruction.....	21
23. Eminent Domain.....	23
24. Defaults and Remedies.....	25
25. Assignment or Subletting.....	28
26. Attorney's Fees.....	30
27. Bankruptcy.....	30
28. Definition of Landlord.....	30
29. Estoppel Certificate.....	31
30. Removal of Property	31
31. Limitation of Landlord's Liability.....	32
32. Control by Landlord.....	33
33. Quiet Enjoyment.....	33
34. Quitclaim Deed.....	33
35. Subordination and Attornment.....	34
36. Surrender.....	35
37. Waiver and Modification.....	35
38. Waiver of Jury Trial and Counterclaims.....	35
39. Hazardous Materials.....	35
40. Option to Extend.....	39

41. Right of First Refusal to Purchase Premises..... 40
42. Miscellaneous..... 41
 42.1 Terms and Headings..... 41
 42.2 Examination of Lease..... 41
 42.3 Time..... 41
 42.4 Covenants and Conditions..... 41
 42.5 Consents..... 41
 42.6 Entire Agreement..... 41
 42.7 Severability..... 41
 42.8 Recording..... 41
 42.9 Impartial Construction..... 41
 42.10 Inurement..... 42
 42.11 Force Majeure..... 42
 42.12 Notices..... 42
 42.13 Authority to Execute Lease..... 42

EXHIBIT "A" -- Work Letter

EXHIBIT "B" -- Form of Acknowledgement of Term Commencement Date

LEASE

THIS LEASE ("Lease") is made as of July 31, 1997, by and between SCIENCE PARK CENTER LLC, a California limited liability company ("Landlord"), and NEUROCRINE BIOSCIENCES, INC., a Delaware corporation ("Tenant").

1. LEASE PREMISES

1.1 Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, those certain premises ("Premises") consisting of (i) that certain real property ("Land") legally described as Lot 30 of Torrey Pines Science Center, Unit No. 2, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 12845, filed in the Office of the County Recorder of San Diego County on July 23, 1991, (ii) the entirety of the building (the "Building") to be constructed on the Land, to consist of two levels over a subterranean area, and (iii) all landscaping, drainage, irrigation, lighting, parking facilities, walkways, driveways and other improvements and appurtenances related thereto, including, but not limited to, ingress and egress to the public right-of-way as shown on the plans prepared pursuant to the Work Letter attached hereto as Exhibit "A" (the "Improvements"). The Premises are a part of a development known as Torrey Pines Science Center.

2. BASIC LEASE PROVISIONS

2.1 For convenience of the parties, certain basic provisions of this Lease are set forth herein. The provisions set forth herein are subject to the remaining terms and conditions of this Lease and are to be interpreted in light of such remaining terms and conditions.

- 2.1.1 Rentable Area of Premises:
Approximately *** square feet
- 2.1.2 Basic Annual Rent: ***
- 2.1.3 Monthly Installment of Basic
Annual Rent: ***
- 2.1.4 (a) Estimated Term Commencement Date:
September 1, 1998
- (b) Term Expiration Date: *** from the
Term Commencement Date
- 2.1.5 Permitted Use: Uses permitted in Section 10.1

* confidential treatment

2.1.6 Address for Rent Payment and Notices to Landlord:

Science Park Center LLC
 4350 La Jolla Village Drive, Suite 930
 San Diego, California 92122

Address for Notices to Tenant Prior to Occupancy:

Neurocrine Biosciences, Inc.
 3050 Science Park Road
 San Diego, California 92121

Address for Notices to Tenant After Occupancy:

Neurocrine Biosciences, Inc.
 10555 Science Centre Drive
 San Diego, California 92121

2.2 Capitalized terms not otherwise defined in this Lease shall have the meaning set forth in the Work Letter attached hereto as Exhibit "A" ("Work Letter").

3. TERM

3.1 This Lease shall take effect upon the date of execution hereof by each of the parties hereto, and each of the provisions hereof shall be binding upon and inure to the benefit of Landlord and Tenant from the date of execution hereof by each of the parties hereto.

3.2 The approximate term of this Lease is as set forth in Section 2.1.4. The actual term of this Lease will be that period from the Term Commencement Date through the Term Expiration Date, subject to earlier termination of this Lease or extension of the term of this Lease as provided herein.

4. CONSTRUCTION, POSSESSION AND COMMENCEMENT DATE

4.1 Landlord shall construct the Building and Improvements (the "Project Work") in accordance with the provisions of the Work Letter. Costs and expenses associated with the Project Work shall be paid by Landlord in an amount not to exceed *** and costs and expenses associated with the Project Work in excess of such amount, if any, shall be paid by Tenant. Landlord shall commence construction of the Project Work prior to September 1, 1997, as such date is extended by the number of days of Tenant-Caused Delays and Force-Majeure Delays. Tenant agrees that in the event Landlord fails to commence construction of the Project on or before September 1, 1997, this Lease shall not be void or voidable and Landlord shall not be liable to Tenant for any loss or damage resulting therefrom. To "commence construction" shall mean to commence grading of the Land. Once Landlord has commenced grading, Landlord will diligently pursue the Project Work to completion.

* confidential treatment

4.2 Landlord shall endeavor to tender possession of the Premises, with the Project Work Substantially Completed, to Tenant on the estimated Term Commencement Date as set forth in Section 2.1.4(a). Tenant agrees that in the event Landlord fails to tender possession of the Premises with the Project Work Substantially Completed on or before the estimated Term Commencement Date, this Lease shall not be void or voidable and Landlord shall not be liable to Tenant for any loss or damage resulting therefrom except as expressly provided herein. In such event, however, Tenant's obligation to pay Basic Annual Rent and Operating Expenses shall not commence until the actual Term Commencement Date. Without limiting the generality of the foregoing, Tenant expressly waives any right to terminate this Lease because of delays in completion of construction of the Project Work, except Tenant shall have the right to terminate this Lease (i) due to nonperformance by Landlord if Landlord has not tendered possession of the Premises with such work Substantially Completed on or before a date one year after the estimated Term Commencement Date, as such date is extended by the number of days of Tenant-Caused Delays and Force-Majeure Delays; or (ii) if on or before October 1, 1997, Landlord has failed, for any reason whatsoever, to secure (a) a construction loan for the construction of the Premises in the approximate amount of *** or (b) grading and foundation permits necessary for the commencement of construction of the Premises.

4.3 The actual Term Commencement Date shall be a date selected by Tenant no later than the later of (i) the date Landlord tenders possession of the Premises to Tenant with all the Project Work Substantially Completed, or (ii) the maturity date of the construction loan for the Project Work. Landlord and Tenant shall execute a written acknowledgment of the Term Commencement Date and the Term Expiration Date when such is established in substantially the form attached hereto as Exhibit "B" and attach it to this Lease as Exhibit "B-1"; however, failure to execute and deliver such acknowledgement shall not affect Tenant's liability hereunder.

4.4 As used in Section 4.4 above and elsewhere in this Lease and the Work Letter, the terms "Substantially Complete", "Substantially Completed", and "Substantial Completion" shall mean the date of receipt of an interim or final right to occupy from the City of San Diego (or check-off of line 61, "approved to occupy," of the inspection card, or comparable line if the card is modified), and all conditions to the issuance of a final certificate of occupancy have been satisfied, including any offsite conditions, and the only steps which must be taken by the appropriate governmental agency to issue the final certificate of occupancy are purely ministerial in nature. "Substantial Completion" is not dependent upon completion of punch-list items described in Section 6.3 of the Work Letter or receipt of a formal certificate of occupancy. However, "Substantial Completion" shall not be earlier than the date the air in the Premises is balanced sufficiently to allow the conduct of Tenant's business (as certified by the mechanical subcontractor), and shall not be later than the date Tenant actually commences the conduct of its business on the Premises (regardless of the state of the air balancing).

4.5 Prior to entry by Tenant onto the Premises before the Term Commencement Date for the purposes of installing improvements or the placement of personal property, Tenant shall furnish to Landlord evidence satisfactory to Landlord that insurance coverages required of Tenant under the provisions of Article 21 are in effect. Entry by Tenant onto the Premises prior to the Term Commencement Date for such purposes shall be subject to all of the terms and conditions of this Lease other than the payment of Basic Annual Rent and

Operating Expenses, shall not interfere with the performance by Landlord or the Project Contractor with the Project Work, shall be limited to the last ninety (90) days prior to the estimated Substantial Completion of the Premises, and shall be made only with the advance written consent of Landlord, which consent shall not be unreasonably withheld. Landlord shall allow Tenant such entry no later than at least thirty (30) days prior to Substantial Completion of the Premises. In the event of entry by Tenant or its agents onto the Premises prior to the Term Commencement Date, Tenant agrees to indemnify, protect, defend and hold Landlord harmless from any and all loss or damage to property, completed work, fixtures, equipment, materials or merchandise, or from liability for death of or injury to any person arising from Tenant's entry onto the Premises, except to the extent caused by the active negligence of Landlord or its agents. Tenant's entry prior to the Term Commencement Date shall not be deemed Tenant's acceptance of the Premises.

4.6 The Landlord named herein (Science Park Center LLC) guarantees lien-free completion of the Project Work pursuant to the provisions of this Lease and the Work Letter, regardless of any assignment of its interest herein, unless prevented from doing so by Tenant's failure to perform its obligations under this Lease or the Work Letter.

5. RENT

5.1 Tenant agrees to pay Landlord as Basic Annual Rent for the Premises the sum set forth in Section 2.1.2, subject to the rental adjustments provided in Article 6. Basic Annual Rent shall be paid in the equal monthly installments set forth in Section 2.1.3, subject to the rental adjustments provided in Article 6 hereof, each in advance on the first day of each and every calendar month during the term of this Lease.

5.2 In addition to Basic Annual Rent, Tenant agrees to pay to Landlord as additional rent ("Additional Rent"), at the times hereinafter specified in this Lease, Operating Expenses as provided in Article 7, and all other amounts that Tenant assumes or agrees to pay under the provisions of this Lease, including without limitation any and all other sums that may become due by reason of any default of Tenant or failure on Tenant's part to comply with the agreements, terms, covenants and conditions of this Lease to be performed by Tenant.

5.3 Basic Annual Rent and Additional Rent shall together be denominated "Rent." Except as expressly set forth in this Lease, Rent shall be paid to Landlord, without notice, demand, abatement, suspension, deduction, setoff, counterclaim, or defense except as set forth in Section 5.6, in lawful money of the United States of America, at the office of Landlord as set forth in Section 2.1.6 or to such other person or at such other place as Landlord may from time to time designate in writing.

5.4 In the event the term of this Lease commences or ends on a day other than the first day of a calendar month, then the Rent for such fraction of a month shall be prorated for such period on the basis of a thirty (30) day month and shall be paid at the then current rate for such fractional month prior to the commencement of the partial month.

5.5 This is an absolutely net lease to Landlord. It is the intent of the parties that the Basic Annual Rent payable under this Lease shall be an absolutely net return to Landlord and that Tenant shall pay all costs and expenses relating to the Premises unless otherwise expressly provided in this Lease. Any amount or obligation herein relating to the Premises which is not expressly declared to be that of Landlord shall be deemed to be an obligation of Tenant to be performed by Tenant at Tenant's expense. This Lease shall not terminate, nor shall Tenant have any right to terminate this Lease, except as expressly provided herein.

5.6. Tenant may, at its election and from time to time, so long as Tenant is not in default under any provision of this Lease, make payments of Basic Annual Rent directly to the institutional lender which funds the construction loan for the construction of the Premises, and to the institutional lender which ultimately provides permanent financing for the Premises (most likely, Tokai Bank of California). Tenant may also, at its election and from time to time, so long as Tenant is not in default under any provision of this Lease, and so long as Landlord is not in default under any provision of the first mortgage encumbering the Premises, make payments of Basic Annual Rent directly to the holder of the note secured by the second mortgage encumbering the Premises. In no event may Tenant in any one month pay more than one monthly installment of principal and interest under each note, and in no event may Tenant thereby pay more than the Basic Annual Rent then due under this Lease. Any payments made by Tenant under this Section 5.6 to the holder of either note may be deducted by Tenant from the monthly installment of Basic Annual Rent then due Landlord under this Lease.

6. RENTAL ADJUSTMENTS

6.1 The initial Basic Annual Rent set forth in Section 2.1.2 shall be increased or decreased, as the case may be, to an amount equal to *** of the total costs for the acquisition, development and construction of the Premises, as determined in accordance with the pro forma attached to and incorporated into the Work Letter.

6.2 The Basic Annual Rent then in effect (as adjusted pursuant to Section 6.1 and as previously increased pursuant to this Section 6.2) shall be increased each year by ***. The first such increase shall become effective commencing with that monthly rental installment which is first due on or after the first (1st) anniversary of the Term Commencement Date and subsequent increases shall become effective on the same day of each calendar year thereafter for so long as this Lease continues in effect.

7. ADDITIONAL RENT AND EXPENSES

7.1 As Additional Rent, Tenant shall pay to Landlord on the first day of each calendar month of the term of this Lease, as Additional Rent, (i) reimbursement and expenses of Landlord's performance of any obligations of Tenant under this Lease, including but not limited to the provisions of Section 7.2, Article 13 (Taxes and Assessments), Article 16 (Utilities and Services), Article 18 (Repairs and Maintenance), Article 22 (Damage or Destruction), and Section 24.3, and (ii) costs of management services in an the amount of *** per month (increased each year by ***).

*confidential treatment

7.2 Tenant shall pay directly to the provider of the services all costs of any kind incurred in connection with the operation, maintenance, repairs, replacements and management of the Premises ("Operating Expenses"), including, by way of examples and not as a limitation upon the generality of the foregoing, (i) costs of maintenance, repairs and replacements to improvements, fixtures and personal property within the Premises as appropriate to maintain the Premises in commercially reasonable condition (allowing wear and tear consistent with commercially reasonable maintenance and repair standards applicable to comparable buildings), including capital and structural improvements, equipment utilized for operation and maintenance of the Premises, and all other improvements, fixtures and personal property; (ii) costs of new improvements and fixtures added to the Premises; (iii) costs of utilities furnished to the Premises; (iv) sewer fees; (v) costs of cable TV when applicable; (vi) costs of trash collection; (vii) costs of cleaning; (viii) costs of maintenance, repairs and replacements of heating, ventilation, air conditioning, plumbing, electrical and other systems; (ix) costs of maintenance of landscape, grounds, drives and parking areas, including periodic resurfacing; (x) assessments and other expenses payable pursuant to the Project Documents (described in Section 10.2); (xi) costs of security services and devices; (xii) costs of building supplies; (xiii) insurance premiums and portions of insured losses deductible by reason of insurance policy terms; (xiv) costs of service contracts and services of independent contractors retained to do work of a nature before referenced; (xv) costs of storage and removal of Hazardous Materials; (xvi) costs of compensation (including employment taxes and fringe benefits) of all persons who perform regular and recurring duties connected with the day-to-day operation and maintenance of the Premises, its equipment, the adjacent walks, landscaped areas, drives, and parking areas, including without limitation, janitors, floorwaxers, window-washers, watchmen, gardeners, sweepers, and handymen; and (xvii) costs of compliance with applicable governmental laws, ordinances, regulations and requirements.

7.3 Landlord shall not be liable, or responsible for payment of, any expenses of maintaining, repairing or replacing the Premises or any part thereof.

7.4 Tenant shall not be responsible for Operating Expenses attributable to the time period prior to the Term Commencement Date. The responsibility of Tenant for Operating Expenses attributable to the Premises shall continue to the latest of (i) the date of termination of the Lease, or (ii) the date Tenant has fully vacated the Premises.

7.5 Operating Expenses for the calendar year in which Tenant's obligation to pay them commences and in the calendar year in which such obligation ceases shall be prorated. Expenses such as taxes, assessments and insurance premiums which are incurred for an extended time period shall be prorated based upon time periods to which applicable so that the amounts attributed to the Premises relate in a reasonable manner to the time period wherein Tenant has an obligation to pay Operating Expenses.

7.6 In fulfilling its obligations set forth in Section 7.2 and Article 18, Tenant shall maintain the roof, HVAC system, elevator and other systems in accordance with no less than the minimum standards established by the manufacturer and the minimum standards necessary to maintain any warranties in effect, and Tenant may enter into such maintenance contracts as Tenant determines is reasonably necessary in order to do so. Landlord shall have the right, upon

reasonable notice, to inspect and copy any such maintenance contracts, as well as records of maintenance conducted by Tenant or any such service provider.

7.7 Landlord shall have the right, upon reasonable notice, to inspect and copy documents showing in reasonable detail the actual expenses paid by Tenant pursuant to Section 7.2, Article 13 (Taxes and Assessments), and Article 16 (Utilities and Services) of this Lease. Tenant shall maintain such documents as are reasonably necessary for such purpose for a period of not less than three (3) years.

8. [INTENTIONALLY LEFT BLANK]

9. [INTENTIONALLY LEFT BLANK]

10. USE

10.1 Tenant may use the Premises for any of those purposes, and only those purposes, allowed by (i) the City of San Diego Scientific Research Zone Ordinance in effect from time to time and as applicable to the Premises, (ii) any other applicable laws, regulations, ordinances, requirements, permits and approvals applicable to the Premises, and (iii) all covenants, conditions and restrictions in the Project Documents (defined in the following Section 10.2) or otherwise recorded against the Land, and shall not use the Premises, or permit or suffer the Premises to be used, for any other purpose without the prior written consent of Landlord. Landlord acknowledges that Tenant's activities may include scientific research and development pertaining to pharmaceuticals (including radio-active materials and other regulated substances), corporate and other office space, ancillary manufacturing capabilities, and vivarium facilities. Tenant may change the use of the Premises from time to time as long as such changed use is authorized by this Section 10.1 or may otherwise be legally permissible with the consent of Landlord, which consent shall not be unreasonably withheld.

10.2 Tenant shall conduct its business operations and use the Premises in compliance with all federal, state, and local laws, regulations, ordinances, requirements, permits and approvals applicable to the Premises, and the Project Documents described below. Tenant shall not use or occupy the Premises in violation of any law or regulation, the Project Documents, or the certificate of occupancy issued for the Building, and shall, upon five (5) days' written notice from Landlord, discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of law, the certificate of occupancy, or any of the Project Documents. To the extent any use allowed by this Lease conflicts with uses allowed by the Project Documents, the Project Documents shall govern.

Tenant shall comply with any direction of any governmental authority having jurisdiction which shall, by reason of the nature of Tenant's use or occupancy of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or with respect to the use or occupation thereof, including any duty to make structural or capital improvements, alterations, repairs and replacements to the Premises.

The "Project Documents" include the following documents, as they may be amended from time to time:

(a) "Project Plans", as described in the Work Letter;

(b) Hazardous Material Documents, as such are defined in Section 39.5;

(c) Declaration of Covenants, Conditions and Restrictions for Torrey Pines Science Center (Unit 2) dated June 22, 1994, and recorded on June 27, 1994 as File No. 1994-0405385 of the Official Records of San Diego County, California ("CC&Rs");

(d) Articles of Incorporation and Bylaws of Torrey Pines Science Center Association for Unit 2;

(e) Planned Industrial Development Permit No. 86-0884 and Planning Director Resolution No. 7658, dated September 26, 1988, as amended to incorporate the conditions of approval of Coastal Development Permit No. 6-88-504, and including a copy of the City regulations for the SR Zone, and amended PID 96-0738;

(f) Coastal Development Permit No. 6-88-504, approved February 5, 1991, and all conditions of approval thereof;

(g) Transportation Demand Management Program for Torrey Pines Science Center, prepared by the North City TMA Network, dated January 24, 1990;

(h) Torrey Pines Science Center Signage Guidelines and Criteria, prepared by Graphics Solutions, dated November 17, 1989;

(i) Final Map No. 12845;

(j) Provisions of the SR Zone and other applicable zoning as such may be adopted or amended by the City of San Diego from time to time;

(k) Preliminary Title Report issued by Chicago Title Company dated as of June 6, 1997, and identified as Order No. 007353168, as modified by that Supplemental Report dated June 16, 1997, as further modified by that Supplemental Letter dated June 17, 1997, reflecting the status of title to the Land, together with a plat of all easements and copies of all underlying documents referred to therein;

(l) Preliminary Geotechnical Investigation prepared by Leighton Associates dated December 19, 1989;

(m) As-Graded Geotechnical Report prepared by Leighton Associates dated December 12, 1991;

(n) Grading Plans for Torrey Pines Science Center Unit 2, prepared by Rick Engineering and approved by the City Engineer on March 13, 1991, and a Certificate from Rick Engineering indicating that the Property has been graded in conformance with such Grading Plans;

(o) Phase I Environmental Site Assessment prepared by Harding Lawson Associates dated October 19, 1988;

(p) Phase II Environmental Site Assessment prepared by Harding Lawson Associates dated April 17, 1989;

(q) Updated Phase 1 Environmental Site Assessment prepared by Harding Lawson Associates dated April 29, 1994;

(r) Any updated Environmental Site Assessment prepared as a part of this transaction;

(s) Documents evidencing the release of the Property from the Licenses described in Section 10.3 of the Lease;

(t) Declaration of Restrictions and Maintenance Agreement executed by Chevron Land and Development Company and recorded on February 15, 1990 as File No. 90-086015 of the Official Records of San Diego County, California.

10.3 Tenant understands and acknowledges that property within two thousand feet of the Premises, and of which the real property underlying the Premises was originally a part, is used for commercial engineering and manufacturing in the field of nuclear power, including the use, operation and/or production of high temperature gas-cooled reactors, radioisotope and radiopharmaceutical substances, fusion, and research and development activities related thereto. Tenant understands that the real property underlying the Premises has been investigated and evaluated by the United States Nuclear Regulatory Agency ("NRC") and released from any further NRC licensing or oversight responsibility. Tenant understands that low-level radioactive wastes may be present on the property underlying the Premises. Tenant has made its own determination that the physical condition of the property as described herein does not interfere with Tenant's intended use of the Premises, and is not relying on any representation or warranty, express or implied, of Landlord or Landlord's Agents (as defined in Section 20.1 below) in that regard.

10.4 Tenant shall not do or permit to be done anything which will invalidate or increase the cost (unless Tenant agrees to pay such increased cost) of any fire, extended coverage or any other insurance policy covering the Premises, or which will make such insurance coverage unavailable on commercially reasonable terms and conditions, and shall comply with all rules, orders, regulations and requirements of the insurers of the Premises.

10.5 Tenant shall comply with the Americans with Disabilities Act of 1990 ("ADA"), and the regulations promulgated thereunder, as amended from time to time. All

responsibility for compliance with the ADA relating to the Premises and the activities conducted by Tenant within the Premises shall be exclusively that of Tenant and not of Landlord, including any duty to make structural or capital improvements, alterations, repairs and replacements to the Premises. Any alterations to the Premises made by Tenant for the purpose of complying with the ADA or which otherwise require compliance with the ADA shall be done in accordance with Article 17 of this Lease; provided, that Landlord's consent to such alterations shall not constitute either Landlord's assumption, in whole or in part, of Tenant's responsibility for compliance with the ADA, or representation or confirmation by Landlord that such alterations comply with the provisions of the ADA. However, nothing in this Lease shall be construed to require Tenant to make structural or capital improvements, alterations, repairs or replacements to comply with ADA unless and until required to do so by order of any government entity or court of law exercising proper jurisdiction with regard thereto, subject to any right to appeal or otherwise contest any such order.

10.6 Tenant may install signage on and about the Premises to the extent permitted by, and in conformity with, applicable provisions of the Project Documents and the City of San Diego Sign Ordinance. Tenant acknowledges it is familiar with the restrictions of the Project Documents and the City of San Diego Sign Ordinance, and is not relying on any representations or warranty of Landlord regarding the number, size or location of any signage. The expense of design, permits, purchase and installation of any signs shall be the responsibility of Tenant and the cost thereof shall be borne by Tenant. At the termination of the Lease, all signs shall be the property of Tenant and may be removed from the Premises by Tenant, subject to the provisions of Article 36. In the event Tenant receives permission from the City of San Diego under the Sign Ordinance for signage which is not allowed by other Project Documents, Landlord shall reasonably cooperate with Tenant in an effort to amend such other Project Documents to allow such signage.

10.7 No equipment shall be placed at a location within the Building other than a location designed to carry the load of the equipment. Equipment weighing in excess of floor loading capacity shall not be placed in the Building.

10.8 Tenant shall not use or allow the Premises to be used for any unlawful purpose, nor shall Tenant cause, maintain or permit any nuisance or waste in, on, or about the Premises.

11. BROKERS

11.1 Landlord and Tenant represent and warrant one to the other that there have been no dealings with any real estate broker or agent in connection with the negotiation of this Lease other than CB Commercial (Neil Fox), whose commission shall be paid by Landlord. Each shall indemnify, defend, protect, and hold harmless the other from any claim of any other broker as a result of any act or agreement of the indemnitor.

11.2 Tenant represents and warrants that no broker or agent has made any representation or warranty relied upon by Tenant in Tenant's decision to enter into this Lease other than as contained in this Lease.

12. HOLDING OVER

12.1 If, with Landlord's consent, Tenant holds possession of all or any part of the Premises after the expiration or earlier termination of this Lease, Tenant shall become a tenant from month to month upon the date of such expiration or earlier termination, and in such case Tenant shall continue to pay in accordance with Article 5 the Basic Annual Rent as adjusted from the Term Commencement Date in accordance with Article 6, together with Operating Expenses in accordance with Article 7 and other Additional Rent as may be payable by Tenant, and such month-to-month tenancy shall be subject to every other term, covenant and condition contained herein.

12.2 If Tenant remains in possession of all or any portion of the Premises after the expiration or earlier termination of the term hereof without the express written consent of Landlord, Tenant shall become a tenant at sufferance upon the terms of this Lease except that monthly rental shall be equal to one hundred twenty five percent (125%) of the Basic Annual Rent in effect during the last twelve (12) months of the Lease term.

12.3 Acceptance by Landlord of Rent after such expiration or earlier termination shall not result in a renewal or reinstatement of this Lease.

12.4 The foregoing provisions of this Article 12 are in addition to and do not affect Landlord's right to re-entry or any other rights of Landlord under Article 24 or elsewhere in this Lease or as otherwise provided by law.

13. TAXES AND ASSESSMENTS

13.1 Tenant shall pay and discharge as they become due, promptly and before delinquency, all taxes, assessment, rates, charges, license fees, municipal liens, levies, excises or imposts, whether general or special, or ordinary or extraordinary, of every name, nature, and kind whatsoever, including all governmental charges of whatsoever name, nature, or kind, which may be levied, assessed, charged, or imposed, or may become a lien or charge on the Premises, or any part thereof, or any improvements now or hereafter thereon, or on Landlord by reason of its ownership of the Premises or any part thereof, during the entire term hereof, saving and excepting only those taxes hereinafter in this Article 13 specifically excepted.

13.2 Specifically and without in any way limiting the generality of the foregoing, Tenant shall pay any and all special assessments or levies or charges made by any municipal or political subdivision for local improvements, and shall pay the same in cash as they shall fall due and before they shall become delinquent and as required by the act and proceedings under which any such assessments or levies or charges are made by any municipal or political subdivision. If the right is given to pay either in one sum or in installments, Tenant may elect either mode of payment and its election shall be binding on Landlord. If by making an election to pay in installments, any of the installments shall be payable after the termination of this Lease or any extended term thereof, the unpaid installments shall be prorated as of the date of termination, and amounts payable after said date shall be paid by Landlord. All other taxes and charges payable under this Article 13 shall be prorated as of and payable at the commencement

and expiration of the term of this Lease, as the case may be. Landlord shall not during the term of this Lease undertake any action to place any special assessments, levies or charges on the Premises without first obtaining the prior written approval of Tenant, other than those due to new construction, those payable under any of the Project Documents, and those imposed by the City of San Diego or other government entity over which Landlord has no control. If Landlord does undertake such action without Tenant's approval, Landlord, and not Tenant, shall pay any special assessments, levies or charges sought by such action.

13.3 Anything in this Article 13 to the contrary notwithstanding, Tenant shall not be required to pay any estate, gift, inheritance, succession, franchise, income, or excess profits taxes that may be payable by Landlord or Landlord's legal representative, successors, or assigns.

13.4 Any and all rebates on account of taxes, rates, levies, charges or assessments required to be paid and paid by Tenant under the provisions of this Lease shall belong to Tenant, and Landlord will, on the request of Tenant, execute any receipts, assignments, or other acquittances that may be necessary in order to secure the recovery of the rebates, and will pay over to Tenant any rebates that may be received by Landlord.

13.5 Within ninety (90) days following the conclusion of each calendar year during the term of this Lease, and at such more frequent times as Landlord may reasonably request, Tenant shall obtain and deliver to Landlord receipts or duplicate receipts or copies thereof evidencing payment of all taxes, assessments and other items required hereunder to be paid by Tenant, together with an accounting showing in reasonable detail the taxes, assessments and other items paid.

13.6 Tenant shall pay not less than ten (10) days before delinquency taxes levied against any improvements, fixtures, equipment and personal property of Tenant or Landlord in or about the Premises, including any and all personal property installed as part of the Project Work.

13.7 If Tenant shall in good faith desire to contest the validity or amount of any tax, assessment, levy, or other governmental charge herein agreed to be paid by Tenant, Tenant shall be permitted to do so, and to defer the payment of said tax or charge, the validity or amount of which Tenant is so contesting, until final determination of the contest, by giving to Landlord written notice thereof prior to the commencement of any contest, which shall be at least fifteen (15) days prior to delinquency, and by protecting Landlord on demand by a good and sufficient surety bond against any tax, levy, assessment, rate or governmental charge, and from any costs, penalties, interest, liability, or damage arising out of a contest. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any law require that the proceeding or contest be brought by or in the name of Landlord. In that case, Landlord shall join in the contest or permit it to be brought in Landlord's name so long as Landlord is not required to bear any costs. Tenant, on final determination of the contest, shall immediately pay or discharge any decision or judgment rendered, together with all costs, charges, interest and penalties incidental to the decision or judgment.

13.8 To the extent Tenant fails to make any payment required by this Article 13 and Landlord does so on Tenant's behalf, Tenant shall reimburse Landlord for the cost thereof pursuant to the provisions of Sections 7.1 and 24.3 of this Lease.

14. CONDITION OF PREMISES

14.1 Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty, express or implied, with respect to the condition of the Premises, or to the Project Work, except as set forth herein, or with respect to their suitability for the conduct of Tenant's business.

14.2 Upon Substantial Completion of the Premises, Tenant shall accept the Premises, including the Project Work, in the condition in which they then exist, and shall waive any right or claim Tenant may have against Landlord for any cause directly or indirectly arising out of the condition or delay in delivery of possession of the Premises, appurtenances thereto, the improvements thereon and the equipment thereof, except for (i) the warranties made by Landlord under Section 14.4 to the extent thereof, (ii) responsibility for covenants and representations made by Landlord in Section 39.8, (iii) the obligation to deliver the Premises lien-free pursuant to Section 35.4, (iv) the completion of punch-list items pursuant to Section 6.3 of the Work Letter, and (v) Tenant's right to terminate this Lease pursuant to Section 4.2 hereof. Tenant shall thereafter indemnify, defend, protect and hold Landlord harmless from liability, as provided in Article 20 of the Lease.

14.3 Tenant's taking possession of the Premises and acceptance of the Premises shall not constitute a waiver of any claims based upon warranty or defect in regard to design, materials, or construction of the Building and Improvements against the design professional, contractor, materialman, manufacturer, or other responsible party (other than Landlord, whose liability is described in Section 14.4 below), nor for failure of any such party (other than Landlord) to comply with all applicable building code requirements (including but not limited to seismic Zone 4 regulations), laws, rules, orders, ordinances, directions, regulations, permits, approvals, and requirements of all governmental agencies, offices, departments, bureaus and boards having jurisdiction, nor for failure to comply with the rules, orders, directions, regulations, and requirements of any applicable fire rating bureau. Landlord hereby assigns to Tenant, and Tenant shall have the benefit of, on a non-exclusive basis, any and all warranties with respect to the design, materials and construction of the Premises which are assignable to Tenant, together with all other rights and claims it may have against any design professional, contractor, materialman, manufacturer, or other responsible party, or from applicable insurance policies. Landlord and Tenant agree to cooperate with regard to the enforcement of all such warranties, rights and claims. All such warranties, rights and claims shall revert to Landlord exclusively upon the expiration or earlier termination of this Lease. Tenant shall comply with whatever maintenance and similar standards are required to maintain any applicable warranties in affect.

14.4 Landlord warrants to Tenant that the Building and Improvements will be, on Substantial Completion, built in a good and workmanlike manner and in substantial compliance with the Project Plans and all applicable building code requirements (including but

not limited to seismic Zone 4 regulations), laws, rules, orders, ordinances, directions, regulations, permits, approvals, and requirements of all governmental agencies, offices, departments, bureaus and boards having jurisdiction, and with the rules, orders, directions, regulations, and requirements of any applicable fire rating bureau. However, Tenant's remedies for breach of any warranty set forth herein shall be limited to enforcement of claims against the design professional, contractor, materialman, manufacturer, or other responsible party pursuant to Section 14.3 hereof, and Landlord shall not be personally liable therefore. Landlord shall not be sued or named as a party in any suit or action to enforce any such warranty except as may be necessary to secure jurisdiction of Landlord or to the extent necessary to enforce any such warranty. Landlord shall not be required to answer or otherwise plead to any complaint and no judgment will be taken or writ of execution levied against Landlord with respect thereto.

15. PARKING FACILITIES

15.1 Tenant acknowledges that interior and exterior areas used for Tenant's equipment, Hazardous Material enclosures, trash enclosures, mechanical systems, and the like will reduce available parking.

15.2 Tenant shall not place any equipment, storage containers or any other property on the surface parking area except in accordance with the Project Plans or as otherwise approved by Landlord, which approval shall not be unreasonably withheld, or allowed by the Project Documents.

16. UTILITIES AND SERVICES

16.1 Tenant shall pay directly to the provider, prior to delinquency, for all water, gas, electricity, telephone, sewer, and other utilities which may be furnished to the Premises during the term of this Lease, together with any taxes thereon.

16.2 Landlord shall not be liable for, nor shall any eviction of Tenant result from, any failure of any such utility or service, provided such failure is not due to the gross negligence or willful misconduct of Landlord, and in the event of such failure Tenant shall not be entitled to any abatement or reduction of Rent, nor be relieved from the operation of any covenant or agreement of this Lease, and Tenant waives any right to terminate this Lease on account thereof.

17. ALTERATIONS

17.1 Tenant shall make no alterations, additions or improvements (hereinafter in this section, "improvements") in or to the Premises, other than interior non-structural alterations, additions or improvements, without Landlord's prior written consent, which shall not be unreasonably withheld. Tenant shall deliver to Landlord final plans and specifications and working drawings for the improvements to Landlord, and Landlord shall have fifteen (15) days thereafter to grant or withhold its consent. If Landlord does not notify Tenant of its decision within the fifteen (15) days, Landlord shall be deemed to have given its approval.

17.2 If a permit is required to construct the improvements, Tenant shall deliver a completed, signed-off inspection card to Landlord within ten (10) days of completion of the improvements, and shall promptly thereafter obtain and record a notice of completion and deliver a copy thereof to Landlord.

17.3 The improvements shall be constructed only by licensed contractors approved by Landlord, which approval shall not be unreasonably withheld. Any such contractor must have in force a general liability insurance policy of not less than \$2,000,000 or such higher limits as Landlord may reasonably require, which policy of insurance shall name Landlord as an additional insured. Tenant shall provide Landlord with a copy of the contract with the contractor prior to the commencement of construction.

17.4 Tenant agrees that any work by Tenant shall be accomplished in such a manner as to permit any fire sprinkler system and fire water supply lines to remain fully operable at all times except when minimally necessary for building reconfiguration work.

17.5 Tenant covenants and agrees that all work done by Tenant shall be performed in full compliance with all laws, rules, orders, ordinances, directions, regulations, permits, approvals, and requirements of all governmental agencies, offices, departments, bureaus and boards having jurisdiction, and in full compliance with the rules, orders, directions, regulations, and requirements of any applicable fire rating bureau. Tenant shall provide Landlord with "as-built" plans showing any change in the Premises within thirty (30) days after completion.

17.6 Before commencing any work (other than interior non-structural alterations, additions or improvements), Tenant shall give Landlord at least five (5) days' prior written notice of the proposed commencement of such work and, for any such work which exceeds One Hundred Thousand Dollars (\$100,000.00) in cost, if required by Landlord, secure at Tenant's own cost and expenses a completion and lien indemnity bond approved by Landlord, which approval will not be unreasonably withheld.

18. REPAIRS AND MAINTENANCE

18.1 Tenant shall, throughout the term of this Lease, at its own cost and expense (subject to recovery under any warranties assigned to Tenant under Section 14.3), and without any cost or expense to Landlord, keep and maintain in good, sanitary and neat order, condition, and repair, the Premises and every part thereof (subject to wear and tear consistent with commercially reasonable maintenance and repair standards applicable to comparable buildings), including structural and capital improvements, all improvements, fixtures, equipment and personal property built or installed in the Premises, and all appurtenances thereto, including but not limited to sidewalks, parking areas, curbs, roads, driveways, lighting standards, landscaping, sewers, water, gas and electrical distribution systems and facilities, drainage facilities, and all signs, both illuminated and non-illuminated that are now or hereafter on the Premises. Without in any way limiting the foregoing, Tenant shall maintain the lines designating the parking spaces in good condition and paint the same as often as may be necessary, so that they are easily discernable at all times; resurface the parking areas as necessary to maintain it in good condition; paint any exterior portions of the Building as necessary to maintain them in good

condition; maintain the roof in good condition; and to take all reasonable precautions to insure that the drainage facilities of the roof are not clogged and are in good operable condition at all times.

18.2 Tenant shall at all times during the term of this Lease, and at Tenant's expense, maintain the exterior of the Building, the parking areas, landscaping and all other portions of the Premises visible from the surrounding streets in a commercially reasonable condition, and shall maintain sightly screens, barricades or enclosures around any waste or storage areas.

18.3 Tenant hereby waives Civil Code Sections 1941 and 1942 relating to a landlord's duty to maintain the Premises in a tenantable condition, and the under said sections or under any law, statute or ordinance now or hereafter in effect to make repairs at Landlord's expense.

18.4 There shall be no abatement of Rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Premises, or in or to improvements, fixtures, equipment and personal property therein. If repairs or replacements become necessary which by the terms of this Lease are the responsibility of Tenant and Tenant fails to make the repairs or replacements, Landlord may do so pursuant to the provisions of Section 24.3 of this Lease.

19. LIENS

19.1 Tenant shall keep the Premises and every part thereof free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant. Tenant further covenants and agrees that any mechanic's lien filed against the Premises for work claimed to have been done for, or materials claimed to have been furnished to, Tenant, will be discharged by Tenant, by bond or otherwise, within thirty (30) days after the filing thereof (or within ten (10) days after the filing thereof if requested by Landlord as necessary to facilitate a pending sale or refinancing), at the cost and expense of Tenant.

19.2 Should Tenant fail to discharge any lien of the nature described in Section 19.1, Landlord may at Landlord's election pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against title and the cost thereof shall be immediately due from Tenant as Additional Rent.

19.3 In the event Tenant shall lease or finance the acquisition of office equipment, furnishings, or other personal property utilized by Tenant in the operation of Tenant's business, Tenant warrants that any Uniform Commercial Code financing statement executed by Tenant will upon its face or by exhibit thereto indicate that such financing statement is applicable only to personal property of Tenant specifically described in the financing statement, and that such property is subject to the provisions of Section 30 regarding the removal of property on the expiration or earlier termination of this Lease. In no event shall the address of the Building be furnished on the financing statement without qualifying language as to applicability of the lien

only to personal property of Tenant described in the financing statement. Should any holder of a security agreement executed by Tenant record or place of record a financing statement which appears to constitute a lien against any interest of Landlord, Tenant shall within ten (10) days after the filing of such financing statement cause (i) copies of the security agreement or other documents to which the financing statement pertains to be furnished to Landlord to facilitate Landlord's being in a position to show such lien is not applicable to any interest of Landlord, and (ii) the holder of the security interest to amend documents of record so as to clarify that such lien is not applicable to any interest of Landlord in the Premises.

20. INDEMNIFICATION AND EXCULPATION

20.1 Except to the extent of the responsibility of Landlord pursuant to Section 20.2 hereof, Tenant agrees to indemnify Landlord, and its partners and affiliates, and their respective shareholders, directors, officers, agents, contractors and employees (collectively, "Landlord's Agents"), against, and to protect, defend, and save them harmless from, all demands, claims, causes of action, liabilities, losses and judgments, and all reasonable expenses incurred in investigating or resisting the same (including reasonable attorneys' fees), for death of or injury to person or damage to property arising out of (i) any occurrence in, upon or about the Premises during the term of this Lease, (ii) Tenant's use, occupancy, repairs, maintenance, and improvements of the Premises and all improvements, fixtures, equipment and personal property thereon, and (iii) any act or omission of Tenant, its shareholders, directors, officers, agents, employees, servants, contractors, invitees and subtenants. Tenant's obligation under this Section 20.1 shall survive the expiration or earlier termination of the term of this Lease.

20.2 Landlord agrees to indemnify Tenant and Tenant's shareholders, directors, officers, agents, and employees (collectively "Tenant's Agents") against and save them harmless from all demands, claims, causes of action and judgments, and all reasonable expenses incurred in investigating or resisting the same (including reasonable attorneys' fees), for death of, or injury to, any person or damage to property arising from or out of any occurrence in, upon, or about the Premises during the term of this Lease if caused by the willful misconduct or gross negligence of Landlord or Landlord's directors, officers, agents, employees, servants, contractors, invitees and subtenants, unless caused in part by the willful misconduct or gross negligence of Tenant or Tenant's Agents. Landlord's obligations under this Section 20.2 shall survive the expiration or earlier termination of the term of this Lease.

20.3 Notwithstanding any provision of Sections 20.1 and 20.2 to the contrary, Landlord shall not be liable to Tenant and Tenant assumes all risk of damage to any fixtures, goods, inventory, merchandise, equipment, records, research, experiments, animals and other living organisms, computer hardware and software, leasehold improvements, and other personal property of any nature whatsoever, and Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom relative to such damage, unless caused by Landlord's or Landlord's Agents' willful misconduct or gross negligence.

20.4 The indemnity obligations of both Landlord and Tenant under this Section 20 shall be satisfied to the extent of proceeds of applicable insurance maintained by Tenant to the extent thereof, and thereafter to proceeds of any applicable insurance maintained

by Landlord; Landlord and Tenant shall be required to satisfy any such obligation only to the extent it is not satisfied by proceeds of applicable insurance as set forth above.

20.5 Security devices and services, if any, while intended to deter crime may not in given instances prevent theft or other criminal acts and it is agreed that Landlord shall not be liable for injuries or losses caused by criminal acts of third parties and the risk that any security device or service may malfunction or otherwise be circumvented by a criminal is assumed by Tenant. Tenant shall at Tenant's cost obtain insurance coverages to the extent Tenant desires protection against such criminal acts.

21. INSURANCE - WAIVER OF SUBROGATION.

21.1 Commencing prior to Tenant's first entry onto the Premises for purposes of installing any improvements, fixtures or personal property, but no later than the Term Commencement Date, and continuing at all times during the term of this Lease, Tenant shall maintain, at Tenant's expense, commercial general liability insurance, on an occurrence basis, insuring Tenant and Tenant's agents, employees and independent contractors against all bodily injury, property damage, personal injury and other covered loss arising out of the use, occupancy, improvement and maintenance of the Premises and the business operated by Tenant, or any other occupant, on the Premises. Such insurance shall have a minimum combined single limit of liability per occurrence of not less than \$4,000,000.00 and a general aggregate limit of \$4,000,000.00. Such insurance shall: (i) name Landlord, and Landlord's lenders if required by such lenders, and any management company retained to manage the Premises if requested by Landlord, as additional insureds; (ii) include a broad form contractual liability endorsement insuring Tenant's indemnity obligations under Section 20.1; (iii) include a products liability coverage endorsement (with limits of \$2,000,000.00 on a "claims made" basis), a boiler and machinery liability endorsement, and a products completed operations coverage endorsement; (iv) provide that it is primary coverage and noncontributing with any insurance maintained by Landlord or Landlord's lenders, which shall be excess insurance with respect only to losses arising out of Tenant's negligence; and (v) provide for severability of interests or include a cross-liability endorsement, such that an act or omission of an insured shall not reduce or avoid coverage of other insureds.

21.2 At all times during the term of this Lease, Tenant shall maintain, at Tenant's expense, "all risk" insurance, including, but not limited to, coverage against loss or damage by fire, vandalism, and malicious mischief covering the Building (exclusive of excavations, foundations and footings), Tenant's Improvements (whether owned by Landlord or Tenant), and all other improvements and fixtures that may be constructed or installed on the Premises, in an amount equal to one hundred percent (100%) of the full replacement value thereof. If any boilers or other pressure vessels or systems are installed on the Premises, Tenant shall maintain, at Tenant's expense, boiler and machinery insurance in an amount equal to one hundred percent (100%) of the full replacement value thereof. At all times during the course of any major demolition or construction permitted hereunder, or any restoration pursuant to Articles 22 or 23, Tenant shall maintain, at Tenant's expense, "all risk" builder's risk insurance, including, but not limited to, coverage against loss of damage by fire, vandalism and malicious mischief, covering improvements in place and all material and equipment at the job site furnished

under contract, in an amount equal to one hundred percent (100%) of the full replacement value thereof. The insurance described in this Section 21.2 shall: (i) insure Landlord, and Landlord's lenders if required by such lenders, as their interests may appear; (ii) contain a Lender's Loss Payable Form (Form 438 BFU or equivalent) in favor of Landlord's lenders and name Landlord, or Landlord's lender if required by such lender, as the loss payee; (iii) provide for severability of interests or include a cross-liability endorsement, such that an act or omission of an insured shall not reduce or avoid coverage of other insureds; (iv) include a building ordinance endorsement, an agreed amount endorsement and an inflation endorsement; and (v) provide that it is primary coverage and noncontributing with any insurance maintained by Landlord or Landlord's lenders, which shall be excess insurance. The full replacement value of the Building, Tenant's Improvements and other improvements and fixtures insured thereunder shall, for the purpose of establishing insurance limits and premiums only, be determined by the company issuing the insurance policy and shall be redetermined by said company within six (6) months after completion of any material alterations or improvements to the Premises and otherwise at intervals of not more than three (3) years. Tenant shall promptly increase the amount of the insurance carried pursuant to this Section 21.2 to the amount so redetermined. The proceeds of the insurance described in this Section shall be used for the repair, replacement and restoration of the Premises and Tenant's Improvements and other improvements and fixtures insured thereunder, as further provided in Article 22; provided, however, if this Lease is terminated after damage or destruction, the insurance policy or policies, all rights thereunder and all insurance proceeds shall be assigned to Landlord and Tenant in an equitable manner taking into consideration the unamortized portion of each party's contribution toward the cost of the Tenant's Improvements with respect to which such proceeds have been paid.

21.3 At all times during the term of this Lease, Tenant shall maintain, at Tenant's expense, business interruption insurance in order to insure that the Basic Annual Rent and Operating Expenses provided for hereunder will be paid for a period of up to one (1) year after any casualty insured against by all risk policy of insurance described in Section 21.2 above or any restriction of access to the Premises as a result of such casualty.

21.4 At all times during the term of this Lease, Tenant shall maintain, at Tenant's expense, "all risk" insurance against all other personal property, including trade fixtures, equipment and merchandise, of Tenant or any subtenant of Tenant that may be occupying the Premises, or any portion thereof, from time to time, in an amount equal to the full replacement value thereof.

21.5 At all times during the term of this Lease, Tenant shall maintain workers' compensation insurance in accordance with California law, and employers' liability insurance with limits typical for companies similar to Tenant.

21.6 All of the policies of insurance referred to in this Article 21 shall be written by companies authorized to do business in California and rated A+VII or better in Best's Insurance Guide. Each insurer referred to in this Article 21 shall agree, by endorsement on the applicable policy or by independent instrument furnished to Landlord, that it will give Landlord, and Landlord's lenders if required by such lenders, at least ten (10) days' prior written notice by registered mail before the applicable policy shall be cancelled for non-payment of premium, and

thirty (30) days' prior written notice by registered mail before the applicable policy shall be cancelled or altered in coverage, scope, amount or other material term for any other reason (although any failure of an insurer to give notice as provided herein shall not be a breach of this Lease by Tenant). Tenant shall pay all of the premiums for such insurance and all deductible amounts provided for thereunder. No policy shall provide for a deductible amount in excess of \$100,000, unless approved in advance in writing by Landlord, which approval shall not be unreasonably withheld. Tenant shall deliver to Landlord, and to Landlord's lenders if required by such lenders, copies of the insurance policies, certified by the insurer, or certificates evidencing such insurance policies, issued by the insurer, together with evidence of payment of the required premiums, prior to the required date for commencement of such coverage. At least thirty (30) days prior to expiration of any such policy, Tenant shall deliver to Landlord, and Landlord's lenders if required by such lenders, a certificate evidencing renewal, or a certified copy of a new policy or certificate evidencing the same, together with evidence of payment of the required premiums. If Tenant fails to provide to Landlord any such policy or certificate by the required date for commencement of coverage, or within fifteen (15) days prior to expiration of any policy, or to pay the premiums therefor when required, Landlord shall have the right, but not the obligation, to procure said insurance and pay the premiums therefor. Any premiums paid by Landlord shall be repaid by Tenant to Landlord with the next due installment of rent, and failure to repay the same shall have the same consequences as failure to pay any installment of Rent.

21.7 If the insurance required pursuant to this Article 21 is materially less in amount or type of insurance than the insurance typically carried by owners or tenants of comparable "biotech" properties located in the UTC/Torrey Pines/Sorrento Valley area of San Diego, California, which are similar to and operated for similar purposes as the Premises, Landlord may elect to require Tenant to increase the amount of coverage. Landlord shall notify Tenant in writing of the specific increase required, and Tenant shall have thirty (30) days after receipt of Landlord's notice to effect the increase. Any adjustment pursuant to this Section 21.7 may be made not more often than once every five (5) years unless otherwise agreed by Landlord and Tenant. In no event shall Tenant be required to carry earthquake or flood insurance.

21.8 Tenant may provide the property insurance required under this Article 21 pursuant to a so-called blanket policy or policies of property insurance maintained by Tenant; provided, however, that the amount and type of coverage afforded to the Landlord shall not be reduced or adversely affected from that which would exist under a separate policy or policies meeting all of the requirements of this Lease by reason of the use of a blanket policy of property insurance, and provided further that the requirements of this Article 21 are otherwise satisfied.

21.9 Landlord and Tenant each hereby waive any and all rights of recovery against the other or against the officers, directors, partners, employees, agents, and representatives of the other, on account of loss or damage to such waiving party's property or the property of others under its control, to the extent that such loss or damage is caused by or results from risks insured against under any insurance policy which insures such waiving party's property at the time of such loss or damage, which waiver shall continue in effect as long as the parties' respective insurers permit such waiver under the terms of their respective insurance policies or otherwise in writing. Any termination of such waiver shall be by written notice as hereinafter

set forth. Prior to obtaining policies of insurance required or permitted under this Lease, Landlord and Tenant shall give notice to the insurers that the foregoing mutual waiver is contained in this Lease, and each party shall use its best efforts to cause such insurer to approve such waiver in writing and to cause each insurance policy obtained by it to provide that the insurer waives all right of recovery by way of subrogation against the other party. If such written approval of such waiver of subrogation cannot be obtained from any insurer or is obtainable only upon payment of an additional premium which the party seeking to obtain the policy reasonably determines to be commercially unreasonable, the party seeking to obtain such policy shall notify the other thereof, and the latter shall have twenty (20) days thereafter to either: (i) identify other insurance companies reasonably satisfactory to the other party that will provide the written approval and waiver of subrogation; or (ii) agree to pay such additional premium. If neither (i) nor (ii) are done, the mutual waiver set forth above shall not be operative, and the party seeking to obtain the policy shall be relieved of the obligation to obtain the insurer's written approval and waiver of subrogation with respect to such policy during such time as such policy is not obtainable or is obtainable only upon payment of a commercially unreasonable additional premium as described above. If such policies shall at any subsequent time be obtainable or obtainable upon payment of a commercially reasonable additional premium, neither party shall be subsequently liable for failure to obtain such insurance until a reasonable time after notification thereof by the other party. If the release of either Landlord or Tenant, as set forth in the first sentence of this Section 21.9, shall contravene any law with respect to exculpatory agreements, the liability of the party in question shall be deemed not released but shall be secondary to the other's insurer.

22. DAMAGE OR DESTRUCTION

22.1 Tenant shall give written notice to Landlord immediately upon any damages to or destruction of the Premises if the loss sustained exceeds Ten Thousand Dollars (\$10,000). In the event of damage to or destruction of all or any portion of the Premises or the improvements and fixtures thereon (collectively, "improvements") arising from a risk covered by the insurance described in Section 21.2, Tenant shall within a reasonable time commence and proceed diligently to repair, reconstruct and restore (collectively, "restore") such improvements to substantially the same condition as they were in immediately prior to the casualty, whether or not the insurance proceeds are sufficient to cover the actual cost of restoration. Except as expressly set forth below, this Lease shall continue in full force and effect, notwithstanding such damage or destruction.

22.2 In the event of any damage to or destruction of all or any portion of the improvements arising from a risk which is not covered by the insurance described in Section 21.2, Tenant shall within a reasonable time commence and proceed diligently to restore the improvements to substantially the same condition as they were in immediately prior to the casualty, in which case this Lease shall continue in full force and effect. In satisfying its obligations under this Article 22, Tenant shall not be required to restore the Premises with improvements identical to those which were damaged or destroyed; rather, with the consent of Landlord, which consent will not be unreasonably withheld, Tenant may restore the damage or destruction with improvements reasonably equivalent or of reasonably equivalent value to those

damaged or destroyed. Nothing in this subsection, however, shall be construed to relieve Tenant of any other obligations under this Lease, including the obligation to pay Rent.

22.3 In the event of damage, destruction and/or restoration as herein provided, there shall be no abatement of Rent, and Tenant shall not be entitled to any compensation or damages occasioned by any such damage, destruction or restoration.

22.4 Notwithstanding anything to the contrary contained in this Article, should Tenant be delayed or prevented from completing the restoration of the improvements after the occurrence of such damage or destruction by reason of acts of God, war, government restrictions, inability to procure the necessary labor or materials, strikes, or other causes beyond the control of Tenant (but excluding economic conditions or financial inability to perform), the time for Tenant to commence or complete restoration shall be extended for the time reasonably required as a result of such event.

22.5 If insured casualty occurs and the total amount of loss does not exceed Ten Thousand Dollars (\$10,000), Tenant shall make the loss adjustment with the insurance company insuring the loss, and the proceeds shall be paid directly to Tenant for the sole purpose of completing the restoration required pursuant to this Article 22. If the total amount of loss exceeds Ten Thousand Dollars (\$10,000), Tenant shall make the loss adjustment with the insurance company, which adjustment shall be subject to the approval of Landlord, which approval shall not be unreasonably withheld, and the proceeds shall be immediately deposited with an institutional lender or other entity ("Insurance Trustee") designated by Tenant and approved by Landlord, which approval shall not be unreasonably withheld, who shall agree to hold said proceeds in trust and to disburse said proceeds in accordance with the provisions of this Section. If the improvements are damaged or destroyed as a result of a risk not covered by insurance as described in Section 22.2, Tenant shall deposit with the Insurance Trustee its contribution towards the cost of restoration, or in lieu thereof shall provide financial assurances satisfactory to Landlord of its ability and willingness to pay such contribution when required. Restoration work shall not be commenced until funds sufficient to cover the estimated cost of restoration have been deposited with the Insurance Trustee. The Insurance Trustee shall disburse amounts deposited with it to pay the cost of restoration, in installments as construction progresses, upon presentation of certificates executed by the architect or engineer retained by Tenant verifying the amount due, on terms and conditions approved by Landlord and Landlord's lender prior to commencement of work. A ten percent (10%) retainage shall be reserved from payments due to the contractor, which retainage shall be paid upon completion of restoration, payment of all costs, expiration of all applicable liens, and delivery of evidence that the Premises are free from all mechanics' and materialmen's liens and lienable claims. Landlord, and Landlord's lenders if required by such lenders, shall have the right to approve requests for reimbursement prior to payment, which approval shall not be unreasonably withheld. Landlord shall have the right to engage an architect or engineer to review and approve requests for disbursement, and reasonable expenses incurred by such party shall be paid by the Insurance Trustee out of the funds deposited with the Insurance Trustee. If, at any time during the course of restoration, the funds held by the Insurance Trustee are not sufficient to pay the actual costs of restoration, Tenant shall deposit the amount of the deficiency with the Insurance Trustee within twenty (20) days after receipt of a written request from the Insurance Trustee. After restoration has been

completed and final payment has been made to Tenant's contractor, within fifteen (15) days after demand by either party, the Insurance Trustee shall pay undisbursed funds remaining thereafter to Tenant. All actual costs and charges of the Insurance Trustee shall be paid by Tenant. Each party shall promptly execute all documents and perform all acts reasonably required by the Insurance Trustee to perform its obligations under this Section.

22.6 If restoration is required pursuant to this Article, Tenant, at its expense, shall prepare final plans and specifications and working drawings for the work in compliance with all applicable laws. The plans and specifications and working drawings shall be subject to the approval of Landlord, which approval shall not be unreasonably withheld, within thirty (30) days after receipt and the approval of Landlord's lenders, which approval shall not be unreasonably withheld, if required by such lenders. Tenant shall submit the plans and specifications as soon as reasonably practicable, but in no event later than one hundred twenty (120) days after the casualty. Tenant shall commence the restoration within thirty (30) days after issuance of all necessary permits and approvals and shall continue the work diligently to completion thereafter. The provisions of Article 17 shall apply to any restoration work under this Article as if the restoration was an alteration, addition or improvement thereunder.

22.7 Tenant waives the provisions of Civil Code Section 1932(2) and 1933(4) or any similar statute now existing or hereafter adopted governing destruction of the Premises, so that the parties' rights and obligations in the event of damage or destruction shall be governed by the provisions of this Lease.

23. EMINENT DOMAIN

23.1 In the event the whole of the Premises shall be taken for any public or quasi-public purpose by any lawful power or authority by exercise of the right of appropriation, condemnation or eminent domain, or sold to prevent such taking, Tenant or Landlord may terminate this Lease effective as of the date possession is required to be surrendered to said authority.

23.2 In the event of a partial taking of the Premises for any public or quasi-public purpose by any lawful power or authority by exercise of right of appropriation, condemnation, or eminent domain, or sold to prevent such taking, then Landlord may elect to terminate this Lease if such taking is of a material nature such as to make it uneconomical to continue use of the unappropriated portions for the purposes for which they were intended, and Tenant may elect to terminate this Lease if such taking is of material detriment to, and substantially interferes with, Tenant's use and occupancy of the Premises, including but not limited to materially affecting Tenant's parking or Tenant's ingress and egress from the Premises, unless Landlord provides reasonable alternatives thereto. In no event shall this Lease be terminated when such a partial taking does not have a material adverse effect upon Landlord or Tenant or both. Termination by either party pursuant to this section shall be effective as of the date possession is required to be surrendered to said authority.

23.3 If upon any taking of the nature described in this Article 23 this Lease continues in effect, then Tenant shall promptly proceed to restore the remaining portion of the

Premises, and all improvements and fixtures located thereon, to substantially their same condition prior to such partial taking; provided, however, Tenant's obligation hereunder shall be limited to the amount of the condemnation proceeds. Basic Annual Rent shall be abated proportionately on the basis of the rental value of the Premises, including improvements and fixtures, as restored after such taking compared to the rental value of the Premises prior to such taking.

If the cost of restoration does not exceed Ten Thousand Dollars (\$10,000), any award for the taking shall be paid directly to Tenant for the sole purpose of completing the restoration required pursuant to this Article 23. If the cost of restoration exceeds Ten Thousand Dollars (\$10,000), the award shall be immediately deposited with an institutional lender or other entity ("Condemnation Trustee") designated by Landlord and approved by Tenant, which approval shall not be unreasonably withheld, who shall agree to hold said proceeds in trust and to disburse said proceeds in accordance with the provisions of this Section. The Condemnation Trustee shall disburse amounts deposited with it to pay the cost of restoration, in installments as construction progresses, upon presentation of certificates executed by the architect or engineer retained by Tenant verifying the amount due, on terms and conditions approved by Landlord and Landlord's lenders prior to commencement of work. A ten percent (10%) retainage shall be reserved from payments due to the contractor, which retainage shall be paid upon completion of restoration, payment of all costs, expiration of all applicable liens, and delivery of evidence that the Premises are free from all mechanics' and materialmen's liens and lienable claims. Landlord, and Landlord's lenders if required by such lenders, shall have the right to approve requests for reimbursement prior to payment, which approval shall not be unreasonably withheld. Landlord shall have the right to engage an architect or engineer to review and approve requests for disbursement, and reasonable expenses incurred by such party shall be paid by the Condemnation Trustee out of the funds deposited with the Condemnation Trustee. All actual costs and charges of the Condemnation Trustee shall be paid out of the funds deposited. Each party shall promptly execute all documents and perform all acts reasonably required by the Condemnation Trustee to perform its obligations under this Section.

If restoration is required pursuant to this Article, Tenant, using proceeds of the award, shall prepare final plans and specifications and working drawings for the work in compliance with all applicable laws. The plans and specifications and working drawings shall be subject to the approval of Landlord within thirty (30) days after receipt, which approval shall not be unreasonably withheld. Tenant shall submit the plans and specifications as soon as reasonably practicable, but in no event later than one hundred twenty (120) days after the taking, unless due to delays beyond Tenant's control. Subject to unavoidable delays, Tenant shall commence the restoration within thirty (30) days after issuance of all necessary permits and approvals and shall continue the work diligently to completion thereafter. The provisions of Article 17 shall apply to any restoration work under this Article as if the restoration was an alteration, addition or improvement under Article 17.

23.4 If upon any taking of the nature described in this Article 23 this Lease does not continue in effect, or in the event final payment has been made to Tenant's contractor under the preceding Section 23.3 and the Condemnation Trustee holds additional funds from the award, any award shall be distributed to Landlord and Tenant pro rata according to their interests taken.

24. DEFAULTS AND REMEDIES

24.1 Late payment by Tenant to Landlord of Rent and other sums due will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by the terms of any mortgage or trust deed covering the Premises. Therefore, if any installment of Rent due from Tenant is not received by Landlord within ten (10) days of the date such payment is due, Tenant shall pay to Landlord an additional sum of five percent (5%) of the overdue rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. In addition to the late charge, Rent not paid within thirty (30) days of the date such payment is due shall bear interest from thirty (30) days after the date due until paid at the lesser of (i) ten percent (10%) per annum or (ii) the maximum rate permitted by law.

24.2 No payment by Tenant or receipt by Landlord of a lesser amount than the rent payment herein stipulated shall be deemed to be other than on account of the rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy provided. If at any time a dispute shall arise as to any amount or sum of money to be paid by Tenant to Landlord, Tenant shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment, and there shall survive the right on the part of Tenant to institute suit for recovery of the payment paid under protest.

24.3 If Tenant fails to pay any sum of money (other than Basic Annual Rent) required to be paid by it hereunder, or shall fail to perform any other act on its part to be performed hereunder, Landlord may, without waiving or releasing Tenant from any obligations of Tenant, but shall not be obligated to, make such payment or perform such act; provided, that such failure by Tenant continued for ten (10) days after written notice from Landlord demanding performance by Tenant was delivered to Tenant, or that such failure by Tenant unreasonably interfered with the use or efficient operation of the Premises, or resulted or could have resulted in a violation of law or the cancellation of an insurance policy maintained by Landlord. All sums so paid or incurred by Landlord, together with interest thereon, from the date such sums were paid or incurred, at the annual rate equal to ten percent (10%) per annum or highest rate permitted by law, whichever is less, shall be payable to Landlord on demand as Additional Rent.

24.4 The occurrence of any one or more of the following events shall constitute a default hereunder by Tenant:

(a) The failure by Tenant to make any payment of Rent, as and when due, where such failure shall continue for a period of five (5) days after written notice thereof from Landlord to Tenant. Such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161;

(b) The failure by Tenant to observe or perform any obligation other than described in Section 24.4(a) to be performed by Tenant, where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required to cure the default, then Tenant shall not be deemed to be in default if Tenant shall commence such cure within said thirty (30) day period and thereafter diligently prosecute the same to completion. Such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161;

(c) Tenant makes an assignment for the benefit of creditors;

(d) A receiver, trustee or custodian is appointed to, or does, take title, possession or control of all, or substantially all, of Tenant's assets;

(e) An order for relief is entered against Tenant pursuant to a voluntary or involuntary proceeding commenced under any chapter of the Bankruptcy Code;

(f) Any involuntary petition is filed against the Tenant under any chapter of the Bankruptcy Code and is not dismissed within ninety (90) days; or

(g) Tenant's interest in this Lease is attached, executed upon, or otherwise judicially seized and such action is not released within ninety (90) days of the action.

Notices given under this Section shall specify the alleged default and shall demand that Tenant perform the provisions of this Lease or pay the Rent that is in arrears, as the case may be, within the applicable period of time, or quit the Premises. No such notice shall be deemed a forfeiture or a termination of this Lease unless Landlord elects otherwise in such notice, and in no event shall a forfeiture or termination occur without such written notice.

24.5 In the event of a default by Tenant, and at any time thereafter, and without limiting Landlord in the exercise of any right or remedy which Landlord may have, Landlord shall be entitled to terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall have the immediate right to re-enter and remove all persons and property, and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of Tenant, all without service of notice and without being deemed guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby. In the event that Landlord shall elect to so terminate this Lease, then Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including:

(a) The worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus

(b) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss which Tenant proves could have been reasonably avoided; plus

(c) The worth at the time of award of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss which Tenant proves could have been reasonably avoided; plus

(d) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligation under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, the cost of restoring the Premises to the condition required under the terms of this Lease; plus

(e) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

As used in Subsections (a), (b) and (c), the "time of award" shall mean the date upon which the judgment in any action brought by Landlord against Tenant by reason of such default is entered or such earlier date as the court may determine. As used in Subsections (a) and (b), the "worth at the time of award" shall be computed by allowing interest at the rate specified in Section 24.1. As used in Subsection (c) above, the "worth at the time of award" shall be computed by taking the present value of such amount using the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percentage point.

24.6 In the event of a default by Tenant, and if Landlord does not elect to terminate this Lease as provided in Section 24.5 or otherwise terminate Tenant's right to possession of the Premises, Landlord shall have the remedy described in Section 1951.4 of the Civil Code. Landlord may continue this Lease in effect for so long as Landlord does not terminate Tenant's right to possession of the Premises, and may enforce all of its rights and remedies under the Lease, including the right from time to time to recover Rent as it becomes due under the Lease. At any time thereafter, Landlord may elect to terminate this Lease and to recover damages to which Landlord is entitled.

24.7 Notwithstanding anything herein to the contrary, Landlord's reentry to perform acts of maintenance or preservation of, or in connection with efforts to relet, the Premises, or any portion thereof, or the appointment of a receiver upon Landlord's initiative to protect Landlord's interest under this Lease, shall not terminate Tenant's right to possession of the Premises or any portion thereof and, until Landlord does elect to terminate this Lease, this Lease shall continue in full force and Landlord may pursue all its remedies hereunder, including, without limitation, the right to recover from Tenant as they become due hereunder all Rent and other charges required to be paid by Tenant under the terms of this Lease.

24.8 All rights, options, and remedies of Landlord contained in this Lease shall be construed and held to be nonexclusive and cumulative. Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by

law, whether or not stated in this Lease. No waiver of any default of Tenant hereunder shall be implied from any acceptance by Landlord of any rent or other payments due hereunder or by any omission by Landlord to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect defaults other than as specified in said waiver.

24.9 Termination of this Lease or Tenant's right to possession by Landlord shall not relieve Tenant from any liability to Landlord which has theretofore accrued or shall arise based upon events which occurred prior to the last to occur of (i) the date of Lease termination or (ii) the date possession of Premises is surrendered.

24.10 Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

24.11 In the event of any default on the part of Landlord, Tenant will give notice by registered or certified mail to any beneficiary of a deed of trust or mortgagee of a mortgage covering the Premises whose address shall have been furnished and shall offer such beneficiary and/or mortgagee a reasonable opportunity to cure the default, including time to obtain possession of the Premises by power of sale or a judicial action if such should prove necessary to effect a cure.

25. ASSIGNMENT OR SUBLETTING

25.1 Except as hereinafter provided, Tenant shall not, either voluntarily or by operation of law, sell, hypothecate or transfer this Lease, or sublet the Premises or any part thereof, or permit or suffer the Premises or any part thereof to be used or occupied as work space, storage space, concession or otherwise by anyone other than Tenant or Tenant's employees, without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld or delayed.

25.2 If Tenant desires to assign this Lease to any entity into which Tenant is merged, with which Tenant is consolidated, or which acquires all or substantially all of the assets of Tenant, provided that the assignee first executes, acknowledges and delivers to Landlord an agreement whereby the assignee agrees to be bound by all of the covenants and agreements in this Lease arising after the effective date of the transfer, then Landlord upon receipt of proof of foregoing, will consent to the assignment.

25.3 In the event Tenant desires to assign, sublease, hypothecate or otherwise transfer this Lease or sublet the Premises to an assignee other than one set forth in Section 25.2, then at least ten (10) days, but not more than forty-five (45) days, prior to the date when Tenant desires the assignment or sublease to be effective (the "Assignment Date"), Tenant shall give Landlord a notice (the "Assignment Notice") which shall set forth the name, address and business

of the proposed assignee or sublessee, information (including references and financial statements) concerning the reputation and financial ability of the proposed assignee or sublessee, the Assignment Date, any ownership or commercial relationship between Tenant and the proposed assignee or sublessee, and the consideration and all other material terms and conditions of the proposed assignment or sublease, all in such detail as Landlord shall reasonably require.

25.4 Landlord in making its determination as to whether consent should be given to a proposed assignment or sublease, may give consideration to the reputation of a proposed successor, the financial strength of such successor (notwithstanding the assignor remaining liable for Tenant's performance), and any use which such successor proposes to make of the Premises. If Landlord fails to deliver written notice of its determination to Tenant within thirty (30) days following receipt of the Assignment Notice and the information required under Section 25.3, Landlord shall be deemed to have approved the request. As a condition to any assignment or sublease to which Landlord has given consent, any such assignee or sublessee must execute, acknowledge and deliver to Landlord an agreement whereby the assignee or sublessee agrees to be bound by all of the covenants and agreements in this Lease.

25.5 Any sale, assignment, hypothecation or transfer of this Lease or subletting of Premises that is not in compliance with the provisions of this Article 25 shall be void and shall, at the option of Landlord, terminate this Lease.

25.6 The consent by Landlord to an assignment or subletting shall not relieve Tenant or any assignee of this Lease or sublessee of the Premises from obtaining the consent of Landlord to any further assignment or subletting or as releasing Tenant or any assignee or sublessee of Tenant from full and primary liability.

25.7 If Tenant shall sublet the Premises or any part thereof Tenant hereby immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any subletting of all or a part of the Premises, and Landlord as assignee of Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of an act of default by Tenant, Tenant shall have the right to collect such rent.

25.8 Notwithstanding any subletting or assignment Tenant shall remain fully and primarily liable for the payment of all Rent and other sums due, or to become due hereunder, and for the full performance of all other terms, conditions, and covenants to be kept and performed by Tenant. The acceptance of rent or any other sum due hereunder, or the acceptance of performance of any other term, covenant, or condition hereof, from any other person or entity shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to any subletting or assignment of the Premises. Landlord shall not withhold consent to an assignment back to the original Tenant hereunder from a subsequent assignee.

25.9 Any sublease of the Premises shall be subject and subordinate to the provisions of this Lease, shall not extend beyond the term of this Lease, and shall provide that the sublessee shall attorn to Landlord, at Landlord's sole option, in the event of the termination of this Lease. Landlord and any lender shall upon Tenant's request provide any subtenant of the

entirety of the Premises with a recognition and nondisturbance agreement in the form set forth in Article 35 hereof on the condition that the sublessee agrees to attorn to Landlord on exactly the same terms and conditions as this Lease.

26. ATTORNEY'S FEES

26.1 If either party becomes a party to any action or proceeding concerning this Lease or the Premises, or any part thereof, by reason of any act or omission of the other party or its authorized representatives, and not by any act or omission of the party that becomes a party to that litigation or any act or omission of its authorized representatives, the party that causes the other party to become involved in the litigation shall be liable to that party for reasonable attorneys' fees, expert witness fees, and court costs incurred by it in the litigation.

26.2 If either party commences an action or proceeding against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to have and recover from the other party reasonable attorneys' fees, expert witness fees and costs of suit.

27. BANKRUPTCY

27.1 In the event a debtor or trustee under the Bankruptcy Code, or other person with similar rights, duties and powers under any other law, proposes to cure any default under this Lease or to assume or assign this Lease, and is obliged to provide adequate assurance to Landlord that (i) a default will be cured, (ii) Landlord will be compensated for its damages arising from any breach of this Lease, or (iii) future performance under this Lease will occur, then adequate assurance shall include any or all of the following, as determined by the Bankruptcy Court:

(a) Those acts specified in the Bankruptcy Code or other law as included within the meaning of adequate assurance;

(b) A cash payment to compensate Landlord for any monetary defaults or damages arising from a breach of this Lease;

(c) The credit worthiness and desirability, as a tenant, of the person assuming this Lease or receiving an assignment of this Lease, at least equal to Landlord's customary and usual credit worthiness requirements and desirability standards in effect at the time of the assumption or assignment, as determined by the Bankruptcy Court; and

(d) The assumption or assignment of all of Tenant's interest and obligations under this Lease.

28. DEFINITION OF LANDLORD

28.1 The term "Landlord" as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only Landlord or the successor-in-interest of Landlord under this Lease at the time in question. In the

event of any transfer, assignment or conveyance of Landlord's title or leasehold, the Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor and any prior grantors) shall be automatically freed and relieved from and after the date of such transfer, assignment or conveyance of all liability for the performance of any covenants or obligations contained in this Lease thereafter to be performed by Landlord and, without further agreement, the transferee of such title or leasehold shall be deemed to have assumed and agreed to observe and perform any and all obligations of Landlord hereunder, during its ownership of the Premises. Landlord may transfer its interest in the Premises or this Lease without the consent of Tenant and such transfer or subsequent transfer shall not be deemed a violation on the part of Landlord or the then grantor of any of the terms or conditions of this Lease.

28.2 Notwithstanding the foregoing, the term "Landlord" shall include the Landlord herein named (Science Park Center LLC, even if its interest is assigned to a successor) with regard to (i) responsibility for construction of the Project Work pursuant to Sections 4.1 hereof, (ii) the warranties made by Landlord under Section 14.4 to the extent thereof, (iii) responsibility for covenants and representations made by Landlord in Section 39.8 hereof, (iv) the obligation to deliver the Premises lien-free pursuant to Section 35.4, and (v) the completion of punch-list items pursuant to Section 6.3 of the Work Letter.

29. ESTOPPEL CERTIFICATE

29.1 Each party shall, within fifteen (15) days of written notice from the other party, execute, acknowledge and deliver to the other party a statement in writing on a form reasonably requested by a proposed lender, purchaser, assignee or subtenant (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the dates to which the rental and other charges are paid in advance, if any, (ii) acknowledging that there are not, to each party's knowledge, any uncured defaults on the part of Landlord or Tenant hereunder (or specifying such defaults if any are claimed) and (iii) setting forth such further information with respect to this Lease or the Premises as may be reasonably requested thereon. Any such statement may be relied upon by any prospective lender, purchaser, assignee or subtenant of all or any portion of the Premises.

30. REMOVAL OF PROPERTY

30.1 Except as provided below, all fixtures and personal property owned by Tenant shall be and remain the property of Tenant, and may be removed by Tenant at the expiration or earlier termination of the term of this Lease.

30.2 The Building and Improvements, and all fixtures and personal property owned by Landlord, shall be and remain the property of Landlord, and shall, upon the expiration or earlier termination of this Lease, remain upon and be surrendered with the Premises as a part thereof. Except as provided below, all other improvements, additions, alterations, and decorations attached to or built into the Premises, including (without limiting the generality of the foregoing) all wallcoverings, built-in cabinet work and paneling, shall, unless Landlord elects otherwise,

become the property of Landlord upon the expiration or earlier termination of this Lease, and shall remain upon and be surrendered with the Premises as a part thereof.

30.3 Notwithstanding Sections 30.1 and 30.2 hereof, Tenant may not remove any property if such removal would cause material damage to the Premises, unless such damages can be and is repaired by Tenant. Furthermore, Tenant shall repair any damage to the Premises caused by Tenant's removal of any such property, and shall, prior to the expiration or earlier termination of this Lease, restore and return the Premises to the condition they were in when first occupied by Tenant, reasonable wear and tear excepted. At a minimum, even if they are determined to be fixtures or personal property owned by Tenant, Tenant shall leave in place and repair any damage to the interior floors, walls and ceilings of the Premises. The provisions of Article 17 shall apply to any restoration work under this Article as if the restoration was an alteration, addition or improvement thereunder. Should Tenant require any period beyond the expiration or earlier termination of the Lease to complete such restoration, Tenant shall be a tenant at sufferance subject to the provisions of Section 12.2 hereof.

30.4 If Tenant shall fail to remove any fixtures or personal property which it is entitled to remove under this Article 30 from the Premises prior to termination of this Lease, then Landlord may dispose of the property under the provisions of Section 1980 et seq. of the California Civil Code, as such provisions may be modified from time to time, or under any other applicable provisions of California law.

31. LIMITATION OF LANDLORD'S LIABILITY

31.1 If Landlord is in default of this Lease, and as a consequence, Tenant recovers a money judgment against Landlord, the judgment shall be satisfied only out of the proceeds of sale received on execution of the judgment and levy against the right, title, and interest of Landlord in the Premises, and out of rent or other income from the Premises receivable by Landlord or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title, and interest in the Premises.

31.2 Neither Landlord nor Landlord's Agents shall be personally liable for any deficiency except to the extent liability is based upon willful and intentional misconduct. If Landlord is a partnership or joint venture, the partners of such partnership shall not be personally liable and no partner of Landlord shall be sued or named as a party in any suit or action, or service of process be made against any partner of Landlord, except as may be necessary to secure jurisdiction of the partnership or joint venture or to the extent liability is caused by willful and intentional misconduct. If Landlord is a corporation, the shareholders, directors, officers, employees, and/or agents of such corporation shall not be personally liable and no shareholder, director, officer, employee, or agent of Landlord shall be sued or named as a party in any suit or action, or service of process be made against any shareholder, director, officer, employee, or agent of Landlord, except as may be necessary to secure jurisdiction of the corporation. If Landlord is a limited liability company, the members, managers, officers, employees, and/or agents of such limited liability company shall not be personally liable and no member, manager, officer, employee, or agent of Landlord shall be sued or named as a party in any suit or action, or service of process be made against any member, manager, officer, employee, or agent of

Landlord, except as may be necessary to secure jurisdiction of the corporation. No partner, shareholder, director, member, manager, employee, or agent of Landlord shall be required to answer or otherwise plead to any service of process and no judgment will be taken or writ of execution levied against any partner, shareholder, director, member, manager, employee, or agent of Landlord.

31.3 Each of the covenants and agreements of this Article 31 shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or by common law.

31.4 Notwithstanding the foregoing, the Landlord herein named (Science Park Center LLC) shall remain liable for (i) responsibility for construction of the Project Work pursuant to Sections 4.1 hereof, (ii) the warranties made by Landlord under Section 14.4 to the extent thereof, (iii) responsibility for covenants and representations made by Landlord in Section 39.8 hereof, (iv) the obligation to deliver the Premises lien-free pursuant to Section 35.4, and (v) the completion of punch-list items pursuant to Section 6.3 of the Work Letter.

32. CONTROL BY LANDLORD

32.1 Landlord reserves full control over the Premises to the extent not inconsistent with Tenant's quiet enjoyment and use of Premises. This reservation includes rights granted pursuant to the Project Documents and the right to maintain or establish ownership of the Building or portions thereof separate from fee title to the land upon which it rests.

32.2 Tenant shall, should Landlord so request, promptly join with Landlord in execution of such documents as may be appropriate to assist Landlord to implement any such action provided Tenant need not execute any document which is of a nature wherein liability is created in Tenant or if by reason of the terms of such document Tenant will be deprived of the quiet enjoyment and use of the Premises as granted by this Lease.

33. QUIET ENJOYMENT

33.1 So long as Tenant is not in default, Landlord covenants that Landlord or anyone acting through or under Landlord will not disturb Tenant's occupancy of the Premises except as permitted by the provisions of this Lease.

34. QUITCLAIM DEED

34.1 Tenant shall execute and deliver to Landlord on the expiration or termination of this Lease, immediately on Landlord's request, a quitclaim deed to the Premises or other document in recordable form suitable to evidence of record termination of this Lease and the right of first refusal and option contained herein.

35. SUBORDINATION AND ATTORNMENT

35.1 Unless the mortgagee or beneficiary elects otherwise at any time prior to or following a default by Tenant, this Lease shall be subject to and subordinate to the lien of any mortgage or deed of trust now or hereafter in force against the Premises or any portion thereof, and to all advances made or hereafter to be made upon the security thereof without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination, provided that the lienholder, beneficiary, or mortgagee has previously executed and delivered to Tenant a non-disturbance, attornment, and subordination agreement in such form as the lienholder, beneficiary, or mortgagee may reasonably request and is approved by Tenant, which approval will not be unreasonably withheld, setting forth that so long as Tenant is not in default hereunder, Landlord's and Tenant's rights and obligations hereunder shall remain in force and Tenant's right to possession shall be upheld.

35.2 Notwithstanding the foregoing, Tenant shall execute and deliver upon demand such further instrument or instruments evidencing such subordination of this Lease to the lien of any such mortgage or deed of trust as may be required by Landlord and in a form reasonably satisfactory to Tenant, provided that the lienholder, beneficiary, or mortgagee has previously executed and delivered to Tenant a non-disturbance agreement in recordable form. However, if any such mortgagee or beneficiary so elects at any time prior to or following a default by Tenant, this Lease shall be deemed prior in lien to any such mortgage or deed of trust regardless of date and Tenant will execute a statement in writing to such effect at Landlord's request in a form reasonably satisfactory to Tenant.

35.3 In the event any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, the Tenant shall at the election of the purchaser at such foreclosure or sale attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease in accordance with the terms of the non-disturbance Agreement.

35.4 Landlord represents that there are no encumbrances on the Premises, nor will there be any encumbrances on the Premises, with interests which will be superior to Tenant's leasehold, on the date a memorandum of the Lease is duly recorded in the Official Records of San Diego County, other than those interests disclosed in the preliminary report described in the Project Documents or amendments thereto delivered to Tenant prior to the execution of this Lease. Tenant may, at Tenant's sole expense, concurrently with the recording of the memorandum of Lease, and as a condition to the effectiveness of the Lease, order and obtain a title insurance policy from an title insurance company of Tenant's choice, ensuring Tenant's leasehold estate in the Premises subject only to the exceptions set forth above and such other exceptions as cannot ripen into a fee interest or do not materially interfere with Tenant's quiet enjoyment of the Premises and to such deeds of trust, mortgages, ground leases or other liens or encumbrances whose beneficiaries have executed and delivered to Tenant recordable non-disturbance agreements.

Notwithstanding the foregoing, Landlord shall use commercially reasonable efforts to insure that the Premises are free of material and mechanics' liens at

Substantial Completion of the Premises, or as soon as is reasonably practical thereafter. At the request of Tenant, Landlord shall provide such documentation as may be reasonably requested by a title company for the purpose of allowing the leasehold policy to be issued without listing any such liens as exceptions, so long as Landlord incurs no expense therefor. In any event, however, Landlord shall insure such a policy without exceptions for such liens may be issued no later than six (6) months from Substantial Completion.

36. SURRENDER

36.1 No surrender of possession of any part of the Premises shall release Tenant from any of its obligations hereunder unless accepted by Landlord.

36.2 The voluntary or other surrender of this Lease by Tenant shall not work a merger, unless Landlord consents, and shall, at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies.

37. WAIVER AND MODIFICATION

37.1 No provision of this Lease may be modified, amended or added to except by an agreement in writing. The waiver by Landlord of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained.

38. WAIVER OF JURY TRIAL AND COUNTERCLAIMS

38.1 The parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, and/or any claim of injury or damage. In the event Landlord commences any proceedings for nonpayment of rent, or any other sums or amounts due hereunder, Tenant will not interpose any counterclaim of whatever nature or description in any such proceedings, except for mandatory counterclaims; provided, however, that nothing contained herein shall be deemed or construed as a waiver of the Tenant's right to assert such claims in any separate action or actions brought by Tenant.

39. HAZARDOUS MATERIAL

39.1 During the term, Tenant, at its sole cost, shall comply with all federal, state and local laws, statutes, ordinances, codes, regulations and orders relating to the receiving, handling, use, storage, accumulation, transportation, generation, spillage, migration, discharge, release and disposal of Hazardous Material (as hereinafter defined in Section 39.12 hereof) in or about the Premises. Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Premises by Tenant, its agents, employees, contractors, invitees or subtenants, in a manner or for a purpose prohibited by any federal, state or local agency or authority. The accumulation of Hazardous Material shall be in approved containers and removed from the Premises by duly licensed carriers.

39.2 Tenant shall immediately provide Landlord with telephonic notice, which shall promptly be confirmed by written notice, of any and all spillage, discharge, release and disposal of Hazardous Material onto or within the Premises, including the soils and subsurface waters thereof, which by law must be reported to any federal, state or local agency, and any injuries or damages resulting directly or indirectly therefrom. Further, Tenant shall deliver to Landlord each and every notice or order, when said order or notice identifies a violation which may have the potential to adversely impact the Premises, received from any federal, state or local agency concerning Hazardous Material and the possession, use and/or accumulation thereof promptly upon receipt of each such notice or order by Tenant. Landlord shall have the right, upon reasonable notice, to inspect and copy each and every notice or order received from any federal, state or local agency concerning Hazardous Material and the possession, use and/or accumulation thereof.

39.3 Tenant shall be responsible for and shall indemnify, protect, defend and hold harmless Landlord and Landlord's Agents from any and all liability, damages, injuries, causes of action, claims, judgments, costs, penalties, fines, losses, and expenses which arise during or after the term of this Lease and which result from Tenant's (or from Tenant's Agents, assignees, subtenants, employees, agents, contractors, licensees, or invitees) receiving, handling, use, storage, accumulation, transportation, generation, spillage, migration, discharge, release or disposal of Hazardous Material in, upon or about the Premises, including without limitation (i) diminution in value of the Premises, (ii) damages for the loss or restriction on use of any portion or amenity of the Premises, (iii) damages arising from any adverse impact on marketing of space in the Building, (iv) damages and the costs of remedial work to other property in the vicinity of the Premises owned by Landlord or an affiliate of Landlord, and (v) consultant fees, expert fees, and attorneys' fees. Landlord shall be responsible for and shall indemnify, protect, defend and hold harmless Tenant on the same basis as above for any claims which result from Landlord's or from Landlord's Agents receiving, handling, use, storage, accumulation, transportation, generation, spillage, migration, discharge, release or disposal of Hazardous Material in, upon or about the Premises.

39.4 The indemnification of Landlord and Landlord's Agents by Tenant pursuant to the preceding Section 39.3 includes, without limiting the generality of Section 39.3, reasonable costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil, subsoil, ground water, or elsewhere on, under or about the Premises, or on, under or about any other property in the vicinity of the Premises owned by Landlord or an affiliate of Landlord. Without limiting the foregoing, if the presence of any Hazardous Material on the Premises caused or permitted by Tenant results in any contamination of the Premises, or underlying soil or groundwater, Tenant shall promptly take all actions at its sole expense as are necessary to return the Premises to that condition required by applicable law, provided that Landlord's approval of such action shall first be obtained, which approval shall not be unreasonably withheld, except that Tenant shall not be required to obtain Landlord's prior approval of any action of an emergency nature reasonably required or any action mandated by a governmental authority, but Tenant shall give Landlord prompt notice thereof.

39.5 Landlord acknowledges that it is not the intent of this Article 39 to prohibit Tenant from operating its business as described in Article 10 or to unreasonably interfere with the operation of Tenant's business. Tenant may operate its business according to the custom of the industry so long as the use or presence of Hazardous Material is strictly and properly monitored according to all applicable governmental requirements. As a material inducement to Landlord to allow Tenant to use Hazardous Material in connection with its business, Tenant agrees to make available to Landlord upon reasonable request a list identifying each type of Hazardous Material to be present in or upon the Premises and setting forth any and all governmental approvals or permits required in connection with the presence of Hazardous Material on the Premises ("Hazardous Material Summary") and a copy of the Hazardous Material business plan prepared pursuant to Health and Safety Code Section 25500 et seq. At Landlord's request, and at reasonable times, Tenant shall make available to Landlord the latest available Hazardous Materials Summary and true and correct copies of the following documents (hereinafter referred to as the "Hazardous Material Documents") relating to the handling, storage, disposal and emission of Hazardous Material: permits; approvals; reports and correspondence; storage and management plans; notice of violations of any laws; plans relating to the installation of any storage tanks to be installed in or under the Premises (provided said installation of tanks shall be permitted only after Landlord has given Tenant its written consent to do so, which consent may not be unreasonably withheld); and all closure plans or any other documents required by any and all federal, state and local governmental agencies and authorities for any storage tanks installed in, on or about the Premises for the closure of any such tanks. Tenant shall not be required, however, to provide Landlord with that portion of any document which contains information of a proprietary nature and which, in and of itself, does not contain a reference to any Hazardous Material which are not otherwise identified to Landlord in such documentation, unless any such Hazardous Material Document names Landlord as an "owner" or "operator" of the facility in which Tenant is conducting its business. It is not the intent of this subsection to provide Landlord with information which could be detrimental to Tenant's business should such information become possessed by Tenant's competitors. Landlord shall treat all information furnished by Tenant to Landlord pursuant to this Section 39.5 as confidential and shall not disclose such information to any person or entity without Tenant's prior written consent, which consent shall not be unreasonably withheld or delayed, except as required by law.

39.6 Notwithstanding other provisions of this Article 39, it shall be a default under this Lease, and Landlord shall have the right to terminate the Lease and/or pursue its other remedies under Article 24, in the event that (i) Tenant's use of the Premises for the generation, storage, use, treatment or disposal of Hazardous Material is in a manner or for a purpose prohibited by applicable law unless Tenant is diligently pursuing compliance with such law, (ii) Tenant has been required by any governmental authority to take remedial action in connection with Hazardous Material contaminating the Premises if the contamination resulted from Tenant's action or use of the Premises, unless Tenant is diligently pursuing compliance with such requirement, or (iii) Tenant is subject to an enforcement order issued by any governmental authority in connection with Tenant's use, disposal or storage of a Hazardous Material on the Premises, unless Tenant is diligently seeking compliance with such enforcement order.

39.7 Notwithstanding the provisions of Article 25, if (i) any anticipated use of the Premises by a proposed assignee or subtenant involves the generation or storage, use,

treatment or disposal of Hazardous Material in any manner or for a purpose prohibited by any applicable law, (ii) the proposed assignee or sublessee has been required by any governmental authority to take remedial action in connection with Hazardous Material contaminating a property if the contamination resulted from such party's action or use of the property in question and has failed to take such action, or (iii) the proposed assignee or sublessee is subject to a final, unappealable enforcement order issued by any governmental authority in connection with such party's use, disposal or storage of Hazardous Material of a type such proposed assignee or sublessee intends to use in the Premises and shall have failed to comply with such order, it shall not be unreasonable for Landlord to withhold its consent to an assignment or subletting to such proposed assignee or sublessee.

39.8 Landlord represents that, to the best of its knowledge, as of the date of this Lease, there is no Hazardous Material on the Premises, except as disclosed in the site assessment reports described in Section 10.2 as items (o), (p) and (r) of the Project Documents, and except as set forth in Section 10.3. Landlord shall provide Tenant with a further update of the Phase I Environmental Site Assessment, and any update of the Phase II Environmental Site Assessment recommended therein, as of the Term Commencement Date. Should an update disclose the presence of Hazardous Material which was not disclosed in the site assessments already received by Tenant, Landlord shall remedy the problems to Tenant's reasonable satisfaction, and shall cause a further update of the Phase I Environmental Site Assessment to be issued in substantial conformity with the site assessments previously provided to Tenant. The Phase I and Phase II Environmental Site Assessments and all updates thereto are hereinafter referred to as the "Base Line Report," and shall be deemed conclusive as to the condition of the Premises, unless, within ninety (90) days of receipt, Tenant causes an inspection of its own to be conducted, which inspection discloses the presence of Hazardous Material materially different from that disclosed in the Base Line Report.

39.9 At any time prior to the expiration or earlier termination of the term of the Lease, Landlord shall have the right to enter upon the Premises at all reasonable times and at reasonable intervals in order to conduct appropriate tests regarding the presence, use and storage of Hazardous Material, and to inspect Tenant's records with regard thereto. Tenant will pay the reasonable costs of any such test which demonstrates that contamination in excess of permissible levels has occurred and such contamination was caused by Tenant's use of the Premises during the term of the Lease. Tenant shall correct any deficiencies identified in any such tests in accordance with its obligations under this Article 39 to the extent the result of Tenant's use of the Premises during the term of this Lease.

39.10 Tenant shall at its own expense cause an environmental site assessment of the Premises to be conducted and a report thereof delivered to Landlord upon the expiration or earlier termination of the Lease, such report to be as complete and broad in scope as the Base Line Report as is necessary to identify any impact on the Premises Tenant's operations might have had (hereinafter referred to as the "Exit Report"). Tenant shall correct any deficiencies identified in such report in accordance with its obligations under this Article 39 prior to the expiration or earlier termination of this Lease. This Article 39 is the exclusive provision in this Lease regarding clean-up, repairs or maintenance arising from receiving, handling, use, storage, accumulation, transportation, generation, spillage, migration, discharge, release or disposal of

Hazardous Material in, upon or about the Premises, and the provisions of Articles 7, 10, 18, and 20 shall not apply thereto.

39.11 Tenant's obligations under this Article 39 shall survive the termination of the Lease.

39.12 As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25515, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 2, Chapter 6.8 (Carpenter-Presly-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material," hazardous substance" or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) listed under Article 9 and defined as hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (viii) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317), (ix) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et. seq. (42 U.S.C. Section 6903), or (x) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Section 9601 et. seq. (42 U.S.C. Section 9601).

40. OPTION TO EXTEND.

40.1 Landlord grants to Tenant the right to extend the term of this Lease for *** period under the same terms and conditions existing in the original Lease. Tenant shall exercise such right to extend the term of this Lease by written notice to Landlord no later than twelve (12) months prior to the end of the original term of this Lease.

40.2 Tenant shall not have the right to exercise the option to extend the term, notwithstanding anything set forth above to the contrary: (a) During the time commencing from the date Landlord gives to Tenant a written notice that Tenant is in default under any provision of this Lease and continuing until the default alleged in said notice is cured; (b) During the period of time commencing on the day after a monetary obligation to Landlord is due from Tenant and unpaid without any necessity for notice thereof to Tenant and continuing until the obligation is paid; or (c) After the expiration or earlier termination of this Lease. The period of time within which the option to extend may be exercised shall not be extended or enlarged by reason of the Tenant's inability to exercise the option because of the foregoing provisions. At the election of Landlord, all rights of Tenant under the provisions of this Article 40 shall terminate and be of no further force or effect even after Tenant's due and timely exercise of an option to extend if, after such exercise, but prior to the commencement of the extension term, (1) Tenant fails to pay to Landlord a monetary obligation of Tenant for a period of sixty (60) days after such obligation

* confidential treatment

becomes due (without necessity of Landlord to give notice to Tenant), or (2) Tenant fails to commence to cure a non-monetary default within thirty (30) days after the date Landlord gives notice to Tenant of such default.

41. RIGHT OF FIRST REFUSAL TO PURCHASE PREMISES. Tenant shall have the right of first refusal to purchase the Premises ("Right of First Refusal") upon the following terms and conditions:

41.1 If at any time during the initial or any extended term of this Lease Landlord determines to sell the Premises, Landlord shall give written notice to Tenant ("Right of First Refusal Notice") of the economic terms and conditions on which Landlord would be willing to sell the Premises. If Tenant, within fifteen (15) days after receipt of Landlord's Right of First Refusal Notice, agrees in writing to purchase the Premises on the terms and conditions stated in the notice, Landlord shall sell and convey the Premises to Tenant on the economic terms and conditions stated in the notice.

41.2 If Tenant does not agree in writing to purchase the Premises within fifteen (15) days after receipt of Landlord's Right of First Refusal Notice, or if Landlord and Tenant have not entered into a purchase and sale agreement within thirty (30) days thereafter, Landlord shall have the right to sell and convey the Premises to a third party on economic terms and conditions no more favorable than the economic terms and conditions stated in the Right of First Refusal Notice, except that the purchase price may be two and one half percent (2.5%) less than that stated in the Right of First Refusal Notice, and, upon any such sale, the Right of First Refusal shall terminate. If Landlord does not sell and convey the Premises within one hundred eighty (180) days after the Right of First Refusal Notice, any sale transaction thereafter shall be deemed a new determination by Landlord to sell and convey the Premises and the provisions of this Section shall again be applicable.

41.3 If Tenant purchases the Premises pursuant to the Right of First Refusal, this Lease shall terminate on the date title vests in Tenant, and Landlord shall remit to Tenant all prepaid and unearned Rent. Notwithstanding the foregoing, if Tenant, at its option, should determine to take title to the Premises in the name of an affiliate of Tenant, this Lease shall not terminate on the date title vests in any such affiliate of Tenant unless Tenant and such affiliate agree otherwise.

41.4 The Right of First Refusal herein granted to Tenant is not assignable separate and apart from this Lease.

41.5 Tenant shall not have the right to exercise the Right of First Refusal, notwithstanding anything set forth above to the contrary: (a) During the time commencing from the date Landlord gives to Tenant a written notice that Tenant is in default under any provision of this Lease and continuing until the default alleged in said notice is cured; (b) During the period of time commencing on the day after a monetary obligation to Landlord is due from Tenant and unpaid without any necessity for notice thereof to Tenant and continuing until the obligation is paid; or (c) After the expiration or earlier termination of this Lease. The period of time within which the Right of First Refusal may be exercised shall not be extended or enlarged by reason

of the Tenant's inability to exercise the Right of First Refusal because of the foregoing provisions. At the election of Landlord, all rights of Tenant under the provisions of this Article 40 shall terminate and be of no further force or effect even after Tenant's due and timely exercise of the Right of First Refusal, if, after such exercise, but prior to the transfer of title, (1) Tenant fails to pay to Landlord a monetary obligation of Tenant for a period of thirty (30) days after such obligation becomes due (without necessity of Landlord to give notice to Tenant), or (2) Tenant fails to commence to cure a default within thirty (30) days after the date Landlord gives notice to Tenant of such default.

42. MISCELLANEOUS

42.1 TERMS AND HEADINGS. Where applicable in this Lease, the singular includes the plural and the masculine or neuter includes the masculine, feminine and neuter. The section headings of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

42.2 EXAMINATION OF LEASE. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for lease, and it is not effective as a lease or otherwise until execution by and delivery to both Landlord and Tenant.

42.3 TIME. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

42.4 COVENANTS AND CONDITIONS. Each provision of this Lease performable by Tenant shall be deemed both a covenant and a condition.

42.5 CONSENTS. Whenever consent or approval of either party is required, that party shall not unreasonably withhold or delay such consent or approval, except as may be expressly set forth to the contrary.

42.6 ENTIRE AGREEMENT. The terms of this Lease are intended by the parties as a final expression of their agreement with respect to the terms as are included herein, and may not be contradicted by evidence of any prior or contemporaneous agreement.

42.7 SEVERABILITY. Any provision of this Lease which shall prove to be invalid, void, or illegal in no way affects, impairs or invalidates any other provision hereof, and such other provisions shall remain in full force and effect.

42.8 RECORDING. Within ten (10) days from the execution of this Lease, Landlord and Tenant shall record a short form memorandum hereof, which includes references to the right of first refusal contained herein, subject to the requirement to execute and deliver a quitclaim deed pursuant to the provisions of Section 34.1 hereof.

42.9 IMPARTIAL CONSTRUCTION. The language in all parts of this Lease shall be in all cases construed as a whole according to its fair meaning and not strictly for or against either Landlord or Tenant.

42.10 INUREMENT. Each of the covenants, conditions, and agreements herein contained shall inure to the benefit of and shall apply to and be binding upon the parties hereto and their respective heirs, legatees, devisees, executors, administrators, successors, assigns, sublessees, or any person who may come into possession of said Premises or any part thereof in any manner whatsoever. Nothing in this Section 42.10 contained shall in any way alter the provisions against assignment or subletting in this Lease provided.

42.11 FORCE MAJEURE. If either party cannot perform any of its obligations (other than Tenant's obligation to pay Rent), or is delayed in such performance (other than Tenant's obligation to pay Rent), due to events beyond such party's control, the time provided for performing such obligations shall be extended by a period of time equal to the delay attributable to such events. Events beyond a party's control include, but are not limited to, acts of God (including earthquake), war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortage of labor or material, government regulation or restriction and weather conditions, but do not include financial inability to perform.

42.12 NOTICES. Any notice, consent, demand, bill, statement, or other communication required or permitted to be given hereunder must be in writing and may be given by personal delivery, by facsimile transmission, or by mail, and if given by personal delivery or facsimile transmission shall be deemed given on the date of delivery or transmission, and if given by mail shall be deemed sufficiently given three (3) days after time when deposited in United States Mail if sent by registered or certified mail, addressed to Tenant at the Premises, or to Tenant or Landlord at the addresses shown in Section 2.1.6 hereof. Either party may, by notice to the other given pursuant to this Section, specify additional or different addresses for notice purposes.

42.13 AUTHORITY TO EXECUTE LEASE. Landlord and Tenant each acknowledge that it has all necessary right, title and authority to enter into and perform its obligations under this Lease, that this Lease is a binding obligation of such party and has been authorized by all requisite action under the party's governing instruments, that the individuals executing this Lease on behalf of such party are duly authorized and designated to do so, and that no other signatories are required to bind such party.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first above written.

LANDLORD:

SCIENCE PARK CENTER LLC
A California limited liability company

By Nexus Properties, Inc.
A California corporation
Manager

By: /s/ MICHAEL J. REIDY

Michael J. Reidy
Chief Executive Officer

By Neurocrine Biosciences, Inc.
A Delaware corporation
Manager

By: /s/ PAUL W. HAWRAN

Paul W. Hawran
Senior Vice President

TENANT:

NEUROCRINE BIOSCIENCES, INC.
A Delaware corporation

By: /s/ PAUL W. HAWRAN

Paul W. Hawran
Senior Vice President

EXHIBIT "A"

WORK LETTER

NEUROCRINE
*** SF R&D FACILITY
PRELIMINARY COST PRO FORMA

* confidential treatment

EXHIBIT "B"

FORM OF ACKNOWLEDGEMENT OF TERM COMMENCEMENT DATE

ACKNOWLEDGEMENT OF TERM COMMENCEMENT DATE

Pursuant to Section 4.3 of that certain Lease dated July 31, 1997, by and between SCIENCE PARK CENTER LLC, a California limited liability company, Landlord, and NEUROCRINE BIOSCIENCES, INC., a Delaware corporation, Tenant, for the Premises described in the Lease located at Lot 30 of Torrey Pines Science Center Unit No. 2, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 12845, filed in the Office of the County Recorder of San Diego County on July 23, 1991, we hereby acknowledge that the Term Commencement Date of the Lease, as defined therein, is _____, 1998, and the Term Expiration Date of the Lease, as defined therein, is _____, 20____.

IN WITNESS WHEREOF, the parties hereto have executed this Acknowledgement of Term Commencement Date as of _____, 1998.

LANDLORD:

SCIENCE PARK CENTER LLC
A California Limited Liability Company
By Nexus Properties, Inc.
A California Corporation
Its Manger

By: _____
Authorized Officer

TENANT:

NEUROCRINE BIOSCIENCES, INC.
A Delaware corporation

By: _____
Authorized Officer

WORK LETTER
TABLE OF CONTENTS

	PAGE
ARTICLE 1 - DEFINITIONS.....	1

1.1 Building.....	1
1.2 City.....	1
1.3 Construction Panel.....	1
1.4 Cost Estimate.....	1
1.5 Force-Majeure Delay.....	2
1.6 Improvements.....	3
1.7 Landlord-Caused Delay.....	3
1.8 Landlord's Representative.....	3
1.9 Project.....	3
1.10 Project Architect.....	3
1.11 Project Contractor.....	3
1.12 Project Package.....	3
1.13 Project Plans.....	3
1.14 Project Schedule.....	3
1.15 Project Work.....	4
1.16 Substantially Complete.....	4
1.17 Tenant's Construction Representatives.....	4
1.18 Tenant's Equipment.....	4
1.19 Tenant-Caused Delay.....	4
ARTICLE 2 - GENERAL REQUIREMENTS.....	4

2.1 Project Schedule.....	4
2.2 Consents and Approvals.....	4
2.3 Approvals of Contracts.....	5
2.4 Time of the Essence.....	5
ARTICLE 3 - PROJECT PLANS.....	5

3.1 Familiarization with Documents by Architects.....	5
3.2 Preparation and Approval of Project Plans.....	5
3.3 Building Permit for Project Work.....	5
ARTICLE 4 - COST ESTIMATE FOR PROJECT WORK.....	5

4.1 Estimate of the Project Work Costs.....	5
4.2 Tenant Approval of Cost Estimate.....	6

4.3	Tenant Approval of Payments.....	6
4.4	Adjustments to Cost Proforma.....	7
	ARTICLE 5 - CONSTRUCTION.....	7

5.1	Construction of the Project Work.....	7
5.2	Installation of Tenant's Equipment.....	7
5.3	Tenant's Construction Representative.....	7
5.4	Construction Period Insurance.....	7
5.5	Contractor and Subcontractor Insurance.....	8
5.6	As-Built Drawings.....	9
5.7	Reliance on Construction Warranties.....	9
	ARTICLE 6 - COMPLETION AND RENT COMMENCEMENT.....	9

6.1	Completion of the Work and Commencement Date.....	9
6.2	Delivery of the Premises.....	9
6.3	Walk-Through.....	10
6.4	Notice of Completion.....	10
6.5	Warranties and Guarantees.....	10
	ARTICLE 7 - CONSTRUCTION DISPUTE RESOLUTION.....	10

7.1	Dispute Resolution.....	10
7.2	Notice.....	11
7.3	Resolution by Construction Panel.....	11
7.4	Resolution by Arbitrator.....	11
7.5	Interpretation and Resolution.....	11
7.6	Continued Performance.....	11
7.7	Binding Resolution.....	11

ATTACHMENT A-1 TO EXHIBIT "A" - DESCRIPTION OF PROJECT PACKAGE

ATTACHMENT A-2 TO EXHIBIT "A" - PROJECT SCHEDULE

WORK LETTER

This Work Letter ("Work Letter") dated July 31, 1997, is made by and between SCIENCE PARK CENTER LLC, a California limited liability company ("Landlord"), and NEUROCRINE BIOSCIENCES, INC., a Delaware corporation ("Tenant"), and is attached to and made a part of the Lease of the same date by and between such parties ("Lease").

ARTICLE 1
DEFINITIONS

Capitalized terms not otherwise defined in the Lease shall have the meaning set forth below. Except as defined in this Work Letter to the contrary, all terms utilized in this Work Letter shall have the same meaning ascribed to them in the Lease. When consents or approvals are to be provided by or on behalf of either party, the term "Landlord" or "Tenant", as the case may be, shall include Landlord's Representative and Tenant's Representative, as the case may be. The provisions of the Lease, except where clearly inconsistent or inapplicable to this Work Letter, are incorporated into this Work Letter.

1.1 "BUILDING." That certain building consisting of two levels over a subterranean area, including all core, shell and tenant improvements, as described in the Project Plans.

1.2 "CITY." The City of San Diego, and any other governmental agencies and entities involved in the permit and approval process for the Project Plans.

1.3 "CONSTRUCTION PANEL." A panel consisting of one of Landlord's Representatives, one of Tenant's Representatives, the Project Architect, and the Project Contractor.

1.4 "COST ESTIMATE." An estimate of the cost of materials and construction for completing the Project Work, including without limitation the following (if and to the extent approved by Tenant pursuant to Section 4.2):

(a) "Direct Cost of Construction", which includes the costs of labor and material provided by subcontractors to the Project Contractor, including design-build and design-assist engineering subcontractors;

(b) "General Work", which includes direct costs for the project manager, field superintendent, on-site administrative support, general labor (including trash removal) provided by the Project Contractor, miscellaneous materials/tools provided by the Project Contractor, on site office supplies, blue prints, safety equipment, and security (or otherwise as required in the Project Contractor's general conditions if approved by Tenant pursuant to Section 4.2 hereof);

(c) "Permits", which includes the building permits and related fees for the Project Work, including but not limited to plan check and building permit fees, water, sewer and other utility connection or service fees (including fees for excess capacity), health department fees, hazardous material permit fees, and any other similar fees;

(d) "Temporary Facilities", which includes on-site trailer, temporary electrical, water and sewer, rental furniture, telephone, trash receptacles, toilet rental, equipment and tool rentals, and medical supplies;

(e) "On-Site Supervision", which includes an allocable portion of the salary of any on-site supervisor of the Project Contractor and the cost of any on-site construction facilities, including, but not limited to, office supplies, postage, maintenance, telephone, and utilities, but excluding any such items included among "General Work", "Temporary Facilities", and "Overhead";

(f) "Overhead", which includes general administrative overhead of the Project Contractor associated with the Project Work, including salaries and benefits for receptionist, secretarial, accounting, estimating, department head supervision, licenses, legal, insurance, office supplies, postage, computer supplies and maintenance, telephone, rent, utilities, off-site office furniture rental, office equipment maintenance and equipment property tax, and all other main office administrative, accounting and other overhead costs (or otherwise described in the Project Contractor's general conditions);

(g) "Bonds", which includes the expense of any bond which may be required of the Project Contractor by the City, Landlord, Tenant, or the construction lender;

(h) "Insurance", which includes premiums for the insurance described in Sections 5.4 and 5.5 hereof;

(i) "Contractor's Fee", which includes a fixed amount equal to a percentage of the Direct Cost of Construction; and

(j) "Contingency", which includes an amount equal to a percentage of the Direct Costs of Construction to be reserved for costs for adjustments to the actual costs of subcontractor's work associated with the scope of work as described by the Project Plans as bid and not for Changes for revised scope of work.

1.5 "FORCE-MAJEURE DELAY." Any delay which is attributable to any: (1) Actual delay or failure to perform attributable to any strike, lockout or other labor or industrial disturbance (whether or not on the part of the employees of either party hereto or their contractors or other representatives), civil disturbance, future order of any governmental entity claiming jurisdiction, act of a public enemy, war, riot, sabotage, blockade, embargo, inability to secure customary materials, supplies or labor through ordinary sources by reason of regulation

or order of any government or regulatory body; (2) delay attributable to the failure to secure permits and approvals within the time periods set forth in the Project Schedule due to action or inaction of the City; (3) delay in completing plans and specifications because of changes in any laws (including, without limitation, the Americans with Disabilities Act of 1990, Pub. L. 101-336 (the "ADA")) or building requirements, or the interpretation thereof; (4) delay attributable to lightning, earthquake, fire, rain, storm, hurricane, tornado, flood, washout, explosion, or any other cause beyond the reasonable control of the party from whom performance is required, or any of its contractors or other representatives; or (5) failure of the Project Architect or the Project Contractor, or their respective contractors, agents or employees, to act within the time limits set forth in the Project Schedule and this Work Letter.

1.6 "IMPROVEMENTS." Surface parking areas, landscaping, drainage, irrigation, gutters, sidewalks, lighting, walkways, driveways and other improvements and appurtenances relating to ingress and egress.

1.7 "LANDLORD-CAUSED DELAY." Any delay, unless attributable to a condition or event described as a Force-Majeure Delay, caused by the failure of Landlord or its agents or employees to act within the time limits set forth in the Project Schedule and this Work Letter.

1.8 "LANDLORD'S REPRESENTATIVE." R. Darrell Gary or Michael J. Reidy.

1.9 "PROJECT." The Land, Building and Improvements.

1.10 "PROJECT ARCHITECT." Delawie Wilkes Rodrigues Barker & Bretton Associates AIA, the architect selected by Tenant and retained by Landlord for the design of the Building and Improvements, and civil engineers, structural engineers, landscaping architects and other consultants retained by the Project Architect.

1.11 "PROJECT CONTRACTOR." R.G. Petty Construction, the contractor selected by Landlord and Tenant and retained by Landlord for the construction of the Building and Improvements.

1.12 "PROJECT PACKAGE." Information and criteria regarding the design of the Project, consisting of the documents described on Attachment "A-1" attached hereto as they may be reasonably supplemented from time to time by Landlord, Tenant or the Project Architect, so long as such supplements are approved by Tenant.

1.13 "PROJECT PLANS." Final calculations, designs, drawings and specifications prepared by the Project Architect and its engineers and other consultants for the Building and Improvements.

1.14 "PROJECT SCHEDULE." The time and responsibility schedule for development, design and construction of the Building and Improvements, including time periods

for preparation and review of construction documents, obtaining necessary approvals, construction of the Project Work, and other performances required by this Work Letter, whether by Landlord or by Tenant, as such schedule may be adjusted from time to time by mutual written agreement of Landlord and Tenant or as otherwise set forth in this Work Letter. The initial Project Schedule is attached hereto as Attachment "A-2".

1.15 "PROJECT WORK." The construction, purchase and/or installation of the Building and Improvements.

1.16 "SUBSTANTIALLY COMPLETE." "SUBSTANTIALLY COMPLETED," and "SUBSTANTIAL COMPLETION" shall have the meaning ascribed to them in Section 4.4 of the Lease.

1.17 "TENANT'S CONSTRUCTION REPRESENTATIVES." Eric Spoor (Neurocrine Biosciences, Inc.) and J.R. (Ron) Sutliff (The Staubach Company).

1.18 "TENANT'S EQUIPMENT." Equipment and other personal property required by Tenant in the operation of its business, other than such personal property installed as a part of the Project Work, including equipment and other installations necessary for obtaining a "right to occupy" from the City.

1.19 "TENANT-CAUSED DELAY." Any delay, unless attributable to a condition or event described as a Force-Majeure Delay, (i) caused by the failure of Tenant or its agents or employees to act within the time limits set forth in the Project Schedule and this Work Letter; (ii) in receiving or installing equipment ordered to Tenant's specifications or in receiving permits, permissions or approvals for the storage or use of Hazardous Material which are the responsibility of Tenant to obtain; (iii) resulting from Tenant's request for materials, finishes or installations which are unavailable or nonstandard; (iv) resulting from Tenant's inability or failure to procure an approved Hazardous Material summary and business plan; (v) resulting from the untimely delivery or installation of any of Tenant's Equipment; and (vi) caused by physical interference with or damage to the Project Work by Tenant or its agents or employees.

ARTICLE 2 GENERAL REQUIREMENTS

2.1 PROJECT SCHEDULE. Landlord and Tenant agree to develop, design and construct the Building and Improvements in accordance with this Work Letter and the time and responsibility criteria set forth in the Project Schedule.

2.2 CONSENTS AND APPROVALS. Any consents or approvals required or allowed by this Work Letter shall not be unreasonably withheld or delayed.

2.3 APPROVALS OF CONTRACTS. Both Landlord and Tenant shall have the right to review and approve the contracts with the Project Architect and the Project Contractor.

2.4 TIME OF THE ESSENCE. Landlord and Tenant agree that time and strict punctual performance are of the essence with respect to this Work Letter and the Project Schedule.

ARTICLE 3 PROJECT PLANS

3.1 FAMILIARIZATION WITH DOCUMENTS BY ARCHITECTS. The Project Architect, prior to preparation of the Project Plans, and each engineer, consultant and other professional retained by the Project Architect, shall thoroughly familiarize themselves with this Work Letter, the Project Package, all applicable building codes, and all other applicable city, county, state and federal ordinances, rules and regulations, including, without limitation, the energy conservation and handicap access requirements of Title 24 of the California Administrative Code and the Americans With Disabilities Act, and shall prepare the Project Plans with full knowledge and compliance therewith. The Project Architect, and each engineer retained by the Project Architect, shall be fully qualified and licensed by the State of California to prepare the plans they are responsible for.

3.2 PREPARATION AND APPROVAL OF PROJECT PLANS. On or before the date specified in the Project Schedule, the Project Architect shall prepare the Project Plans, subject to the approval of Landlord and Tenant.

3.3 BUILDING PERMIT FOR PROJECT WORK. On or before the date set forth in the Project Schedule, the Project Architect shall obtain a building permit (and any approvals and permits required from the local health department and any other governmental agencies) required for the construction of the Project Work from the City. If the City rejects the Project Plans and thereby prevents the issuance of a building permit, the Project Architect shall immediately make all necessary changes required by the City and approved by Tenant. Upon the City's approval of the Project Plans and permit application, the building permit shall be delivered to the Project Contractor with an approved set of Project Plans marked "for construction". The Project Plans shall not be modified in any way without the consent of Tenant.

ARTICLE 4 COST ESTIMATE FOR PROJECT WORK

4.1 ESTIMATE OF THE PROJECT WORK COSTS.

4.1.1. On or before the date the Project Plans are submitted to the City for plan check, and within the period of time set forth in the Project Schedule, Landlord and Tenant shall submit to the Project Contractor a list of at least three acceptable subcontractors from each major trade from whom Landlord and Tenant desire to receive bids for the Project Work; provided,

however, Landlord and Tenant may select design-build and design-assist subcontractors on a negotiated basis.

4.1.2. The Project Contractor shall put Project Plans out to bid to the subcontractors selected by Landlord and Tenant within the time period set forth in the Project Schedule, and shall promptly provide the bids in a form pre-approved by Landlord and Tenant to Landlord and Tenant when received. Landlord and Tenant shall select one subcontractor bid from each trade and deliver a list of selected subcontractors and their respective bids to the Project Contractor within the time period specified in the Project Schedule.

4.2 TENANT APPROVAL OF COST ESTIMATE.

4.2.1. The Project Contractor shall prepare the Cost Estimate, and shall submit to Tenant, within the time period set forth in the Project Schedule, the Cost Estimate prepared by the Project Contractor for Tenant's approval.

4.2.2. Tenant shall, within five (5) business days after receipt of the Cost Estimate, either approve the Cost Estimate, or disapprove the Cost Estimate with specific instructions to the Project Architect and the Project Contractor to reduce the scope of the Project Work.

4.2.3. If Tenant disapproves the Cost Estimate with instructions to reduce the scope of the Project Work, the Project Architect shall revise the Project Plans accordingly, if required, and the Project Contractor shall cause the Project Plans, as revised, to be re-bid in accordance with Section 4.1, and shall prepare a revised Cost Estimate and deliver it to Tenant for approval or disapproval in accordance with this Section 4.2. Any subsequent reduction in the scope of the Project Work and re-bid shall be subject to the same procedures as set forth in this Article 4.

4.2.4. Within ten (10) days after Tenant approves the original Cost Estimate or any Revised Cost Estimate, Landlord shall enter into a construction contract with the Project Contractor for construction of the Project Work, and Landlord shall provide Tenant with a copy thereof. Landlord and Tenant and their designated representatives shall have the right, at all reasonable times, to audit the Project Contractor's financial and accounting records in connection with the construction of the Project Work.

4.3 TENANT APPROVAL OF PAYMENTS. Tenant shall have the right to approve all payments made to Landlord or any third party in connection with the construction of the Project Work. Landlord and Tenant acknowledge that Tenant has agreed to pay to Nexus Properties, Inc. a fee for development services pursuant to the terms of Landlord's operating agreement. Without limiting the generality of the first sentence of this paragraph, Tenant shall have the right to approve all other payments to Nexus Properties, Inc. or any of its affiliates in connection with the Project Work.

4.4 ADJUSTMENTS TO COST PROFORMA. A preliminary cost proforma for the construction of the Project Work is attached hereto as Attachment A-3. Upon Tenant's approval of the Cost Estimate, Landlord and Tenant shall revise the proforma to reflect any changes based upon the Cost Estimate. Landlord and Tenant acknowledge that Basic Annual Rent payable under the Lease may be adjusted pursuant to Section 6.1 of the Lease based upon the total cost for the acquisition, development and construction of the Project Work ("Project Cost"). Landlord and Tenant agree that any such adjustment shall be based upon the final Project Cost for the Project Work as determined by Landlord and Tenant.

ARTICLE 5
CONSTRUCTION

5.1 CONSTRUCTION OF THE PROJECT WORK. As soon as practical after receipt of the building permit for the Project Work, the Project Contractor shall construct the Project Work within the time period set forth in the Project Schedule and in accordance with the Project Plans.

5.2 INSTALLATION OF TENANT'S EQUIPMENT. Tenant agrees to install Tenant's Equipment within the time period set forth in the Project Schedule. Tenant's Equipment shall be installed in compliance with all governmental ordinances, rules and regulations relating thereto and shall not be constructed in a manner inconsistent with the approved Project Plans.

5.3 TENANT'S CONSTRUCTION REPRESENTATIVES. At least one of Tenant's Construction Representatives shall participate in all meetings with the Project Contractor and subcontractors involved in the construction of the Project Work. Any questions arising during construction shall be directed to one of Tenant's Construction Representatives.

5.4 CONSTRUCTION PERIOD INSURANCE. From the commencement until the completion of the Project Work, Landlord shall obtain and maintain, or shall cause to be obtained and maintained,

(i) comprehensive general liability insurance, on an occurrence basis in amounts sufficient to protect Tenant and Landlord from and against liability for death or injury to persons and for damage to property caused by or arising from the performance of the Project Work. All such insurance shall name Tenant and Tenant's Representative as an additional insureds; and

(ii) "all risk" builder's risk insurance covering the Project Work, including, but not limited to, coverage against loss of damage by fire, vandalism and malicious mischief, covering improvements in place and all material and equipment at the job site furnished under contract, in an amount equal to one hundred percent (100%) of the full replacement value thereof.

All of the policies of insurance referred to in this section shall be written by companies authorized to do business in California and rated A VII or better in Best's Insurance

Guide. Each insurer referred to in this article shall agree, by endorsement on the applicable policy or by independent instrument furnished to Landlord, that it will give Landlord, and Landlord's lenders if required by such lenders, and Tenant, at least thirty (30) days' prior written notice by registered mail before the applicable policy shall be cancelled or altered in coverage, scope, amount or other material term, except in the case of non-payment of premium, in which event the policy may be cancelled on ten (10) days' prior written notice.

Landlord's responsibility to provide insurance under this Section 5.4 shall be satisfied to the extent such insurance is provided by contractors under the following Section 5.5 hereof.

5.5 CONTRACTOR AND SUBCONTRACTOR INSURANCE. The Project Contractor and all other contractors and subcontractors shall carry worker's compensation insurance covering all of their respective employees as more particularly specified below; and shall also carry public liability insurance, including property damage, with limits and in the same form and with the same companies as required to be carried by Tenant under the Lease except as stated otherwise below; and the policies therefor shall insure Landlord and Tenant as their interests may appear, as well as the contractor or subcontractor. Such policies shall name Landlord, Tenant, Landlord's Representative, Tenant's Representative, and, if requested by Landlord, Landlord's mortgagees or beneficiaries, as additional loss payees and shall be for the mutual and joint benefit and protection of Landlord, Tenant, and Landlord's mortgagees or beneficiaries, as their interests may appear. The Project Contractor's and all other contractor's and subcontractor's required minimum coverages and limits of liability are as follows:

(a) Worker's compensation, including employer's liability insurance, with limits of not less than Two Million Dollars (\$2,000,000.00), with the policy in full compliance with all current laws governing workers' compensation insurance in California.

(b) Comprehensive general liability insurance (including contractor's protective liability) in an amount not less than Two Million Dollars (\$2,000,000.00) combined single limit (CSL) bodily injury and property damage. Such insurance shall provide for explosion, collapse, underground hazards (X.C.U.) coverage and broad form contractual liability coverage and shall insure the general contractor and/or subcontractors against any and all claims for personal injury, including death resulting therefrom, and damage to the property of others and arising from its operations under the contract and whether such operations are performed by the general contractor, subcontractor or any of their subcontractors, or by anyone directly or indirectly employed by any of them. Fire liability shall be maintained in the amount of the costs of construction or an appropriate amount deemed reasonable by the Landlord.

(c) Comprehensive automobile liability insurance, including the ownership, maintenance and operation of any automotive equipment owned, hired and non-owned in the following minimum amounts: Bodily Injury and Property Damage, each occurrence, Combined Single Limit of One Million Dollars (\$1,000,000.00).

5.6 AS-BUILT DRAWINGS. The Project Architect and the Project Contractor shall maintain a set of "as-built" drawings of the Premises, which shall be available for inspection by Landlord and Tenant at the construction office during normal business hours. Copies of the completed set of "as-built" drawings shall be provided to Landlord and Tenant at the completion of the Project Work.

5.7 RELIANCE ON CONSTRUCTION WARRANTIES. Landlord and Tenant acknowledge that, under Article 14 and other provisions of the Lease and this Work Letter, each may have the non-exclusive benefit of any applicable warranties from design professionals, contractors, materialmen, manufacturers, or other responsible parties. Landlord and Tenant each assumes responsibility to inquire into and be fully informed regarding provisions of any applicable warranties, and the other party shall bear no responsibility therefor.

ARTICLE 6 COMPLETION AND RENT COMMENCEMENT

6.1 COMPLETION OF THE WORK AND COMMENCEMENT DATE.

6.1.1. Landlord shall use commercially reasonable efforts to Substantially Complete the Project Work within the time periods indicated in the Project Schedule and on or before the estimated Term Commencement Date set forth in Section 2.1.4(a) of the Lease as such time is extended one day for each day of delay resulting from a Force-Majeure Delay or Tenant-Caused Delay.

6.1.2. The estimated Term Commencement Date and Tenant's obligation to pay Basic Annual Rent and Additional Rent under the Lease shall be extended one day for each day of delay in Substantial Completion of the Project Work which results from any cause other than a Tenant-Caused Delay. Tenant-Caused Delays shall not extend the estimated Term Commencement Date, but shall extend Landlord's obligation to Substantially Complete the Project Work by the estimated Term Commencement Date.

6.2 DELIVERY OF THE PREMISES. Landlord shall deliver the Premises to Tenant upon Substantial Completion of the Project Work in clean and operating condition, subject to typical punch-list items. The term "clean and operating condition" shall include the following: (a) tile floors are wet mopped, waxed and buffed, and carpets are vacuumed; (b) walls and partitions are cleaned and major holes are filled and touched up; (c) glass is cleaned on both sides; (d) trash, dirt and left-over materials are removed from the Premises and the Building entrance area; (e) air-conditioning, heating and ventilating system is in operating condition and approximately regulated; and (f) plumbing, electrical and elevator systems are in operating condition. Punch-list items may include such minor pick-up work as would not materially interfere with Tenant's occupancy and use of the Premises for the purpose for which they are to be used; provided, however, as to those portions of the Premises designed to be used as scientific research laboratories, in no event shall punch-list items include work which would unreasonably interfere

with Tenant's use of such laboratories for the purpose for which they are intended. Any dispute between Landlord and Tenant regarding whether a punch-list item unreasonably interferes with Tenant's use of the laboratory areas of the Premises for the purpose for which they are intended shall be resolved in accordance with Article 7 of this Work Letter.

6.3 WALK-THROUGH. On or before the date Tenant occupies the Premises for the purpose of conducting its business therein, Landlord and Tenant shall conduct a walk-through inspection of the Premises and shall jointly prepare a list of initial construction items that need to be corrected. Landlord shall cause the Project Contractor to correct such items within thirty (30) days thereafter, provided, however, if by the nature of such correction more than thirty (30) days is required to effect such correction, Landlord shall not be in default hereunder if such correction is commenced within such thirty (30) day period and is diligently pursued to completion.

6.4 NOTICE OF COMPLETION. Within five (5) days after Substantial Completion, Landlord shall execute and file a notice of completion with respect thereto and furnish a copy thereof to Tenant upon recordation. Tenant, at Tenant's option, may itself execute and file the same on behalf of Landlord.

6.5 WARRANTIES AND GUARANTEES. Each contractor and subcontractor participating in the Project Work shall guarantee that the portion thereof for which he is responsible shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of the recording of the certificate of completion of the Premises. Every such contractor or subcontractor shall be responsible for the replacement or repair, without additional charge, of all work done or furnished in accordance with its contract which shall become defective within one (1) year after the date of the recording of the certificate of completion. The correction of such work shall include, without additional charge, all additional expenses and damages in connection with such removal or replacement of all or any part of the Building and Land Improvements which may be damaged or disturbed thereby. All such warranties or guarantees as to materials or workmanship of or with respect to any work shall be contained in the contract or subcontract which shall be so written that such guarantees or warranties shall inure to the benefit of both Landlord and Tenant, as their respective interests may appear, and can be directly enforced by either. Landlord covenants to give to Tenant any assignment or other assurances necessary to effect such right of direct enforcement.

ARTICLE 7 CONSTRUCTION DISPUTE RESOLUTION

7.1 DISPUTE RESOLUTION. If any dispute arises in connection with this Work Letter, such dispute shall be resolved in accordance with this Article. All proceedings contemplated by this Article shall take place at the location for all job-site meetings, unless the Construction Panel unanimously agrees to another location, or unless any Arbitrator appointed hereunder selects another location.

7.2 NOTICE. All disputes to be determined in accordance with this Article shall be raised by Landlord or Tenant by written notice to the other party. Notice of any dispute with an issue resolved in any minutes of a periodic on-site review meeting must be given within thirty (30) days of receipt of the minutes, or the resolution of the issue as reflected in the minutes shall be deemed conclusive.

7.3 RESOLUTION BY CONSTRUCTION PANEL. The Construction Panel shall meet within two (2) business days of receipt of the notice and attempt in good faith to resolve the dispute by unanimous agreement.

7.4 RESOLUTION BY ARBITRATOR. If the Construction Panel has not resolved the dispute for any reason within four (4) business days of receipt of the notice, it shall promptly select by unanimous agreement a disinterested arbitrator ("Arbitrator") with extensive development and construction experience to resolve the dispute. In the event a selection is not made within six (6) business days after the written notice, the Arbitrator shall, upon the request of Landlord or Tenant, be appointed by the American Arbitration Association. Once an Arbitrator is appointed hereunder, such Arbitrator shall serve as Arbitrator for all subsequent disputes arising in connection with this Work Letter unless the Construction Panel unanimously agrees otherwise. The Arbitrator shall resolve the dispute as soon as is reasonably practical in accordance with the provisions of Section 1280 et seq. of the Code of Civil Procedure. The cost for the Arbitrator's services shall be paid by the non-prevailing party in the dispute being determined by the Arbitrator, unless the Arbitrator determines otherwise.

7.5 INTERPRETATION AND RESOLUTION. In determining any dispute, the Construction Panel and the Arbitrator shall apply the pertinent provisions of this Work Letter and the Lease. As part of resolving a dispute, the Construction Panel or the Arbitrator, as the case may be, shall determine the days of delay, if any, in completing the Project Work which directly result from the dispute being considered by the Construction Panel or the Arbitrator, and from the proceedings pursuant to this Article 7. The days of delay shall be designated as either Force-Majeure Delays, Landlord-Caused Delays or Tenant-Caused Delays or any combination thereof as determined by the Construction Panel or the Arbitrator, as the case may be.

7.6 CONTINUED PERFORMANCE. During any proceedings pursuant to this Article, Landlord and Tenant shall, to the extent possible, continue to perform and discharge all of their respective obligations under this Work Letter and the Lease.

7.7 BINDING RESOLUTION. Any and all decisions of the Construction Panel made by unanimous agreement as to the matter in dispute shall be binding upon both Landlord and Tenant. In the absence of such unanimous agreement, any and all decisions by the Arbitrator shall be binding upon both Landlord and Tenant. The provisions of this Article 7 is an arbitration agreement enforceable under Section 1280 et seq. of the Code of Civil Procedure.

IN WITNESS WHEREOF, the parties hereto have executed this Work Letter to be effective on the date first above written.

LANDLORD:

SCIENCE PARK CENTER LLC
A California limited liability company

By Nexus Properties, Inc.
A California corporation
Manager

By: -----
Michael J. Reidy
Chief Executive Officer

By Neurocrine Biosciences, Inc.
A Delaware corporation
Manager

By: -----
Paul W. Hawran
Senior Vice President

TENANT:

NEUROCRINE BIOSCIENCES, INC.
A Delaware corporation

By: -----
Paul W. Hawran
Senior Vice President

ATTACHMENT A-1 TO EXHIBIT "A"
DESCRIPTION OF PROJECT PACKAGE

(a) "Project Plans", as described in the Work Letter;

(b) Hazardous Material Documents, as such are defined in Section 39.5 of the Lease;

(c) Declaration of Covenants, Conditions and Restrictions for Torrey Pines Science Center (Unit 2) dated June 22, 1994, and recorded on June 27, 1994 as File No. 1994-0405385 of the Official Records of San Diego County, California ("CC&Rs");

(d) Articles of Incorporation and Bylaws of Torrey Pines Science Center Association for Unit 2;

(e) Planned Industrial Development Permit No. 86-0884 and Planning Director Resolution No. 7658, dated September 26, 1988, as amended to incorporate the conditions of approval of Coastal Development Permit No. 6-88-504, and including a copy of the City regulations for the SR Zone, and amended PID 96-0738;

(f) Coastal Development Permit No. 6-88-504, approved February 5, 1991, and all conditions of approval thereof;

(g) Transportation Demand Management Program for Torrey Pines Science Center, prepared by the North City TMA Network, dated January 24, 1990;

(h) Torrey Pines Science Center Signage Guidelines and Criteria, prepared by Graphics Solutions, dated November 17, 1989;

(i) Final Map No. 12845;

(j) Provisions of the SR Zone and other applicable zoning as such may be adopted or amended by the City of San Diego from time to time;

(k) Preliminary title report issued by Chicago Title Company dated June 6, 1997 and identified as Order No. 007353168, as modified by that Supplemental Report dated June 16, 1997, as further modified by that Supplemental Letter dated June 17, 1997;

(l) Preliminary Geotechnical Investigation prepared by Leighton Associates dated December 19, 1989;

(m) As-Graded Geotechnical Report prepared by Leighton Associates dated December 12, 1991;

(n) Grading Plans for Torrey Pines Science Center Unit 2, prepared by Rick Engineering and approved by the City Engineer on March 13, 1991, and a Certificate from Rick Engineering indicating that the Property has been graded in conformance with such Grading Plans;

(o) Phase I Environmental Site Assessment prepared by Harding Lawson Associates dated October 19, 1988;

(p) Phase II Environmental Site Assessment prepared by Harding Lawson Associates dated April 17, 1989;

(q) Updated Phase 1 Environmental Site Assessment prepared by Harding Lawson Associates dated April 29, 1994;

(r) Any updated Environmental Site Assessment prepared as a part of this transaction;

(s) Documents evidencing the release of the Property from the Licenses described in Section 10.3 of the Lease;

(t) Declaration of Restrictions and Maintenance Agreement executed by Chevron Land and Development Company and recorded on February 15, 1990 as File No. 90-086015 of the Official Records of San Diego County, California.

ATTACHMENT A-2 TO EXHIBIT "A"

PROJECT SCHEDULE

OPTION AGREEMENT

This Option Agreement ("Agreement") is made as of July 31, 1997, by and between SCIENCE PARK CENTER LLC, a California limited liability company ("Optionor"), and NEUROCRINE BIOSCIENCES, INC., a Delaware corporation ("Optionee"), sometimes collectively referred to herein as the "parties."

RECITALS

A. Optionor will concurrently herewith purchase from Optionee that certain real property legally described as Lot 30 of Torrey Pines Science Center Unit No. 2, in the City of San Diego, County of San Diego, according to Map thereof No. 12845, filed in the Office of the County Recorder of San Diego County on July 23, 1991 (the "Land") for a purchase price of \$3,472,000. The entirety of the purchase price was financed by a loan from Optionee to Optionor. Optionor intends to develop and construct (i) an *** square foot building on the Land to consist of two levels over a subterranean area (the "Building"), and (ii) landscaping, drainage, irrigation, lighting, parking facilities, walkways, driveways and other improvements and appurtenances related thereto (the "Improvements"). The Land, Building and Improvements are sometimes collectively referred to herein as the "Premises".

B. Optionor will construct the Building and Improvements with a construction loan (the "Tokai Construction Loan") from Tokai Bank of California ("Tokai Bank") in the approximate amount of *** a construction loan from Optionee in the approximate amount of \$368,000, and a cash contribution from Nexus Properties, Inc. ("Nexus"), a member of Optionor, in the amount of ***. The Tokai Construction Loan in the amount of *** will be secured by a first deed of trust on the Premises, and the construction loan from Optionee and the loan to finance the purchase price of the Land in the aggregate amount of \$3,840,000 (the "Neurocrine Loan"), will be secured by a second deed of trust on the Premises. Following completion of construction, Optionor contemplates obtaining a permanent loan (the "Permanent Loan") to replace the Tokai Construction Loan.

C. Concurrently herewith Optionor has leased the Premises to Optionee to be used by Optionee for scientific research and development laboratories and related office and ancillary uses pursuant to that certain lease ("Lease") of even date executed by Optionor as landlord ("Landlord") and Optionee as tenant ("Tenant").

D. Optionee is a member of Optionor pursuant to the Operating Agreement of Optionor (the "Operating Agreement") executed by Optionee and Nexus concurrently herewith.

E. Optionor desires to grant Optionee an option to purchase the Premises and Optionee desires to acquire an option to purchase the Premises upon the terms and conditions set forth herein.

* Certain confidential portions of this Exhibit were omitted by means of blackout of the text (the "Mark"). This Exhibit has been filed separately with the Secretary of the Commission without the Mark pursuant to the Company's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act.

NOW, THEREFORE, in consideration for the execution of the Lease, the premises set forth above, the mutual covenants and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Optionor and Optionee hereby agree as follows:

1. GRANT OF OPTION. Optionor hereby grants to Optionee an option to purchase the Premises from Optionor upon the terms and conditions set forth in this Agreement (the "Option"). -----

2. TERM OF OPTION. The term of the Option shall commence ***, and shall terminate upon ***. In the event the Lease is terminated prior to the expiration of the term by a bankruptcy of the landlord thereunder, the term of the Option shall be automatically extended for so long as the tenant is entitled to remain, and does remain, in possession of the Premises. In the event the Lease is terminated prior to the expiration of the term for any other reason other than a default of the tenant thereunder, the term of the Option shall be automatically extended for a period of thirty (30) days following the date of termination.

3. EXERCISE OF OPTION. The Option may be exercised by Optionee at any time during the term (and any extensions thereof) of the Option by delivery to Optionor of a written notice setting forth Optionee's intention to purchase the Premises pursuant to this Agreement.

4. CONDITIONS ON EXERCISE OF OPTION. Optionee shall not have the right to exercise the Option (i) during the period of time commencing on the day after a monetary obligation to Landlord is due under the Lease from Tenant and unpaid without any necessity for notice thereof to Tenant and continuing until the obligation is paid, or (ii) except as otherwise provided in paragraph 2 hereof to the contrary, after the expiration or earlier termination of the term of the Lease.

5. PURCHASE PRICE. The purchase price ("Purchase Price") for the Premises shall be an amount ***. At the election of Optionee, and with the consent of the obligee, Optionee may assume any loan or other monetary encumbrance secured by the Premises and credit the amount of the assumption against the Purchase Price, so long as Optionee obtains the release of Nexus as set forth in Section 8 below. Additionally, at the election of Optionee, and with the consent of the obligee, Optionee may assume any contingent or long-term contractual obligation of Optionor (e.g., the

* confidential treatment

Lease or a property management agreement) in lieu of making a cash payment in satisfaction thereof. A pro forma illustrating the Purchase Price is attached hereto as an exhibit and incorporated herein by this reference.

6. PAYMENT OF CLOSING EXPENSES. Optionee shall pay any and all costs and expenses of appraisers, surveyors, attorneys, title companies, lenders, escrow companies, and other consultants, and any and all other costs and expenses related to the purchase of the Premises pursuant to this Agreement, so that the payment of the Purchase Price shall be absolutely net to Optionor, and Optionor shall be put to no expense or liability whatsoever with regard to the exercise of the Option or the purchase of the Premises pursuant to the Option.

7. OPENING OF ESCROW. The parties shall open an escrow for Optionee's purchase of the Premises within fifteen (15) days after Optionee's exercise of the Option by depositing one fully executed original of a purchase and sale agreement and escrow instructions in a form consistent with this Agreement and satisfactory to the parties with an escrow holder selected by the parties.

8. CONDITIONS TO CLOSE OF ESCROW. As a condition to the close of escrow for the purchase of the Premises pursuant to this Agreement, Optionee shall (i) obtain the release of Nexus and its officers, directors, shareholders, employees, attorneys, agents and affiliates from any and all liability for loans secured by the Premises and any and all other debts and liabilities of Optionor (to the extent such persons are personally liable for such loans, debts and liabilities), and (ii) agree to indemnify, defend and hold harmless Nexus and its officers, directors, shareholders, employees, attorneys, agents and affiliates from and against any claims and liability therefore, except for any such liability incurred through the gross negligence or willful misconduct of Nexus.

9. "AS IS" PURCHASE. Optionee will acquire the Premises in an "AS IS" condition, and expressly waives and negates the right to any express or implied warranties from Optionor, including, but not limited to, all implied warranties of merchantability, condition, suitability or fitness for any particular purpose, and all warranties with respect to quality, capacity, workmanship and latent defects. Optionee assumes the risk of adverse physical conditions or the applicability and effect of governmental laws, ordinances, rules, regulations and requirements, and Optionor shall have no obligation to correct any condition or alleged defects in the Premises.

10. EXCHANGE RIGHTS. Optionor agrees that Optionee may acquire the Premises through a third party as part of a like kind exchange pursuant to Section 1031 of the Internal Revenue Code. Optionor shall cooperate with Optionee in effecting such an exchange and shall execute such documents as may be reasonably required to consummate the exchange, provided the closing shall not be unduly delayed as a result of such exchange and Optionor shall not incur any additional costs or assume any additional liabilities as a result of such exchange.

11. REAL ESTATE BROKERS. Optionee and Optionor represent and warrant to each other that no real estate broker or finder has been or will be employed by either party with respect to

this Agreement or the negotiation or consummation of the Option. Optionor and Optionee shall indemnify and hold each other harmless from any and all cost, expense or liability (including reasonable attorney's fees) for claims by real estate brokers or finders for compensation of commissions as a result of the act of the indemnifying party.

12. ASSIGNMENT. Optionee may assign the Option herein granted without the consent of Optionor, on the conditions that no such assignment shall release Optionee from its obligations hereunder, and the assignee shall assume the obligations of Optionee under this Agreement and be bound by all of the terms and conditions of this Agreement to the same extent as Optionee.

13. SUBORDINATION. This Agreement shall be subject and subordinate to the lien of any mortgage or deed of trust which may now or hereafter encumber the Premises.

14. MISCELLANEOUS.

14.1 TERMS AND HEADINGS. Where applicable in this Agreement, the singular includes the plural and the masculine or neuter includes the masculine, feminine and neuter. The section headings of this Agreement are not a part of this Agreement and shall have no effect upon the construction or interpretation of any part hereof.

14.2 TIME. Time is of the essence with respect to the performance of every provision of this Agreement in which time of performance is a factor.

14.3 COVENANTS AND CONDITIONS. Each provision of this Agreement performable by Optionee shall be deemed both a covenant and a condition.

14.4 CONSENTS. Whenever consent or approval of either party is required, that party shall not unreasonably withhold or delay such consent or approval, except as may be expressly set forth to the contrary.

14.5 ENTIRE AGREEMENT. The terms of this Agreement are intended by the parties as a final expression of their agreement with respect to the terms as are included herein, and may not be contradicted by evidence of any prior or contemporaneous agreement.

14.6 SEVERABILITY. Any provision of this Agreement which shall prove to be invalid, void, or illegal in no way affects, impairs or invalidates any other provision hereof, and such other provisions shall remain in full force and effect.

14.7 RECORDING. Optionor or Optionee shall record a short form memorandum of this Agreement with the County Recorder of San Diego County.

14.8 IMPARTIAL CONSTRUCTION. The language in all parts of this Agreement shall be in all cases construed as a whole according to its fair meaning and not strictly for or against either Landlord or Tenant.

14.9 INUREMENT. Each of the covenants, conditions, and agreements herein contained shall inure to the benefit of and shall apply to and be binding upon the parties hereto and their respective heirs, legatees, devisees, executors, administrators, successors, assigns, sublessees, or any person who may come into possession of the Premises or any part thereof in any manner whatsoever.

14.10 NOTICES. Any notice, consent, demand, bill, statement, or other communication required or permitted to be given hereunder must be in writing and may be given by personal delivery, by facsimile transmission, or by mail, and if given by personal delivery or facsimile transmission shall be deemed given on the date of delivery or transmission, and if given by mail shall be deemed sufficiently given three (3) days after time when deposited in United States Mail if sent by registered or certified mail, addressed to Tenant at the Demised Premises, or to Tenant or Landlord at the addresses shown below. Either party may, by notice to the other given pursuant to this Section, specify additional or different addresses for notice purposes.

Optionor: Science Park Center LLC
4350 La Jolla Village Drive, Suite 930
San Diego, California 92122

Optionee: Neurocrine Biosciences, Inc.
10555 Science Center Drive
San Diego, California 92121

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Optionor:

SCIENCE PARK CENTER LLC
A California limited liability company

By Nexus Properties, Inc.
A California corporation
Manager

By: /s/ MICHAEL J. REIDY

Michael J. Reidy
Chief Executive Officer

By Neurocrine Biosciences, Inc.
A Delaware corporation
Manager

By: /s/ PAUL W. HAWRAN

Paul W. Hawran
Senior Vice President

Optionee:

NEUROCRINE BIOSCIENCES, INC.
A Delaware corporation

By: /s/ PAUL W. HAWRAN

Paul W. Hawran
Senior Vice President

CONSTRUCTION LOAN AGREEMENT

THIS CONSTRUCTION LOAN AGREEMENT ("Agreement") is made as of July 31, 1997, between NEUROCRINE BIOSCIENCES, INC., a Delaware corporation ("Lender") and SCIENCE PARK CENTER LLC, a California limited liability company ("Borrower"), with reference to the Recitals set forth below.

RECITALS

A. Lender and Borrower entered into that certain Purchase and Sale Agreement and Escrow Instructions, dated July 31, 1997, (the "Purchase Agreement") whereunder Lender agreed to sell to Borrower and Borrower agreed to purchase from Seller certain unimproved real property located in the City of San Diego, County of San Diego, State of California, including, among other real property, the parcel of land described in Exhibit "A" attached hereto (the "Property").

B. Borrower intends to construct on the Property a two-story laboratory and office building containing approximately *** square feet of building area over a *** square foot subterranean area (the "Building") in addition to other related improvements (collectively, the "Project"). Further, Borrower intends to lease to Lender, and Lender intends to lease from Borrower, the Property, the Building and certain related improvements to be constructed on the Property pursuant to a Lease between Borrower, as landlord, and Lender, as tenant, of even date herewith (the "Lease"). In connection therewith, Borrower intends to grant Lender an option to purchase the Property from Borrower pursuant to an Option Agreement between Borrower and Lender of even date herewith (the "Option Agreement").

C. The total cost of the Project is estimated to be ***. To finance the Project, Borrower intends to obtain a construction loan from Tokai Bank of California, a California banking corporation ("Tokai"), in the principal amount of *** (the "Tokai Loan") to be evidenced by a promissory note (the "Tokai Note") and secured by a first priority Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing against the Property (the "Tokai Deed of Trust"), an Absolute Assignment of Leases, Rents and Lease Guaranties (the "Tokai Assignment of Leases"), an Assignment of Construction Contract (the "Tokai Assignment of Construction Contract") and an Assignment of Architect's Contract and Plans and Specifications (the "Tokai Assignment of Architect's Contract"). The Tokai Loan will be replaced by a permanent loan from Tokai in the same principal amount with interest at a fixed rate of interest in accordance with the terms of a separate term loan commitment (the "Permanent Loan").

D. Borrower has applied to Lender for a loan (the "Loan") in the principal amount of \$3,840,000.00 to be evidenced by a promissory note (the "Note") secured by a Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing against the Property (the "Lender Deed of Trust") and an Assignment of Contracts, Licenses, Permits, Agreements, Warranties, Plans and Specifications (the "Lender Assignment of Contracts") in addition to any

* Certain confidential portions of this Exhibit were omitted by means of blackout of the text (the "Mark"). This Exhibit has been filed separately with the Secretary of the Commission without the Mark pursuant to the Company's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act.

other security interests and assignments which may be required by Lender in connection with the Loan. The Loan, if funded, will be used for purposes of (i) Borrower's acquisition of the Property pursuant to the Purchase Agreement, (ii) the payment of certain expenses and costs incurred by or for Borrower in connection with the Project prior to the closing of the Loan (the "Closing"), if funded, and (iii) payment of portions of the Project Costs (as defined below).

E. Lender has agreed to make the Loan to Borrower on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the Loan, the mutual covenants and agreements set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrower agree as set forth below.

1. THE LOAN. Lender agrees to make the Loan to Borrower on the terms and subject to the conditions provided herein. Borrower acknowledges that it has no right to the proceeds of the Loan other than to have the same disbursed in accordance with the terms and conditions of this Agreement. Upon the satisfaction of such terms and conditions, the proceeds of the Loan shall be disbursed as set forth below. Upon the occurrence of an Event of Default (as defined below), all obligations of Lender to make further disbursements of the Loan shall cease.

1.1 PROJECT BUDGET AND APPLICATION OF LOAN PROCEEDS. The purpose of the Loan is to (i) finance Borrower's acquisition of the Property, (ii) pay certain costs and expenses incurred by or for Borrower in connection with the Project prior to the Closing and (iii) deposit the balance in an account with Tokai to partially fund the construction costs of the Project (collectively, the "Project Costs") as set forth in the budget for the Project attached hereto as Exhibit "B" (the "Project Budget"). As used herein, the term "Project Budget" shall mean the budget for the Project in effect from time to time, including all subsequent amendments thereto. Any amendments to the Project Budget shall be subject to the approval of Lender, which approval may be given or withheld in Lender's sole and absolute discretion. Lender shall disburse the Loan proceeds only for the purposes set forth above and in the Project Budget, as further provided in Section 3 below.

1.2 CONSTRUCTION OF PROJECT IN ACCORDANCE WITH PROJECT BUDGET. Borrower shall construct the Project in accordance with the Project Budget. Borrower has prepared the Project Budget using its good faith best efforts and with all due diligence ordinarily associated with a sophisticated developer and builder of projects similar to the Project. Borrower represents to Lender that amounts reflected in the Project Budget for work performed by entities affiliated with Borrower do not exceed amounts that would be paid in the normal, customary marketplace in San Diego, California, and that to the extent Borrower

intends to or does engage entities affiliated with Borrower to work on the Project, that the Project Budget is not increase above the normal, customary marketplace as a result thereof. As used in this Agreement, "affiliate" shall mean any person or entity, directly or indirectly, controlling, controlled by, or under common control with the person or entity in question.

1.3 VARIATIONS IN PROJECT BUDGET. The Project Budget has been received and approved by Lender as an itemized line item construction budget and cost estimate for all work necessary to complete the Project. In the event that Borrower becomes aware of any material variation in the actual costs incurred or which will be incurred in the future to construct the Project or any portion thereof from those shown in the Project Budget, Borrower shall promptly notify Lender in writing. For purposes of this Section 1.3 only, material variation shall mean the first variation for the Project in the aggregate in excess of \$40,000.00 calculated on a net basis, and subsequent variations in the aggregate in excess of \$10,000.00 each. Changes to the Project Budget shall require the prior written approval of Lender, which approval may be given or withheld in Lender's reasonable discretion.

1.4 COST OVERRUNS. Borrower shall use its good faith efforts to prevent cost overruns in connection with the Project. Lender agrees to advance additional principal amounts equal to, and for payment of, cost overruns that Borrower is required to pay (and which cannot be funded from Tokai Loan proceeds or the then existing Loan proceeds) pursuant to the terms of the Tokai Loan Documents, unless such cost overruns result from the negligence or willful misconduct of Borrower or its employees, contractors, subcontractors, agents or representatives. Lender may also advance additional principal amounts for cost overruns which are not required pursuant to the Tokai Loan Documents, but Lender elects to pay in its discretion. In no event, however, shall Lender be required to fund any shortfall under the Tokai Loan in the event Tokai Bank does not disburse the entirety of the Tokai Loan because of a default by any party other than Lender. For purposes of this Agreement, "cost overruns" shall mean actual costs of the Project allocated to any line item in the Project Budget to the extent they exceed such line item amount in the Project Budget. All additional principal so advanced shall constitute additional principal under the Note, shall bear interest as provided under the Note and shall be repaid pursuant to the terms of the Note. The repayment of such additional principal and interest thereon shall be secured by the Lender Deed of Trust, the Lender Assignment of Contracts and such other security interest as Lender may obtain pursuant to the terms of this Agreement. Borrower agrees to execute such further documents and instruments and take such further actions as Lender may reasonably request to amend, supplement, restate or modify the Loan Documents and any title policies in order to evidence such additional indebtedness and to obtain, perfect and assure proper priority of Lender's security interests with respect to Borrower's obligation to repay such additional indebtedness.

2. CONDITIONS TO CLOSING. Prior to and as a condition to the Closing and Lender's obligation to fund the Loan, each condition to the funding of the Loan set forth in this Agreement, including, without limitation, the following conditions, must be satisfied or

waived by Lender in Lender's sole and absolute discretion. All documents and instruments required hereunder must be in form and content acceptable to Lender and its counsel and all other conditions must be performed to the satisfaction of Lender. To the extent possible, Lender shall review and consider information provided to Tokai in order to satisfy the following conditions.

2.1 ACQUISITION OF THE PROPERTY. Borrower shall have purchased the Property from Lender as evidenced by a grant deed from Lender to Borrower granting good and marketable title to the Property, in fee simple, to Borrower.

2.2 LOAN DOCUMENTS. This Agreement and the other documents and instruments listed or described in Exhibit "C" attached hereto (collectively with this Agreement, the "Loan Documents") shall have been executed by the appropriate person(s), acknowledged where appropriate, and delivered to Lender.

2.3 TOKAI LOAN DOCUMENTS. The Tokai Note, the Tokai Deed of Trust, the Tokai Assignment of Leases, the Tokai Assignment of Construction Contract, the Tokai Assignment of Architect's Contract and all other documents and instruments required to be signed and delivered by Borrower as a condition to the Tokai Loan (collectively, the "Tokai Loan Documents") shall have been executed by the appropriate person(s), acknowledged where appropriate, and delivered to Tokai.

2.4 TITLE INSURANCE. Lender shall have received an ALTA lender's title insurance policy (Form 1970) dated as of the recordation of the Lender Deed of Trust with extended coverage in the amount of the Loan (the "Title Policy"). Lender may, at its election, require an LP-10 title policy package. The Title Policy shall insure Lender as the holder of the Lender Deed of Trust with the priority junior only to the Tokai Deed of Trust (and other encumbrances of title perfecting security interests of Tokai in connection with the Tokai Loan), insuring that the Lender Deed of Trust encumbers Borrower's title to the Property. The Title Policy shall be issued by a title company acceptable to Lender, and shall contain such endorsements as Lender may require. The Title Policy shall insure that the Property is (i) subject only to the exceptions listed on Exhibit "D" attached hereto and incorporated herein ("Permitted Exceptions"), (ii) free of the possibility of any prior mechanics' or materialmen's liens, and (iii) that all taxes and assessments affecting the Property or any part thereof, due and payable on the date of the Closing shall have been paid. At Borrower's expense, the Title Policy shall be updated at the time of each Advance hereunder if requested by Lender and shall reflect that the Lender Deed of Trust encumbers all of the Property owned by Borrower on the date of each such Advance subject only to the items listed in (i), (ii) and (iii) above. In addition to the Title Policy, Lender shall also receive, at Borrower's expense, such other and further title insurance policies and subsequent rewrites and updates from such title companies, with such coverage and with such endorsements as Lender may elect insuring Lender's leasehold estate in the Property pursuant to the Lease and Lender's rights as the optionee under Option Agreement.

2.5 TOKAI LOAN. Borrower shall have secured the Tokai Loan for the Project. Borrower shall use its good faith best efforts to secure the Tokai Loan with the most favorable loan-to-value ratio available in the marketplace. The Tokai Loan and the Tokai Loan Documents executed by Borrower must contain the provisions and/or satisfy the requirements set forth in Subsections 2.5.1 through 2.5.3, below. Concurrently with the delivery of any documents to or requests for any advances of proceeds from Tokai, Borrower shall deliver copies of all such documents and requests for advances to Lender.

2.5.1 TOKAI LOAN AMOUNT. The Tokai Loan shall be in an amount not less than \$14,760,000.00 and otherwise in the amounts set forth in the Project Budget, and shall provide financing for all of the items set forth in the Project Budget.

2.5.2 TOKAI LOAN DOCUMENTS. The Tokai Loan Documents shall provide that the proceeds thereof shall be available in not less than regular monthly draws to finance the construction of the Project.

2.5.3 OTHER TERMS AND CONDITIONS. All other terms and conditions of the Tokai Loan Documents shall be subject to the reasonable approval of Lender herein, which approval will not be unreasonably withheld and will be given if such terms and conditions are consistent with those typical for similar construction loans made by institutional lenders in the locale of the Project.

2.6 FEES AND EXPENSES. Borrower shall have paid to Lender all attorneys' fees and out-of-pocket costs and expenses incurred by Lender in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Loan Documents and any matters related thereto, including, but not limited to, all costs, fees, premiums and expenses of the Title Policy, any additional title insurance and endorsements as may be required by Lender from time to time pursuant to this Agreement and all escrow costs in connection with the escrow for the Closing.

All of the above items must be satisfied by October 1, 1997, and if they have not been satisfied by that date, then Lender shall have no obligation to fund the Loan or any portion thereof and Lender shall have no further obligations or liabilities of any kind under or in connection with this Agreement.

3. ADVANCES.

3.1 ADVANCES. Provided all of the conditions precedent to Lender's obligation to fund the Loan are satisfied, the Loan shall be funded in advances ("Advance(s)"), as set forth below.

3.1.1 FIRST ADVANCE. The first Advance of Loan proceeds (the "First Advance") shall be disbursed at Closing to fund Borrower's acquisition of the Property and

Borrower's reasonable Closing costs, including, without limitation, reasonable title insurance costs, recording fees, loan fees, lender expenses and escrow fees.

3.1.2 SECOND ADVANCE. The second Advance of Loan proceeds (the "Second Advance") shall be disbursed at Closing to Borrower and/or directly to creditors of Borrower, as Lender may elect, to reimburse or pay for those costs and expenses incurred by or for Borrower prior to the Closing in connection with the Project. Borrower shall provide to Lender legible copies of all invoices and other written evidence of such costs and expenses as Lender may require.

3.1.3 THIRD ADVANCE. The third Advance of Loan proceeds (the "Third Advance") shall equal the balance of the total principal of the Loan, if any, after disbursement of the First and Second Advances. The Third Advance shall be delivered at the Closing to a deposit account administered by Tokai. The Third Advance shall be used by Tokai for the first disbursement(s) of funds to or on behalf of Borrower pursuant to the initial requests for advances by Borrower for Project Costs in accordance with the Tokai Loan Agreement.

3.2 USE OF LOAN PROCEEDS. All sums disbursed by Tokai and Lender may be used only in the Project and only in accordance with Tokai's requirements and the requirements hereunder. No monies may be disbursed to Borrower for any other purpose.

4. SUBORDINATION OF DEED OF TRUST. Lender will subordinate the priority the Lender Deed of Trust and Lender's UCC-1 Financing Statement filed in connection therewith to the Tokai Deed of Trust and the UCC-1 Financing Statement filed in connection therewith, provided that the Tokai Deed of Trust and UCC-1 Financing Statement are in form and content acceptable to Lender and its counsel.

5. CONSTRUCTION OF THE PROJECT.

5.1 CONSTRUCTION. Borrower covenants to complete construction of improvements on the Property in accordance with this Agreement, the Plans and Specifications, the Project Budget and as required under the Tokai Loan Documents. No changes in such Plans and Specifications shall be made without Lender's prior written consent, which consent shall not be unreasonably withheld. By way of example, and not limitation, Lender will approve proposed changes to the extent they are (a) in conformance with all requirements of the Tokai Loan Documents, and (b) do not materially and adversely affect the timing, scope or design of the Project.

5.2 COMPLETION. Construction of the Project shall be performed expeditiously to substantial completion by Borrower on or before the date therefor provided in Borrower's Construction Contract with R.G. Petty Construction, which shall in no event be later than the date required for substantial completion in the Tokai Loan Agreement.

5.2.1 WARRANTY OF COMPLETION AND WARRANTY OF CONSTRUCTION. Borrower hereby represents and warrants that (i) the Project will be completed in accordance with the Plans and Specifications, free and clear of all liens and encumbrances and within the time set forth herein, (ii) the Project and its construction shall comply with all applicable laws, ordinances, rules and regulations, including without limitation, building and zoning laws, codes, ordinances, rules and regulations, (iii) that, on completion of construction, the Building shall be of a quality which is equal to or of higher quality as first class buildings of similar uses in San Diego, California, and (iv) that all utility services necessary for the operation of the Project shall have been provided to the Project and shall be adequate for their intended use.

5.2.2 INSURANCE. Upon completion of construction of the Project, original, paid-up, fire and extended coverage insurance policies of companies and in form and amount acceptable to Lender, in Lender's favor, shall be delivered to Lender with respect to the Building and the other improvements of the Project. Said insurance shall contain an agreed value endorsement in an amount not less than one hundred percent (100%) of the full replacement cost of the Building and all other improvements of the Project. Borrower agrees to update the agreed value in this endorsement yearly. The policies shall contain a replacement cost endorsement without deduction for depreciation and loss of rents and/or business interruption insurance coverage and inflation coverage commonly referred to as a "fluctuating value endorsement." Borrower will also maintain liability and other insurance with respect to the Property, the Building and other improvements of the Project as Lender may request from time to time in amounts and with companies as Lender requests.

5.2.3 CERTIFICATE OF COMPLETION. Upon completion of the Project, a final Certificate of Completion by the persons making the inspections on Borrower's behalf shall be delivered to Lender, certifying that the Building and all other improvements of the Project have been completed in accordance with the Plans and Specifications and in accordance with applicable laws.

5.2.4 CERTIFICATE OF OCCUPANCY. Upon the completion of the Project, a final certificate of occupancy and/or other evidence acceptable to Lender shall be furnished to Lender certifying that the Building and all other improvements of the Project and their use comply fully with all applicable zoning, building, and other governmental laws and requirements.

5.3 NO LIENS. No materials, fixtures, or any other part of the improvements to be used in the Project shall be purchased or installed under conditional sales agreements or other arrangements wherein the right is reserved or may accrue to anyone to remove or repossess any such items. Borrower will keep the Project free from liens and claims of all kinds, whether or not superior to Lender Deed of Trust.

5.4 RELEASE OF LIENS. If any claim of lien is filed against the Project, or if notice of intent to file such a lien is received by Lender or any construction lender, or if a judgment or other encumbrance is placed against the Project, such shall constitute an Event of Default unless Borrower obtains a release and satisfaction of such lien, claim of lien, judgment or encumbrance, or provides Lender with a bond acceptable to Lender in the amount of one hundred fifty percent (150%) of the lien, claim of lien, judgment or encumbrance within twenty (20) days of written notice by Lender to Borrower of the existence of such claim of lien or encumbrance. Prior to such becoming an Event of Default, Lender may, at its option, restrict disbursements of Loan funds such that there would be sufficient sums to pay one hundred fifty percent (150%) of the lien, claim of lien, judgment and other encumbrance against the Property. If Borrower does not post the bond or other security satisfactory to Lender within said twenty (20) days, Lender may, at its option, advance sums to pay such lien, claim of lien, judgment and other encumbrance against the Property. Lender's rights under this Section shall not be affected by any claim of Borrower that the lien, judgment or encumbrance is invalid, it being understood that the decision of the Lender to pay or withhold is to be made by Lender in its sole exercise of discretion, subject only to Borrower's right to provide a bond or other security satisfactory to Lender as provided above.

6. REPAYMENT OF LOAN; TERM OF LOAN. Outstanding principal balances under the Loan shall bear interest at the rate set forth in the Note. The principal and interest of the Loan shall be repaid by Borrower in accordance with the terms of the Note. All payments hereunder or under the Note shall be made by Borrower without offset or deduction. The term of the Loan shall commence on the date of the Closing and the Loan will mature on the Maturity Date (as defined in the Note) at which time all outstanding principal, accrued but unpaid interest thereon and all other sums which may then be owing hereunder, under the Note or under any of the other Loan Documents shall become due and payable subject to acceleration or adjustment as provided in the Loan Documents.

7. BORROWER'S REPRESENTATIONS AND WARRANTIES. Borrower makes the following representations and warranties to Lender, which representations and warranties shall be true and correct as of the date of this Agreement, as of the date of the Closing and on each day during the term of the Loan:

7.1 AUTHORIZATION AND VALIDITY. The execution and delivery of this Agreement and each of the documents referenced in this Agreement, which are to be or have been executed by Borrower, together with the performance of this Agreement in accordance with its terms, are duly authorized and are not in contravention of law or of any agreement or undertaking to which Borrower is a party or by which it is bound, and are in all respects legal, valid, binding and enforceable against Borrower in accordance with their terms.

7.2 ACCURATE FINANCIAL INFORMATION. Borrower's financial position reported to Lender fairly presents in all material respects the financial condition of Borrower.

So long as any indebtedness referred to in this Agreement or any other indebtedness of Borrower to Lender may be outstanding, there will not be any substantial unfavorable change in such financial position as would, in the reasonable judgment of Lender, adversely affect the ability of Borrower to repay any such indebtedness.

7.3 NO LITIGATION. There is no litigation pending or to the knowledge of Borrower threatened against it which may materially affect the Loan, and Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or administrative body of any governmental unit having jurisdiction of the Borrower or of Borrower's properties or operations.

7.4 FEES AND LICENSES. Borrower has paid, prior to delinquency, any and all license, franchise or other taxes, fees, imports, duties, or charges, levied, assessed, or imposed upon it, or upon any of its properties of whatsoever kind or description which are due and payable and which affect the Property, the Project or Borrower.

7.5 COMPLIANCE WITH LAWS. All construction, if any heretofore performed on the Property, has been performed in accordance with any and all applicable zoning, building, fire, safety, health, environmental and any and all other local, state or federal laws, ordinances or regulations.

7.6 MATERIAL INFORMATION. There is no fact which Borrower has not disclosed to Lender in writing which materially adversely affects or, insofar as the Borrower can now foresee, will materially and adversely affect the business, prospects, profits or conditions (financial or otherwise) of the Borrower, the Property, the Project, or the ability of Borrower to perform any of its obligations under this Agreement or any of the other Loan Documents or under the Tokai Loan Documents.

8. EVENTS OF DEFAULT.

8.1 EVENTS OF DEFAULT. The existence of any one or more of the following after written notice to Borrower and passage of any cure period which may be provided in the Loan Documents therefor shall constitute an event of default hereunder ("Event of Default"):

8.1.1 The failure by Borrower to make any payment promptly when due under the Note or any of the other Loan Documents; or

8.1.2 The failure by Borrower to perform any obligation when due or abide by any covenants, agreements, representation or warranty contained in this Agreement, the Note or any of the other Loan Documents; or

8.1.3 The fraud or malfeasance of Borrower in constructing the Project or in the use or application of any proceeds of the Tokai Loan, the Permanent Loan or the Loan; or

8.1.4 The falsity in any material respect of any representation or warranty by Borrower to Lender contained in this Agreement, in any of the other Loan Documents, or in any document delivered by Borrower to Lender pursuant to the terms hereof; or

8.1.5 The making of any material change in the Plans and Specifications without the prior written consent of Lender; or

8.1.6 The material alteration of the construction schedule for the Project as reflected in the Project Budget without the prior written consent of Lender; or

8.1.7 The occurrence of any material adverse change in the financial condition of the Borrower as determined by Lender; or

8.1.8 The filing of a complaint for receivership against Borrower or the filing of a voluntary or involuntary petition for bankruptcy or for reorganization (unless such complaint or petition be released or discharged within forty-five (45) days of such filing), or Borrower shall make a general assignment for the benefit of creditors or consent to the appointment of a receiver of all or any portion of the collateral given to secure repayment of the Loan, or voluntarily suspends its usual business; or

8.1.9 An unauthorized lien or encumbrance that is not removed or for which adequate security is not provided to Lender within the time set forth in this Agreement; or

8.1.10 The occurrence of a breach or an event of default under any one or more of the Tokai Loan Documents;

8.1.11 The occurrence of a breach or an event of default by Borrower under the Lease; or

8.1.12 The default by Borrower under any commitment for permanent financing of the Project.

8.2 CURE PERIOD. During the cure period, if any, as may be provided in the Loan Documents for the subject Event of Default, Borrower shall take such actions as will cure the Event of Default as specified in such notice; provided, however, that if the Event of Default described in such notice is the failure by Borrower to make a payment, the cure shall

include prompt delivery of the overdue payment and any and all late charges and interest thereon.

8.3 REMEDIES. Upon the occurrence of an Event of Default, Lender may, in its sole and absolute discretion, declare all outstanding principal amounts of the Loan, all accrued but unpaid interest thereon and any other amounts which may be owing under the Loan Documents to be immediately due and payable notwithstanding any stated maturity dates therefor and pursue any one or more of the remedies set forth in this Agreement and the other Loan Documents concurrently or successively to the fullest extent permissible under applicable law in addition to all rights and remedies conferred on Lender by law or in equity. Without limiting the generality of the foregoing, Lender may hold, use, and disburse any proceeds of the Loan to pay: (i) any and all costs, charges and expenses (including interest) whatsoever and howsoever incurred in connection with the Loan; (ii) the cost of construction and completion of any Project improvements; (iii) any obligation of Borrower to Lender relating to the Project; and (iv) any person furnishing labor, materials, or services for or in connection with the construction of the Improvements or the holder of any unauthorized lien or encumbrance on the Project. Such remedies shall also include without limitation, at Lender's option, but without any obligation, and upon at least ten (10) days notice to Borrower, Lender's taking possession of the Project and proceeding with the completion thereof in accordance with the approved Plans and Specifications.

9. GENERAL.

9.1 NO PARTNERSHIP. It is the express intent of the parties that they are Lender and Borrower respectively. Borrower and Lender are neither partners nor joint venturers. Borrower warrants that it shall make no statement, orally or in writing, or take or omit any action beyond those actions by Borrower in performing its duties hereunder which could be implied by an ordinary, reasonable, prudent third party as evidence of a partnership or joint venture with Lender. Borrower agrees to indemnify, defend and hold harmless Lender from any claim, cause of action, settlement, judgment, award or damage, including reasonable attorneys' fees and costs, arising from a breach of this warranty.

9.2 NONWAIVER. No failure of Lender to enforce its rights, remedies, or options hereunder shall be deemed to be a waiver of any of its rights, remedies, or options hereunder or at law, and it may at any time that such default exists or continues to exist, enforce any or all of its rights, remedies, and options arising by reason of such default.

9.3 ATTORNEYS' FEES. Borrower agrees to pay Lender's attorneys' fees and costs incurred in connection with the transaction contemplated herein, including without limitation, such fees and costs incurred in the negotiation of the Loan Documents and/or one Tokai Loan Documents. In the event either party breaches any term of this Agreement, or any of the Loan Documents, and if a suit be brought to enforce any one or more of the Loan Documents, the nonprevailing party agrees to pay all reasonable costs thereof to the prevailing

party, including attorneys' fees and expert witness fees. Said costs and fees shall include, without limitation, costs and attorneys' fees incurred in any appeal or in any bankruptcy proceedings or state receivership.

9.4 LOAN ADMINISTRATION EXPENSES. Borrower shall pay to Lender, on demand, from time to time, all attorneys' fees and out-of-pocket expenses incurred by Lender in connection with the administration of the Loan, including, without limitation, all filing fees, recording fees, release or reconveyance fees and title insurance premiums.

9.5 FINANCIAL STATEMENTS. Borrower shall provide to Lender, from time to time, within thirty (30) days after written request of Lender during the term of the Loan, a statement of income and expenses of the Project, and a balance sheet and statement of cash flow of Borrower each in reasonable detail and certified by Borrower, and if Lender shall require, by an independent certified public accountant.

9.6 NOTICE. Any notice or demand that either party desires to give to the other shall be in writing and either delivered personally or by first-class mail addressed as follows:

To Lender:

Neurocrine Biosciences, Inc.
3050 Science Park Road
San Diego, California 92121
Attn: Paul W. Hawran

With a Copy To:

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304
Attn: Lauren I. Boro, Esq.

To Borrower:

Science Park Center LLC
4350 La Jolla Village Drive, Suite 930
San Diego, CA 92122
Attn: Mr. Michael J. Reidy

With a Copy To:

Sullivan Wertz McDade & Wallace
945 Fourth Avenue
San Diego, CA 92101
Attn: Leo Sullivan, Esq.

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304
Attn: Lauren I. Boro, Esq.

The parties agree that the delivery and/or receipt of notices by entities or persons identified above as receiving copies shall not be a pre-requisite to the effectiveness of any notice. Such additional notices are a matter of courtesy only and are not a requirement of this Agreement. Either party may change its address by notifying the other in writing of the change. Any notice or demand delivered by mail shall be deemed delivered three (3) days after it has been mailed to Lender or to Borrower as the case may be as provided herein.

9.7 SINGULAR AND PLURAL. Whenever in this Agreement the context so requires, the neuter gender shall include the masculine and the feminine, the singular number shall include the plural, and the plural shall include the singular, and vice versa as the context may require.

9.8 CAPTIONS. All section or paragraph division, numbering, and captions are for convenience of reference only, and shall not affect the interpretation or construction of this agreement or of any term, condition, or provision thereof.

9.9 ENTIRE AGREEMENT; MODIFICATION. This Agreement and the Loan Documents constitute the entire agreement of the parties and supersede all prior agreements or understandings. No modification or amendment of this Agreement or the other Loan Documents shall be effective unless set forth in writing signed by Lender and Borrower.

9.10 TIME OF ESSENCE. Time is of the essence of this Agreement and the other Loan Documents.

9.11 SEVERABILITY. The invalidity of any one or more covenants, phrases, clauses, sentences or paragraphs of this Agreement shall not affect the remaining portions of this Agreement or any part thereof, and the same shall be construed as if such invalid covenants, phrases, clauses, sentences or paragraphs, if any, had not been inserted herein.

9.12 EXHIBITS. The Exhibits attached hereto are incorporated herein by this reference.

9.13 FURTHER ACTIONS. Borrower shall perform such further acts and execute and deliver such further documents as Lender may request from time to time to further effectuate the terms of this Agreement or to acquire or perfect the security interests of Lender contemplated under the Loan Documents.

IN WITNESS WHEREOF, this Agreement is made and entered into as of the date first above written.

LENDER:

NEUROCRINE BIOSCIENCES, INC.
a Delaware corporation

By: /s/ PAUL W. HAWRAN

Paul W. Hawran
Senior Vice President

BORROWER:

SCIENCE PARK CENTER LLC
A California Limited Liability Company

By Nexus Properties, Inc.
A California Corporation
Manager

By: /S/ MICHAEL J. REIDY

Michael J. Reidy
Chief Executive Officer

By Neurocrine Biosciences, Inc.
A Delaware Corporation
Manager

By: /s/ PAUL W. HAWRAN

Paul W. Hawran
Senior Vice President

LIST OF EXHIBITS

Exhibit "A".....Property Description
Exhibit "B".....Project Budget
Exhibit "C".....Loan Documents
Exhibit "D".....Permitted Exceptions

EXHIBIT "A"

Property Description

LOT 30 OF TORREY PINES SCIENCE CENTER UNIT NO. 2, IN THE CITY OF SAN DIEGO,
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12845,
FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY ON JULY 23, 1991.

EXHIBIT "B"
Project Budget

NEUROCRINE
*** SF R&D FACILITY
PRELIMINARY COST PRO FORMA

* confidential treatment

EXHIBIT "C"
Loan Documents

1. The Agreement;
2. The Note;
3. The Lender Deed of Trust;
4. The Lender Assignment of Contracts;
5. Any and all UCC-1 Financing Statements required by Lender;
6. The Assignment;
7. The Option Agreement;
8. A Memorandum of the Option Agreement in recordable form;
9. The Lease;
10. A Memorandum of the Lease in recordable form;
11. Such other and further documents and instruments as may be reasonably required by Lender as a condition to the Closing; and
12. Any and all amendments, modifications or substitutions of the above listed documents and instruments as may be requested or expressly approved by Lender.

EXHIBIT "D"
Permitted Exceptions

[CHICAGO TITLE COMPANY LETTERHEAD]

TRISH ERICKSON
 CHICAGO TITLE/SAN DIEGO
 925 B STREET
 SAN DIEGO, CA 92101

Order No. 007353168 13
 Reference:
 Regarding: LOT, TORREY PINES SCIENCE CENTER
 SAN DIEGO, CA

Dated as of June 6, 1997 at 7:30 AM

In response to the above referenced application for a policy of title insurance,

CHICAGO TITLE COMPANY

hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception in Schedule B or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in Exhibit A attached list. Copies of the Policy forms should be read. They are available from the office which issued the report.

Please read the exceptions shown or referred to in Schedule B and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY, IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

The form of policy of title insurance contemplated by this report is:

CALIFORNIA LAND TITLE INSURANCE ASSOCIATION STANDARD COVERAGE POLICY
 AMERICAN LAND TITLE ASSOCIATION LOAN STANDARD COVERAGE POLICY

/s/ KEN CYR

 Title Officer KEN CYR

SCHEDULE A

Order No: 7353168 13

Your Ref:

1. The estate or interest in the land hereinafter described or referred to covered by this report is:

A FEE

2. Title to said estate or interest at the date hereof is vested in:

NEUROCRINE BIOSCIENCES, INC., A DELAWARE CORPORATION

3. The land referred to in this report is situated in the State of California, County of SAN DIEGO and is described as follows:

LOT 30 TORREY PINES SCIENCE CENTER, UNIT NO. 2, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12845, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO, COUNTY, JULY 23, 1991.

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this Report would be as follows:

- A 1. PROPERTY TAXES, INCLUDING ANY ASSESSMENTS COLLECTED WITH TAXES, TO BE LEVIED FOR THE FISCAL YEAR 1997-98 THAT ARE A LIEN NOT YET DUE.
- B 2. THE LIEN OF SUPPLEMENTAL OR ESCAPED ASSESSMENTS OF PROPERTY TAXES, IF ANY, MADE PURSUANT TO THE PROVISIONS OF PART 0.5, CHAPTER 3.5 OR PART 2, CHAPTER 3, ARTICLES 3 AND 4 RESPECTIVELY (COMMENCING WITH SECTION 75) OF THE REVENUE AND TAXATION CODE OF THE STATE OF CALIFORNIA AS A RESULT OF THE TRANSFER OF TITLE TO THE VESTEE NAMED IN SCHEDULE A; OR AS A RESULT OF CHANGES IN OWNERSHIP OR NEW CONSTRUCTION OCCURRING PRIOR TO DATE OF POLICY.
- C 3. A COVENANT AND AGREEMENT EXECUTED BY: GENERAL ATOMIC COMPANY, IN FAVOR OF: THE CITY OF SAN DIEGO; RECORDED: AUGUST 8, 1979 AS FILE NO. 79-331888 OF OFFICIAL RECORDS, WHICH AMONG OTHER THINGS PROVIDES: NO PROTEST SHALL BE MADE BY THE OWNER(S) TO ANY PROCEEDINGS FOR THE INSTALLATION OR ACQUISITION OF: SIDEWALKS UNDER ANY SPECIAL ASSESSMENT PROCEEDINGS, WHETHER CONDUCTED PURSUANT TO THE IMPROVEMENT ACT OF 1911 OR THE MUNICIPAL IMPROVEMENT ACT OF 1913, OR ANY OTHER APPLICABLE STATE OR LOCAL LAW, AND WHETHER PROCESSED BY THE CITY OF SAN DIEGO OR ANY OTHER GOVERNMENTAL ENTITY HAVING JURISDICTION IN THE MATTER AND FOR THE PURPOSES OF DETERMINING PROPERTY OWNER(S) SUPPORT FOR SUCH SAME.
- D 4. THE TERMS, CONDITIONS AND PROVISIONS CONTAINED IN CONDITIONAL USE PERMIT NO. 17123, AS DISCLOSED BY INSTRUMENT RECORDED JUNE 25, 1981 AS FILE NO. 81-199690 OF OFFICIAL RECORDS, AND AS MODIFIED BY AN INSTRUMENT RECORDED NOVEMBER 4, 1981 AS FILE NO. 81-350072 OF OFFICIAL RECORDS.
- E 5. THE FACT THAT SAID LAND LIES WITHIN THE NORTH UNIVERSITY CITY ASSESSMENT DISTRICT PLATT NO. 3971, AS DISCLOSED BY NOTICE OF ASSESSMENT RECORDED JUNE 4, 1992 AS FILE NO. 1992-0349304, SEPTEMBER 16, 1993 AS FILE NO. 1993-0611476 AND AUGUST 9, 1994 AS FILE NO. 1994-0485273, ALL OF OFFICIAL RECORDS.
- F 6. THE FACT THAT SAID LAND LIES WITHIN THE NORTH UNIVERSITY CITY ASSESSMENT DISTRICT PLATT NO. 3971, AS DISCUSSED BY NOTICE OF ASSESSMENT RECORDED FEBRUARY 17, 1982 AS FILE NO. 82-043183 OF OFFICIAL RECORDS, AND AMENDED NOTICE OF ASSESSMENT RECORDED NOVEMBER 29, 1982 AS FILE NO. 82-365411 AND JUNE 20, 1985 AS FILE NO. 85-228199, OCTOBER 1, 1991 AS FILE NO. 1991-0506424, AUGUST 11, 1989 AS FILE NO. 89-430633 AND JUNE 4, 1992 AS FILE NO. 1992-0349393, ALL OF OFFICIAL RECORDS. AN ASSESSMENT DISTRICT

SCHEDULE B
(continued)

Page 2

Order No: 7353168 13

Your Ref:

DIAGRAM RECORDED FEBRUARY 17, 1982 AS FILE NO. 82-043184 OF OFFICIAL RECORDS. AN AMENDED ASSESSMENT DISTRICT DIAGRAM RECORDED NOVEMBER 29, 1982 AS FILE NO. 82-365410, NOVEMBER 29, 1983 AS FILE NO. 83-430939 AND JUNE 26, 1985 AS FILE NO. 85-228195 AND OCTOBER 1, 1991 AS FILE NO. 1991-0506423, JUNE 4, 1992 AS FILE NO. 1992-0349304 AND DEPARTMENT OF THE TREASURY, INTERNAL REVENUE SERVICE, SPECIAL PROCEDURES STAFF, P.O. BOX 30223, LAGUNA NIGUEL, CA 92607-0223, ATTN: J. KING 16, 1993 AS FILE NO. 1993-0611476, ALL OF OFFICIAL RECORDS.

G 7. COVENANTS CONDITIONS AND RESTRICTIONS (BUT OMITTING THEREFROM ANY

COVENANT OR RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS OR NATIONAL ORIGIN, IF ANY, UNLESS AND ONLY TO THE EXTENT THAT SAID COVENANT (A) IS EXEMPT UNDER CHAPTER 42, SECTION 3607 OF THE UNITED STATES CODE OR (B) RELATES TO HANDICAP BUT DOES NOT DISCRIMINATE AGAINST HANDICAPPED PERSONS) AS SET FORTH IN THE DOCUMENT.

RECORD: JULY 16, 1986 AS FILE NO. 86-293105 OF OFFICIAL RECORDS

H 8. AN EASEMENT FOR ROADWAY AND INCIDENTAL PURPOSES AS SET FORTH IN THE INSTRUMENT-ABOVE MENTIONED.

AN EASEMENT FOR THE INSTALLATION AND MAINTENANCE OF UTILITIES AND INCIDENTAL PURPOSES AS SET FORTH IN THE INSTRUMENT ABOVE MENTIONED.

THE ROUTE OF SAID EASEMENT CANNOT BE DETERMINED FROM THE RECORD.

I 9. THE TERMS, CONDITIONS AND PROVISIONS CONTAINED IN PLANNED INDUSTRIAL DEVELOPMENT PERMIT NO. 86-0884, AS DISCLOSED BY INSTRUMENT RECORDED DECEMBER 22, 1988 AS FILE NO. 88-658676, AND MAY 30, 1989 AS FILE NO. 89-283953, BOTH OF OFFICIAL RECORDS.

J 10. A REVISED CONDITIONS AND FINDINGS OF THE CALIFORNIA COASTAL COMMISSION DISCLOSED IN DOCUMENTS RECORDED JULY 13, 1989 AS FILE NO. 89-370153 AND FEBRUARY 5, 1991 AS FILE NOS. 1991-0050777 AND 1991-0050778, ALL OF OFFICIAL RECORDS.

REFERENCE IS MADE TO SAID DOCUMENT FOR FULL PARTICULARS.

K 11. A DEED RESTRICTION FOR OPEN SPACE AND THE TERMS, COVENANTS, CONDITIONS AND RESTRICTIONS CONTAINED THEREIN, RECORDED FEBRUARY 5, 1991 AS FILE NO. 1991-0050778 OF OFFICIAL RECORDS.

SCHEDULE B
(continued)

Page 3

Order No: 7353168 13

Your Ref:

- L 12. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO AS SHOWN OR AS OFFERED FOR DEDICATION ON THE RECORDED MAP SHOWN BELOW.

MAP OF: 12845
EASEMENT
PURPOSE: DRAINAGE AND INCIDENTAL PURPOSES
AFFECTS: LOT 30

- N 13. AN EASEMENT, AND THE TERMS AND CONDITIONS AS CONTAINED THEREIN

DATED: NOT SHOWN
BY AND BETWEEN: THE CITY OF SAN DIEGO AND CHEVRON LAND AND DEVELOPMENT COMPANY
RECORDED: JULY 25, 1991 AS FILE NO. 1991-0366277 OF OFFICIAL RECORDS
REGARDING: INSTALLATION, MAINTENANCE AND POSSIBLE REMOVAL OF STORM DRAIN

AFFECTS LOT 30.

- M 14. AN EASEMENT, AND THE TERMS AND CONDITIONS AS CONTAINED THEREIN

DATED: NOT SHOWN
BY AND BETWEEN: THE CITY OF SAN DIEGO AND CHEVRON LAND AND DEVELOPMENT COMPANY
RECORDED: JULY 25, 1991 AS FILE NO. 1991-0366280 OF OFFICIAL RECORDS
REGARDING: INSTALLATION, MAINTENANCE AND POSSIBLE REMOVAL OF LANDSCAPING AND IRRIGATION LINES, ENHANCED PAVEMENT, BRIDGE LIGHTING AND LANDSCAPE LIGHTING OVER AND ACROSS PUBLIC RIGHT OF WAY-CANYON BRIDGE DR/GENESEE AVE.

AFFECTS SAID LAND AS SHOWN IN PLAT ATTACHED THERETO.

REFERENCE IS MADE TO SAID INSTRUMENT FOR FURTHER PARTICULARS.

- O 15. THE LIMITATIONS, COVENANTS, CONDITIONS, RESTRICTIONS, RESERVATIONS, EASEMENTS, TERMS, LIENS, ASSESSMENTS, PROVISIONS AND CHARGES BUT DELETING RESTRICTIONS, IF ANY, BASED ON RACE, COLOR, RELIGION OR NATIONAL ORIGIN AS CONTAINED IN THE DECLARATION OF RESTRICTIONS RECORDED AUGUST 28, 1991 AS FILE NO. 1991-0440869 OF OFFICIAL RECORDS.

AN ASSIGNMENT AND ASSUMPTION OF DECLARANT'S RIGHTS AND OBLIGATIONS FROM CHEVRON LAND AND DEVELOPMENT COMPANY, A DELAWARE CORPORATION TO M.S. VICKERS II, LLC. A DELAWARE LIMITED LIABILITY COMPANY RECORDED MAY 10, 1996 AS FILE NO. 1996-0238566, OFFICIAL RECORDS.

- P 16. AN IMPROVEMENT FINANCING AGREEMENT DATED JULY 22, 1991, UPON THE TERMS, CONVENANTS, AND CONDITIONS CONTAINED THEREIN.

SCHEDULE B
(continued)

Page 4

Order No: 7353168 13

Your Ref:

EXECUTED BY
AND BETWEEN CHEVRON LAND AND DEVELOPMENT COMPANY, A DELAWARE
CORPORATION AND THE CITY OF SAN DIEGO, A MUNICIPAL
CORPORATION

RECORDED: SEPTEMBER 4, 1991 AS FILE NO. 1991-0453349 OF OFFICIAL
RECORDS.

REFERENCE IS MADE TO SAID INSTRUMENT FOR FURTHER PARTICULARS.

Q. 17. AN EASEMENT FOR THE PURPOSE SHOWN BELOW AND RIGHTS INCIDENTAL THERETO
AS SET FORTH IN A DOCUMENT

GRANTED TO: SAN DIEGO GAS AND ELECTRIC COMPANY

PURPOSE: UNDERGROUND FACILITIES AND APPURTENANCES FOR THE
TRANSMISSION AND DISTRIBUTION OF ELECTRICITY,
PIPELINES, COMMUNICATION FACILITIES, AND APPURTENANCES
AND GRANTEE ALSO HAS THE RIGHT OF INGRESS AND EGRESS
FROM AND ALONG THIS EASEMENT AND INCIDENTAL PURPOSES

RECORDED: JUNE 23, 1993 AS FILE NO. 1993-0396204 OF OFFICIAL
RECORDS, DESCRIBED AS FOLLOWS:

SAID EASEMENT SHALL BE A STRIP OF LAND, INCLUDING ALL
OF THE AREA LYING BETWEEN THE EXTERIOR SIDELINES, WHICH
SIDELINES SHALL BE 3 FEET, MEASURED AT RIGHT ANGLES, ON
EACH EXTERIOR SIDE OF EACH AND EVERY FACILITY INSTALLED
WITH SAID PROPERTY ON OR BEFORE DECEMBER 31, 1995.

THE ROUTE OR LOCATION OF SAID EASEMENT CANNOT BE
DETERMINED FROM THE RECORD.

REFERENCE IS MADE TO SAID INSTRUMENT FOR FURTHER
PARTICULARS.

R 18. THE LIMITATIONS, COVENANTS, CONDITIONS, RESTRICTIONS, RESERVATIONS,
EASEMENTS, TERMS, LIENS, ASSESSMENTS, PROVISIONS AND CHARGES BUT
DELETING RESTRICTIONS, IF ANY, BASED ON RACE, COLOR, RELIGION OR
NATIONAL ORIGIN AS CONTAINED IN THE DECLARATION OF RESTRICTIONS
RECORDED JUNE 27, 1994 AS FILE NO. 1994-0405385 OF OFFICIAL RECORDS.

SAID INSTRUMENT ALSO PROVIDES THAT ALL LIENS CREATED BY THIS
DECLARATION OF RESTRICTIONS, INCLUDING BUT NOT LIMITED TO, ANY REGULAR
OR SPECIAL ASSESSMENTS FOR THE PAYMENT OF MONEY, SHALL BE SUBORDINATE
TO THE LIEN CREATED BY ANY FIRST DEED OF TRUST OR FIRST MORTGAGE.

SAID INSTRUMENT PROVIDES THAT A VIOLATION THEREOF SHALL NEITHER
DEFEAT NOR RENDER INVALID THE LIEN OF ANY MORTGAGE OR DEED OF TRUST
MADE FOR VALUE.

SCHEDULE B
(Continued)

Page 5

Order No. 7353168 13

Your Ref:

AN ASSIGNMENT AND ASSUMPTION OF DECLARANT'S RIGHTS AND OBLIGATIONS FROM CHEVRON LAND AND DEVELOPMENT COMPANY, A DELAWARE CORPORATION TO M.S. VICKERS II, LLC A DELAWARE LIMITED LIABILITY COMPANY RECORDED MAY 10, 1996 AS FILE NO. 1996-0238566, OFFICIAL RECORDS.

S 19. RIGHTS OF PARTIES IN POSSESSION OF SAID LAND.
MATTERS AFFECTING THE RIGHTS OF SAID PARTIES ARE NOT SHOWN HEREIN.

T 20. MATTERS WHICH MAY BE DISCLOSED BY AN INSPECTION OR SURVEY OF SAID LAND OR BY INQUIRY OF THE PARTIES IN POSSESSION THEREOF.

U END OF SCHEDULE B

Z NOTE NO. 1: PROPERTY TAXES FOR THE FISCAL YEAR SHOWN BELOW ARE PAID.
FOR INFORMATION PURPOSES THE AMOUNTS ARE:

FISCAL YEAR:	1996-1997
1ST INSTALLMENT:	\$5,003.76
2ND INSTALLMENT:	\$5,003.76
EXEMPTION:	\$ NONE
CODE AREA:	08118
ASSESSMENT NO.:	340-180-20

AA NOTE NO. 2: SUPPLEMENTAL OR ESCAPED TAXES FOR THE FISCAL YEAR 1996-1997, ASSESSED PURSUANT TO THE PROVISIONS OF CHAPTER 3.5 (COMMENCING WITH SECTION 75) OF THE REVENUE AND TAXATION CODE OF THE STATE OF CALIFORNIA.

1ST INSTALLMENT	\$245.22	(PAID)
2ND INSTALLMENT:	\$245.22	(PAID)
CODE AREA:	08118	
ASSESSMENT NO.:	859-341-98-35	

SUPPLEMENTAL OR ESCAPED TAXES FOR THE FISCAL YEAR 1996-1997, ASSESSED PURSUANT TO THE PROVISIONS OF CHAPTER 3.5 (COMMENCING WITH SECTION 75) OF THE REVENUE AND TAXATION CODE OF THE STATE OF CALIFORNIA.

1ST INSTALLMENT	\$3,011.17	(PAID)
2ND INSTALLMENT	\$3,011.17	(PAID)
CODE AREA:	08118	
ASSESSMENT NO.:	869-341-98-26	

V NOTE NO. 3: THIS COMPANY WILL REQUIRE THE FOLLOWING IN ORDER TO INSURE TITLE IN, OR A CONVEYANCE FROM, THE ENTITY NAMED BELOW.

NAME: NEUROCRINE BIOSCIENCE, INC.

SCHEDULE B
(continued)

Page 6

Order No: 7353168 13

Your Ref:

A COPY OF THE RESOLUTION OF THE CORPORATION APPROVING THE PRESENT TRANSACTION AND IDENTIFYING THE SUBJECT LAND.

W NOTE NO. 4: YOUR OPEN ORDER TRUST REQUEST INDICATES THAT A LIMITED LIABILITY COMPANY WILL BE ACQUIRING, ENCUMBERING OR CONVEYING REAL PROPERTY IN YOUR TRANSACTION. UNDER THE PROVISIONS OF "THE CALIFORNIA LIMITED LIABILITY ACT, EFFECTIVE SEPTEMBER 30, 1994" THE FOLLOWING WILL BE REQUESTED:

1. A COPY OF THE ARTICLES OF ORGANIZATION (AND ALL AMENDMENTS, IF ANY) THAT HAS BEEN FILED WITH THE SECRETARY OF STATE.
2. THE REQUIREMENT THAT THIS COMPANY BE PROVIDED WITH A COPY OF THE OPERATING AGREEMENT. THE COPY PROVIDED MUST BE CERTIFIED BY THE APPROPRIATE MANAGER OR MEMBER THAT IT IS A COPY OF THE CURRENT OPERATING AGREEMENT.
3. IF THE LIMITED LIABILITY COMPANY IS MEMBER-MANAGED THEN THIS COMPANY MUST BE PROVIDED WITH A CURRENT LIST OF THE MEMBER NAMES.

X NOTE: IF THIS COMPANY IS REQUESTED TO DISBURSE FUNDS IN CONNECTION WITH THIS TRANSACTION, CHAPTER 598, STATUTES OF 1989 MANDATES HOLD PERIODS FOR CHECKS DEPOSITED TO ESCROW OR SUB-ESCROW ACCOUNTS. THE MANDATORY HOLD PERIOD FOR CASHIER'S CHECKS, CERTIFIED CHECKS AND TELLER'S CHECKS IS ONE BUSINESS DAY AFTER THE DAY DEPOSITED. OTHER CHECKS REQUIRE A HOLD PERIOD FROM THREE TO SEVEN BUSINESS DAYS AFTER THE DAY DEPOSITED.

Y EH

SUPPLEMENTAL REPORT

ISSUING OFFICE:
925 "B" STREET
SAN DIEGO, CA 92101TRISH ERICKSON
CHICAGO TITLE/SAN DIEGO
925 B STREET
SAN DIEGO, CA 92101

Your Ref: Order No: 7353168 13

Dated as of JUNE 16,1997 at 7:30 AM

/s/ KEN CYR

Title Officer: KEN CYR

The above numbered report dated JUNE 6, 1997 (including any supplements or amendments thereto) is hereby modified and/or supplemented in order to reflect the following:

PLEASE AMEND/MODIFY ITEM NO(S) 6 TO READ AS FOLLOWS:

THE FACT THAT SAID LAND LIES WITHIN THE NORTH UNIVERSITY CITY ASSESSMENT DISTRICT PLATT NO. 3971, AS DISCLOSED BY NOTICE OF ASSESSMENT RECORDED FEBRUARY 17, 1982 AS FILE NO. 82-043183 OF OFFICIAL RECORDS, AND AMENDED NOTICE OF ASSESSMENT RECORDED NOVEMBER 29, 1982 AS FILE NO. 82-365411 AND JUNE 26, 1985 AS FILE NO. 85-228199, OCTOBER 1, 1991 AS FILE NO. 1991-0506424, AUGUST 11, 1989 AS FILE NO. 89-430633 AND JUNE 4, 1992 AS FILE NO. 1992-0349303, ALL OF OFFICIAL RECORDS. AN ASSESSMENT DISTRICT DIAGRAM RECORDED FEBRUARY 17, 1982 AS FILE NO. 82-043184 OF OFFICIAL RECORDS. AN AMENDED ASSESSMENT DISTRICT DIAGRAM RECORDED NOVEMBER 29, 1992 AS FILE NO. 82-365410, NOVEMBER 29, 1983 AS FILE NO. 83-430939 AND JUNE 26, 1985 AS FILE NO. 85-228195 AND OCTOBER 1, 1991 AS FILE NO. 1991-0506423, JUNE 4, 1992 AS FILE NO. 1992-0349304 AND DEPARTMENT OF THE TREASURY, INTERNAL REVENUE SERVICE, SPECIAL PROCEDURES STAFF, P.O. BOX 30223, LAGUNA NIGUEL, CA 92607-0223, ATTN: J. KING 16, 1993 AS FILE NO. 1993-0611476, ALL OF OFFICIAL RECORDS.

JUNE 17, 1997

MS. TRISH ERICKSON
CHICAGO TITLE COMPANY
925 B STREET
SAN DIEGO, CA 92101

RE: ESCROW NO. 7353168-U48
TITLE ORDER NO. 7353168-U13

DEAR TRISH:

SUPPLEMENTING OUR PRELIMINARY REPORT DATED AS OF JUNE 6, 1997; WE WISH TO ADVISE YOU OF THE FOLLOWING:

NEW EXCEPTION NO. 21 IS HEREBY ADDED TO SCHEDULE B:

21. ANY CLAIMS FOR MECHANIC'S LIENS ON SAID LAND THAT MAY BE RECORDED BY REASON OF A WORK OF IMPROVEMENT DISCLOSED BY AN INSPECTION OF SAID LAND.

PLEASE NOTE THAT AT THE TIME OF INSPECTION, THERE WAS A CONSTRUCTION EQUIPMENT STORED ON THE SITE AS WELL AS A SIGN PLACED ON A CONSTRUCTION/SECURITY FENCE WITH A SIGN FOR R.E. HAZARD CONSTRUCTION COMPANY.

SHOULD YOU HAVE ANY QUESTIONS, PLEASE DO NOT HESITATE TO CALL.

SINCERELY,

/s/ Ken Cyr

KEN CYR
COMMERCIAL/INDUSTRIAL
TITLE OFFICER

SECURED PROMISSORY NOTE

\$3,840,000.00 + Additional Advances

San Diego, California
July 31, 1997

FOR VALUE RECEIVED, SCIENCE PARK CENTER LLC, a California limited liability company ("Borrower"), promises to pay, in lawful money of the United States of America, to the order of NEUROCRINE BIOSCIENCES, INC., a Delaware corporation ("Lender"), at 3050 Science Park Road, San Diego, California 92121, or at such other place as Lender may designate in writing from time to time, the principal sum of Three Million Eight Hundred Forty Thousand Dollars (\$3,840,000.00) or so much thereof as shall be from time to time disbursed hereunder, plus such additional advances as may be made pursuant to the terms of the Loan Agreement (as defined below), with interest on the disbursed but unpaid principal balance payable at the rate and in the manner provided below (the "Loan"). This Secured Promissory Note (this "Note") is the promissory note referred to in the Construction Loan Agreement of even date herewith between Lender and Borrower (the "Loan Agreement") and is subject to the terms of the Loan Agreement and is entitled to the benefits of the security interests and collateral described therein. Initially capitalized terms used in this Note without definition have the meanings given them in the Loan Agreement.

1. Interest. Interest shall accrue on the disbursed but unpaid principal balances hereof from the date of disbursement until paid at the rate of eight and one-quarter percent (8.25%) per annum. Interest for a portion of any month shall be calculated on the basis of the actual number of days in the period for which the calculation is being made.

2. Repayment. Interest accrued on outstanding principal hereunder from the date hereof through and including the Term Commencement Date (as defined below) shall be added to principal on the Term Commencement Date, at which time the total outstanding principal, with interest thereon calculated pursuant to Section 1 above, shall be amortized over a ten (10) year period and principal and interest shall be payable in equal monthly installments beginning on the Term Commencement Date and thereafter on the first day of each succeeding calendar month and continuing until the Maturity Date (defined below) at which time the entire unpaid principal balance hereunder, together with all accrued but unpaid interest thereon, and all other sums owing under the other Loan Documents, shall be due and payable in full. The Term Commencement Date is the date defined in the Lease as the Term Commencement Date. The Maturity Date is the date which is the tenth (10th) anniversary of the Term Commencement Date. Each payment shall be credited first to the payment of any late charges or costs due hereunder, then to the payment of any interest then due and the remainder shall be credited to principal.

3. Adjustment to Repayment. Lender and Borrower acknowledge that the monthly installments of Basic Annual Rent (as defined in the Lease) to be paid by Lender (the "Monthly Rent"), as tenant, to Borrower, as landlord, under the Lease during an initial period of approximately three (3) years (the "Shortfall Period") following the Term Commencement Date will not, in all likelihood, be enough to fund Borrower's monthly payment obligation with respect to (i) the Permanent Loan, (ii) the Loan, (iii) fees Borrower is obligated to pay to Nexus Properties, Inc., a California corporation, pursuant to Section 8.3 of Borrower's Operating Agreement (the "Nexus Fees"), and (iv) disbursements to Nexus Properties, Inc. pursuant to Sections 7.2(i) and (ii) of Borrower's Operating Agreement ("Nexus Disbursements"). Therefore, notwithstanding the provisions of Section 2 above, Lender and Borrower agree that the minimum monthly payment due hereunder for each month during the Shortfall Period, shall be the lesser of (i) the regularly scheduled payment of principal and interest as calculated pursuant to Section 2 above (the "Scheduled Monthly Installment"), or (ii) the balance of the Monthly Rent less (a) that month's regularly scheduled installment under the Permanent Loan, (b) that month's regularly scheduled payment of the Nexus Fees, and (c) accrued and unpaid payments of the Nexus Disbursements. After such the Shortfall Period, Borrower shall be obligated to pay the Scheduled Monthly Installment each month during the balance of the scheduled term of this Note (subject to reamortization as provided herein). After the Shortfall Period, Lender shall have the right, at its election, to reamortize the total outstanding principal hereunder, with accrued but unpaid interest thereon calculated pursuant to Section 1 above, over the remainder of the scheduled term of this Note and Borrower shall repay the indebtedness evidenced by this Note pursuant to such reamortization. The provisions of this Section 3 are not intended as a waiver by Lender of repayment of any principal disbursed hereunder, any interest thereon or any other sums which may be due hereunder or under the terms of the other Loan Documents. The adjusted repayment schedule for principal and interest hereunder during the Shortfall Period the first year of the term of this Note commencing on the Term Commencement Date shall not affect Borrower's obligations to timely pay any other costs or expenses in full which may be due pursuant to the terms of this Note or the other Loan Documents.

4. Prepayment. Borrower shall not prepay outstanding principal or other sums due under this Note at any time prior to the full reconveyance of the Tokai Deed of Trust unless Borrower has received Lender's prior written approval of such prepayment. Such approval may be given or withheld by Lender in Lender's sole and absolute discretion. If such approval is given, it shall apply only to the specific prepayment identified in Lender's written approval. After the full reconveyance of the Tokai Deed of Trust, the outstanding principal balance of this Note may be prepaid in whole or in part by Borrower, without premium or penalty. Lender shall not be obligated to reamortize the repayment schedule for this Note pursuant to any prepayment unless Lender, in its sole and absolute discretion, elects to do so.

5. Security. This Note is secured by the following:

5.1 That certain Construction Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing executed by Borrower and naming Lender as beneficiary, delivered by Borrower concurrently herewith the ("Deed of Trust") which, as of the date hereof, shall be second in priority to the Tokai Deed of Trust;

5.2 Financing Statement(s) covering the chattels, fixtures, equipment and general intangibles installed or used in connection with the Project; and

5.3 That certain Assignment of Contracts, Licenses, Permits, Agreements, Warranties, Plans and Specifications executed by Borrower in favor of Lender, delivered by Borrower concurrently herewith (the "Assignment").

6. Default.

6.1 Events of Default. The occurrence of any one or more of the following shall be an event of default Under this Note ("Event of Default"):

6.1.1 Borrower's failure to make any payment promptly when due of principal and/or interest, or any other sums due under any one or more of (a) the Loan Agreement, (b) this Note, (c) the Deed of Trust, (d) the Assignment, (e) the other Loan Documents, or (f) any other document or instrument executed by Borrower securing payment of, or otherwise in any way in connection with, this Note (which includes the documents referred to in Section 6.1.1.);

6.1.2 The failure of Borrower to perform any of its obligations or to make any payments promptly when due of principal, interest, or other sums due under any one or more of the Tokai Loan Documents or any loan documents executed by Borrower in connection with the Tokai Loan and/or the Permanent Loan or any other documents or instruments executed by Borrower with, or in favor of, any other construction lender for any loan obtained by Borrower in connection with the Project (collectively, with all of the documents and instruments referenced in Section 6.1.1 above, the "Documents");

6.1.3 An event of default under any one or more of the Documents;

6.1.4 An event of default by Borrower under the Lease; or

6.1.5 The occurrence or non-occurrence of an event described in Section 4.2 of the Lease which would entitle Lender to terminate the Lease pursuant to said Section 4.2.

6.2 Remedies. Upon an Event of Default, then in addition to any other rights or remedies available to Lender, Lender may, at its option, declare the entire outstanding principal balance hereunder and accrued but unpaid interest hereunder, and all other amounts and/or payments due hereunder, and/or under the other Loan Documents, immediately due and payable notwithstanding any stated maturity date therefor and such amounts shall then be immediately due and payable. If an Event of Default occurs, and Lender elects to accelerate the Loan, or in the event that this Note is not paid in full on the Maturity Date, interest thereafter on the unpaid principal balance, accrued interest and costs incurred shall be payable at the rate set forth in Section 1 above plus five percent (5%) per annum. If an Event of Default occurs, Lender may also pursue any other rights or remedies provided hereunder, in any of the other Loan Documents or conferred upon Lender at law or in equity. Borrower agrees that acceptance by Lender of any performance which does not strictly comply with the terms of this Note shall not be deemed to be a waiver of any of Lender's rights hereunder.

6.3 Late Payment. Borrower recognizes that any default in making any payments when due herein will result in Lender incurring additional expense in servicing the Loan not contemplated hereunder, the exact amount of which will be extremely difficult to ascertain. Such expense will include, but not be limited to, processing and accounting charges, in addition to the loss to Lender of the use of money due, and in frustration to Lender in meeting its other commitments. Borrower agrees that if for any reason it fails to make any payments required herein, including the amount due at the Maturity Date, within fifteen (15) days after the due date, Lender shall be entitled to damages for the detriment caused thereby, the extent of which damages are extremely difficult and impractical to ascertain. Borrower therefor agrees that a sum equal to five percent (5%) of such delinquent payment is a reasonable estimate of such damages and Borrower agrees to pay such sum upon demand by Lender. Acceptance of such late charge by Lender shall in no event constitute a waiver of Borrower's default with respect to such overdue amount nor prevent the Lender from exercising any of the other rights and remedies granted hereunder. The acceptance by Lender of any payment under this Note after the date that such payment is due shall not constitute a waiver of the right to require prompt payment when due of any succeeding payments or to declare a default as herein provided for any failure to so pay. Acceptance by Lender of the payment of a portion of any installment at any time that such installment is due and payable in its entirety shall neither cure nor excuse the default caused by failure to pay the whole of such installment and shall not constitute a waiver of Lender's right to require full payment when due of all future or succeeding installments.

7. Restrictions on Transfer or Encumbrance; Acceleration. The Deed of Trust provides in part:

"Neither the Trust Estate nor any part thereof or interest therein shall be encumbered, sold (including sale by contract or installment sale), conveyed, or otherwise transferred either by Trustor or by operation of law, without

Beneficiary's prior written consent, nor without Beneficiary's prior written consent shall there be any change in the ownership of any stock in a corporate Trustor, in the ownership of any general partnership interest in any general or limited partnership Trustor, in the ownership of any membership interest in a limited liability company or in the ownership of any beneficial interests in any other Trustor which is not a natural person or persons. Any such action without Beneficiary's prior written consent shall constitute an event of default hereunder and shall be deemed to increase the risk to Beneficiary, and Beneficiary may, at its option, declare all sums secured hereby immediately due and payable notwithstanding any stated maturity date therefor or may, in its sole and absolute discretion, consent to such change in title, occupancy or ownership."

8. Collection Expenses. Borrower shall reimburse Lender on demand for all reasonable and necessary attorneys' fees and other costs and expenses incurred in collecting or enforcing this Note and protecting or realizing on any collateral, together with interest at the default rate provided in Section 6.2 above. Without limitation, such fees and costs shall include attorneys' and other fees, costs and expenses incurred with or without suit and in any appeal, any proceedings, bankruptcy action, state receivership, and any post-judgment collection proceedings.

9. Waivers. Borrower waives diligence, presentment and demand for payment, notice of dishonor, protest and notice of protest.

10. Governing Law. This Note shall be construed, enforced and otherwise governed by the laws of the internal State of California.

11. Binding Effect. This Note shall bind the successors and assigns of Borrower and all endorsers hereto and shall inure to the benefit of Lender, and Lender's successors and assigns. This Note may not be modified except by written agreement signed by both Lender and Borrower.

12. Notices. Any notice to Borrower under this Note shall be to Borrower's address in the Loan Agreement and shall be deemed received as set forth therein.

13. Maximum Interest Rate. In no event shall the interest rate on this Note be higher than the maximum rate permitted by applicable law, if any. All agreements between Borrower and Lender herein are expressly limited so that in no event whatsoever, whether by reason of advancement of the proceeds hereof, acceleration of maturity of the unpaid principal balance hereof, or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance or detention of the money to be advanced hereunder exceed the highest lawful rate permissible under the applicable usury law. If, from any circumstances whatsoever, fulfillment of any provision hereof or any other agreement relating to this Note, shall involve

transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable thereto, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any circumstance, Lender shall ever receive as interest an amount in excess of such maximum interest rate, if any, such amount shall be refunded to Borrower. This provision shall control every other provision of all agreements between Borrower and Lender.

14. Severability. The invalidity of any one or more covenants, phrases, clauses, sentences or paragraphs of this Note shall not affect the remaining portions of this Note or any part thereof, and the same shall be construed as if such invalid covenants, phrases, clauses, sentences or paragraphs, if any had not been inserted herein.

15. Time of Essence. Time is of the essence herein.

16. Authority. Each person signing this document on behalf of Borrower warrants that such person is duly authorized to sign and deliver this Note on behalf of Borrower and that this Note is binding on Borrower in accordance with its terms.

BORROWER:

SCIENCE PARK CENTER LLC
A California Limited Liability Company

By Nexus Properties, Inc.
A California Corporation
Manager

By: /s/ MICHAEL J. REIDY

Michael J. Reidy
Chief Executive Officer

By Neurocrine Biosciences, Inc.
A Delaware Corporation
Manager

By: /s/ PAUL W. HAWRAN

Paul W. Hawran
Senior Vice President

OPERATING AGREEMENT

FOR

SCIENCE PARK CENTER LLC
A California Limited Liability Company

* Certain confidential portions of this Exhibit were omitted by means of blackout of the text (the "Mark"). This Exhibit has been filed separately with the Secretary of the Commission without the Mark pursuant to the Company's Application Requesting Confidential Treatment under Rule 24b-2 under the Securities Exchange Act.

TABLE OF CONTENTS

	Page
ARTICLE I	
DEFINITIONS.....	3
1.1 "Act".....	3
1.2 "Adjusted Capital Account Deficit".....	3
1.3 "Affiliate".....	3
1.4 "Agreement".....	4
1.5 "Articles".....	4
1.6 "Bankruptcy".....	4
1.7 "Book Gain".....	4
1.8 "Book Loss".....	4
1.9 "Book Value".....	4
1.10 "Building".....	4
1.11 "Built-In Gain (or Loss)".....	4
1.12 "Capital Contribution".....	5
1.13 "Code".....	5
1.14 "Company".....	5
1.15 "Company Minimum Gain".....	5
1.16 "Corporations Code".....	5
1.17 "Development Services Agreement".....	5
1.18 "Dissolution Event".....	5
1.19 "Distributable Cash".....	5
1.20 "Economic Interest".....	5
1.21 "Economic Interest Owner".....	5
1.22 "Fiscal Year".....	6
1.23 "Improvements".....	6
1.24 "Land".....	6
1.25 "Managers".....	6
1.26 "Member".....	6
1.27 "Membership Interest".....	6
1.28 "Member Minimum Gain".....	6
1.29 "Member Nonrecourse Debt".....	6
1.30 "Member Nonrecourse Deductions".....	6
1.31 "Net Income" or "Net Loss".....	6
1.32 "Neurocrine Construction Loan Agreement".....	7
1.33 "Neurocrine Lease".....	7
1.34 "Neurocrine Loan".....	7
1.35 "Nonrecourse Debt".....	7
1.36 "Nonrecourse Deductions".....	7
1.37 "Option Agreement".....	7
1.38 "Percentage Interest".....	7

1.39	"Permanent Loan".....	8
1.40	"Person".....	8
1.41	"Preferred Return".....	8
1.42	"Preferred Capital Return".....	8
1.43	"Premises".....	8
1.44	"Prime Rate".....	8
1.45	"Property".....	8
1.46	"Regulations".....	8
1.47	"Regulatory Allocations".....	8
1.48	"Rent".....	8
1.49	"Schedules".....	8
1.50	"Substituted Member".....	9
1.51	"Tax Matters Partner".....	9
1.52	"Tokai Construction Loan".....	9
1.53	"Unreturned Capital Contribution".....	9

ARTICLE II	ORGANIZATIONAL MATTERS.....	9
2.1	Formation.....	9
2.2	Name.....	9
2.3	Term.....	9
2.4	Office and Agent.....	10
2.5	Purpose of Company.....	10

ARTICLE III	CAPITAL CONTRIBUTIONS.....	10
3.1	"Capital Account".....	10
3.2	Initial Capital Contribution.....	12
3.3	Additional Capital Contributions.....	12
3.4	Member Loans.....	12
3.5	Neurocrine Loan.....	12
3.6	No Interest.....	13
3.7	Completion and Loan Guarantees.....	13

ARTICLE IV	MEMBERS	13
4.1	Limited Liability.....	13
4.2	Admission of Additional Members.....	13
4.3	Withdrawal, Resignation or Retirement.....	13
4.4	Transactions With the Company.....	14
4.5	Remuneration To Members.....	14
4.6	Members Are Not Agents.....	14
4.7	Voting Rights.....	14
4.8	Meetings of Members.....	14
4.8.1	Date, Time and Place of Meetings of Members; Secretary.....	14
4.8.2	Power to Call Meetings.....	14

4.8.3	Notice of Meeting.....	14
4.8.4	Manner of Giving Notice.....	15
4.8.5	Validity of Action.....	15
4.8.6	Quorum.....	15
4.8.7	Adjourned Meeting; Notice.....	15
4.8.8	Waiver of Notice or Consent.....	15
4.8.9	Action by Written Consent without a Meeting.....	16
4.8.10	Telephonic Participation by Member at Meetings.....	16
4.8.11	Record Date.....	16
4.8.12	Proxies.....	17

ARTICLE V	MANAGEMENT AND CONTROL OF THE COMPANY.....	17
5.1	Management of the Company by Managers.....	17
5.1.1	Management by Managers.....	17
5.1.2	Agency Authority of Managers.....	17
5.2	Election of Managers.....	18
5.2.1	Number, Term and Qualifications.....	18
5.2.2	Resignation.....	18
5.2.3	Removal.....	18
5.2.4	Vacancies.....	19
5.3	Powers of Managers.....	19
5.3.1	Powers of Managers.....	19
5.3.2	Limitations on Power of Managers.....	19
5.4	Obligations of the Managers.....	21
5.5	Members Have No Managerial Authority.....	22
5.6	Performance of Duties; Liability of Managers.....	22
5.7	Devotion of Time.....	22
5.8	Competing Activities.....	22
5.9	Transactions between the Company and the Managers.....	23
5.10	Acts of Managers as Conclusive Evidence of Authority.....	23
5.11	Limited Liability.....	23
5.12	Resolution of Disputes.....	23

ARTICLE VI	ALLOCATIONS OF NET INCOME AND NET LOSS.....	23
6.1	Allocation of Net Income and Net Loss from Operations.....	23
6.2	Allocation of Net Income and Net Loss from Sale or Exchange.....	24
6.2.1	Net Income Allocations.....	24
6.2.2	Net Loss Allocations.....	24
6.3	Special Allocations.....	24
6.3.1	Qualified Income Offset.....	24
6.3.2	Gross Income Allocation.....	25
6.3.3	Company Minimum Gain Chargeback.....	25
6.3.4	Member Minimum Gain Chargeback.....	25

	6.3.5 Nonrecourse Deductions.....	25
	6.3.6 Member Nonrecourse Deductions.....	25
	6.3.7 Code Section 754 Adjustments.....	26
	6.3.8 Curative Allocations.....	26
6.4	Contributed Property.....	26
ARTICLE VII	DISTRIBUTIONS.....	26
7.1	Distribution of Distributable Cash from Sale or Exchange of the Premises.....	26
7.2	Distribution of Distributable Cash from Operations Under the Neurocrine Lease.....	27
7.3	Persons to Receive Distributions.....	28
7.4	Form of Distribution.....	28
7.5	Restriction on Distributions.....	28
	7.5.1 Insufficient Assets.....	28
	7.5.2 Basis of Determination.....	28
7.6	Return of Distributions.....	28
7.7	Obligations of Members to Report Allocations.....	28
ARTICLE VIII	COMPENSATION TO THE MANAGERS, MEMBERS AND AFFILIATES.....	29
8.1	Compensation of Members.....	29
8.2	Company Expenses.....	29
	8.2.1 Operating Expenses.....	29
	8.2.2 Overhead of Managers.....	29
8.3	Payments to Nexus.....	29
ARTICLE IX	TRANSFER AND ASSIGNMENT OF INTERESTS.....	29
9.1	Transfer and Assignment of Interests.....	29
9.2	Further Restrictions on Transfer of Interests.....	30
9.3	Substitution of Members.....	30
9.4	No Effect to Transfers in Violation of Agreement.....	30
9.5	Transfer of Nexus' Interest to Neurocrine.....	31
ARTICLE X	CONSEQUENCES OF DEATH, DISSOLUTION, RETIREMENT OR BANKRUPTCY OF MEMBER.....	31
10.1	Dissolution Event.....	31
10.2	No Effect if Violation of Agreement.....	31
ARTICLE XI	ACCOUNTING, RECORDS, REPORTING BY MEMBERS.....	32
11.1	Books and Records.....	32
11.2	Delivery to Members and Inspection.....	32
	11.2.1 Requests for Information.....	32

	11.2.2	Inspection of Records.....	33
	11.2.3	Inspection by Representative.....	33
11.3		Financial Statements/Tax Returns.....	33
	11.3.1	Annual Statements.....	33
	11.3.2	Tax Returns.....	33
	11.3.3	Annual Statutory Report.....	33
11.4		Filings	33
11.5		Bank Accounts.....	33
11.6		Accounting Decisions and Reliance on Others.....	33
11.7		Tax Matters for the Company Handled by Members and Tax Matters Partner.....	34
ARTICLE XII		DISSOLUTION AND WINDING UP.....	34
	12.1	Dissolution.....	34
	12.2	Certificate of Dissolution.....	34
	12.3	Winding Up.....	34
	12.4	Distributions in Kind.....	35
	12.5	Order of Payment of Liabilities Upon Dissolution.....	35
		12.5.1 Distribution to Members.....	35
		12.5.2 Provision for Liabilities.....	35
	12.6	Compliance with Regulations.....	36
	12.7	Limitations on Payments Made in Dissolution.....	36
	12.8	Certificate of Cancellation.....	36
	12.9	No Action for Dissolution.....	36
ARTICLE XIII		INDEMNIFICATION AND INSURANCE.....	37
	13.1	Indemnification of Agents.....	37
	13.2	Insurance.....	37
ARTICLE XIV		INVESTMENT REPRESENTATIONS.....	37
	14.1	Preexisting Relationship or Experience.....	37
	14.2	No Advertising.....	37
	14.3	Investment Intent.....	38
	14.4	Purpose of Entity.....	38
	14.5	Residency.....	38
	14.6	Economic Risk.....	38
	14.7	No Registration of Membership Interest.....	38
	14.8	Membership Interest in Restricted Security.....	38
	14.9	No Obligation to Register.....	38
	14.10	No Disposition in Violation of Law.....	39
	14.11	Legends.....	39
	14.12	Investment Risk.....	39
	14.13	Restrictions on Transferability.....	39

14.14	Information Reviewed.....	39
14.15	No Representations By Company.....	40
14.16	Consultation with Attorney.....	40
14.17	Tax Consequences.....	40
14.18	No Assurance of Tax Benefits.....	40
14.19	Indemnity.....	40
14.20	Representations by Nexus.....	41
14.20.1	Status.....	41
14.20.2	Due Authorization.....	41
14.20.3	Other Agreements.....	41
14.21	Representations of Neurocrine.....	41
14.21.1	Status.....	42
14.21.2	Due Authorization.....	42
14.21.3	Other Agreements.....	42
ARTICLE XV	MISCELLANEOUS.....	42
15.1	Representation by Counsel.....	42
15.2	Binding Effect.....	42
15.3	Parties in Interest.....	43
15.4	Pronouns: Statutory References.....	43
15.5	Headings.....	43
15.6	Interpretation.....	43
15.7	References to this Agreement.....	43
15.8	Governing Law/Jurisdiction/Venue.....	43
15.9	Arbitration.....	43
15.10	Severability.....	43
15.11	Additional Documents and Acts.....	44
15.12	Notices.....	44
15.13	Amendments.....	44
15.14	Reliance on Authority of Person Signing Agreement.....	44
15.15	No Interest in Company Property: Waiver of Action for Partition.....	44
15.16	Multiple Counterparts.....	44
15.17	Attorney Fees.....	44
15.18	Time is of the Essence.....	45
15.19	Remedies Cumulative.....	45
15.20	Neurocrine Default.....	45

OPERATING AGREEMENT

FOR

SCIENCE PARK CENTER LLC
A CALIFORNIA LIMITED LIABILITY COMPANY

This Operating Agreement for SCIENCE PARK CENTER LLC, a California limited liability company (the "Company"), is made effective July 31, 1997, by and among NEUROCRINE BIOSCIENCES, INC., a Delaware corporation ("Neurocrine"), and NEXUS PROPERTIES, INC., a California corporation ("Nexus"), with reference to the following facts:

RECITALS

A. Neurocrine and Nexus have formed the Company as a limited liability company under the laws of the State of California. On April 2, 1997, Articles of Organization for the Company were filed with the California Secretary of State (File No. 101997092011), and on April 21, 1997, an amendment to the Articles of Organization were filed with the Secretary of State.

B. Neurocrine, Nexus and Brandon Crocker ("Crocker") are the only Members of the Company, and Nexus and Neurocrine are the only Managers of the Company.

C. The Company intends to purchase from Neurocrine certain real property legally described as Lot 30 of Torrey Pines Science Center Unit No. 2, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 12845, filed in the Office of the County Recorder of San Diego County, July 23, 1991 (the "Land") for a purchase price of \$3,472,000. The purchase price shall be financed in its entirety by a loan from Neurocrine to the Company. In addition, the Company intends to borrow \$368,000 from Neurocrine for the construction of improvements on the Land pursuant to that certain Construction Loan Agreement of even date between the Company and Neurocrine ("Neurocrine Construction Loan Agreement"). The two Neurocrine loans (collectively, the "Neurocrine Loan") will be represented by a promissory note payable by the Company to Neurocrine in the aggregate principal sum of \$3,840,000, bearing interest at the rate of 8.25%, which note will be secured by a deed of trust on the Land and improvements.

D. The Company intends (i) to develop and construct a research and administrative building on the Land to consist of two levels over a single level of subterranean area (the "Building"); and (ii) to develop and construct landscaping, drainage, irrigation, lighting, parking facilities, walkways, driveways and other improvements and appurtenances related thereto (the "Improvements"). The Land, Building and Improvements are sometimes collectively referred to herein as the "Premises".

E. The Company is leasing the Premises to Neurocrine pursuant to that certain lease of even date between the parties (the "Neurocrine Lease"). Pursuant to the Neurocrine Lease, the Company will construct the Building and Improvements with a construction loan (the "Tokai Construction Loan") from Tokai Bank of California ("Tokai Bank") in the approximate amount of *** secured by a first deed of trust on the Premises, the \$368,000 borrowed from Neurocrine as part of the Neurocrine Loan secured by a second deed of trust on the Premises, and a capital contribution to the Company by Nexus in the amount of ***. Following completion of construction, the Company contemplates obtaining a permanent loan (the "Permanent Loan") to replace the Tokai Construction Loan, which will be senior to the Neurocrine Loan. Rent under the Neurocrine Lease ("Rent") will be adjusted after completion of construction to an amount equal to *** of the total costs for the acquisition, development and construction of the Premises, increased each year by ***, all as set forth in the Neurocrine Lease. ***.

F. Neurocrine also has an Option to Purchase the Premises from the Company which is set forth in that certain Option Agreement between the Company and Neurocrine (the "Option Agreement"). Under the Option Agreement, the purchase price for the Premises is ***.

G. Attached hereto are three (3) schedules (the "Schedules") which show the initial projections of the parties with respect to the above matters. Schedule 1 is a project budget; Schedule 2 is an estimated cash distribution schedule; and Schedule 3 is the estimated option

* confidential treatment

purchase price. Although the parties acknowledge that the figures in the Schedules will be different based on ultimate construction costs, interest rates, and Rent amount, the Schedules are attached hereto in order to reflect the intent of the parties in entering into this Agreement.

H. The parties hereto desire to adopt and approve an operating agreement for the Company.

NOW, THEREFORE, Neurocrine, Nexus and Crocker (hereinafter sometimes collectively referred to as "Members," and individually as "Member") by this Agreement set forth the operating agreement for the Company under the laws of the State of California upon the terms and subject to the conditions of this Agreement.

ARTICLE I DEFINITIONS

When used in this Agreement, the following terms shall have the meanings set forth below:

1.1 "ACT" shall mean the Beverly-Killea Limited Liability Company Act, California Corporations Code Section 17000 et seq., as the same may be amended from time to time.

1.2 "ADJUSTED CAPITAL ACCOUNT DEFICIT" shall mean, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which the Member is obligated to restore and the Member's share of Member Minimum Gain and Company Minimum Gain; and

(ii) Debit to such Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

1.3 "AFFILIATE" shall mean any individual, partnership, corporation, trust or other entity or association, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Member. The term "control," as used in the immediately preceding sentence, means, with respect to a corporation or limited liability company the right to exercise, directly or indirectly, more than 10% of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity or association, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity.

1.4 "AGREEMENT" shall mean this Operating Agreement, as originally executed and as amended from time to time.

1.5 "ARTICLES" shall mean the Articles of Organization for the Company originally filed with the California Secretary of State and as amended from time to time.

1.6 "BANKRUPTCY" shall mean: (a) the filing of an application by a Member for, or a Member's consent to, the appointment of a trustee, receiver, or custodian of the Member's other assets; (b) the entry of an order for relief with respect to a Member in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (c) the making by a Member of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver, or custodian of the assets of a Member unless the proceedings and the person appointed are dismissed within 90 days; or (e) the failure by a Member generally to pay the Member's debts as the debts become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing by a Member of such Member's inability to pay the Member's debts as they become due.

1.7 "BOOK GAIN" shall mean the excess, if any, of the fair market value of the Property over its adjusted basis for federal income tax purposes at the time a valuation of the Property is required under this Agreement or Treasury Regulations Section 1.704-1(b) for purposes of making adjustments to the Capital Accounts.

1.8 "BOOK LOSS" shall mean the excess, if any, of the adjusted basis of the Property for federal income tax purposes over its fair market value at the time a valuation of the Property is required under this Agreement or Treasury Regulations Section 1.704-1(b) for purposes of making adjustments to the Capital Accounts.

1.9 "BOOK VALUE" shall mean the adjusted basis of Property for federal income tax purposes increased or decreased by Book Gain, Book Loss, Built-In Gain and Built-In Loss as reduced by depreciation, amortization or other cost recovery deductions, or otherwise, based on such Book Value.

1.10 "BUILDING" shall have the meaning given the term in Recital D of this Agreement.

1.11 "BUILT-IN GAIN (OR LOSS)" shall mean the amount, if any, by which the agreed value of contributed Property exceeds (or is lesser than) the adjusted basis of Property contributed to the Company by a Member immediately after its contribution by the Member to the capital of the Company.

1.12 "CAPITAL CONTRIBUTION" shall mean the total value of cash and fair market value of property, including promissory notes or other obligation to contribute cash or property, contributed to the Company by Members.

1.13 "CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time, the provisions of succeeding law, and to the extent applicable, the Regulations.

1.14 "COMPANY" shall mean Science Park Center LLC.

1.15 "COMPANY MINIMUM GAIN" shall meaning "partnership minimum gain" as set forth in Treasury Regulations Sections 1.704-2(d).

1.16 "CORPORATIONS CODE" shall mean the California Corporations Code, as amended from time to time, and the provisions of succeeding law.

1.17 "DEVELOPMENT SERVICES FEE" shall have the meaning given the term in Section 8.3 hereof.

1.18 "DISSOLUTION EVENT" shall mean with respect to any Member one or more of the following: the death, insanity, withdrawal, resignation, retirement, expulsion, Bankruptcy, dissolution or occurrence of any other event which terminates the continued membership of the Member unless other Members holding at least two-thirds of the other Membership Interests consent to continue the business of the Company pursuant to Section 12.1.

1.19 "DISTRIBUTABLE CASH" shall mean the amount of cash which the Managers deem available for distribution to the Members pursuant to Article VII, taking into account all Company debts, liabilities, and obligations of the Company then due and amounts which the Managers deem necessary to place into reserves for customary and usual claims with respect to the Company's business. Notwithstanding the foregoing, no cash shall be deemed Distributable Cash unless payments on all notes secured by deeds of trust encumbering the Premises are current; provided, however, that distributions to Nexus pursuant to Section 7.2 shall be made before payments are made on the Neurocrine Loan.

1.20 "ECONOMIC INTEREST" shall mean a Member's or Economic Interest Owner's share of one or more of the Company's Net Income, Net Loss, and distributions of the Company's assets pursuant to this Agreement and the Act, but shall not include any other rights of a Member, including, without limitation, the right to vote or participate in the management, or, except as provided in Section 17106 of the Corporations Code, any right to information concerning the business and affairs of Company.

1.21 "ECONOMIC INTEREST OWNER" shall mean the owner of an Economic Interest who is not a Member. Crocker shall automatically become an Economic Interest Owner, and

shall no longer be a Member, upon the retirement of the Tokai Construction Loan, without any further act or consent required of Crocker, the Managers, or the Members.

1.22 "FISCAL YEAR" shall mean the Company's fiscal year, which shall be the calendar year.

1.23 "IMPROVEMENTS" shall have the meaning given the term in Recital D of this Agreement.

1.24 "LAND" shall have the meaning given the term in Recital C of this Agreement.

1.25 "MANAGERS" shall mean Nexus and Neurocrine, and the singular "Manager" shall mean either of them or any other Person that succeeds either of them in that capacity. If at any time only one manager is appointed, the plural "Managers" shall include the singular "Manager."

1.26 "MEMBER" shall mean Neurocrine, Nexus and Crocker, and each other Person who is later admitted to the Company as a Member in accordance with this Agreement, or is an assignee who has become a Member in accordance with Article IX, so long as Neurocrine, Nexus, Crocker, or any such Person has not resigned, withdrawn, retired, been expelled or, if other than an individual, dissolved. Crocker shall automatically become an Economic Interest Owner, and shall no longer be a Member, upon the retirement of the Tokai Construction Loan, without any further act or consent required of Crocker, the Managers, or the Members.

1.27 "MEMBERSHIP INTEREST" shall mean a Member's entire interest in the Company, including the Member's Economic Interest, the right to vote on or participate in the management of the Company, and the right to receive information concerning the business and affairs of the Company.

1.28 "MEMBER MINIMUM GAIN" shall mean "partner nonrecourse debt minimum gain" as determined under Treasury Regulations Section 1.704-2(i)(3).

1.29 "MEMBER NONRECOURSE DEBT" shall mean "partner nonrecourse debt" as set forth in Treasury Regulations Section 1.704-2(b)(4).

1.30 "MEMBER NONRECOURSE DEDUCTIONS" shall mean of "partner nonrecourse deductions," and the amount thereof shall be, as set forth in Treasury Regulations Section 1.704-2(i).

1.31 "NET INCOME" or "NET LOSS" shall mean, respectively, for each taxable year of the Company the taxable income and taxable loss (exclusive of Built-In Gain or Loss) of the Company as determined for federal income tax purposes in accordance with Section 703(a) of the Code (including all items of income, gain, loss, or deduction required to be separately

stated pursuant to Section 703(a)(1) of the Code) (other than any specific item of income, gain (exclusive of Built-In Gain), loss (exclusive of Built-In Loss), deduction or credit subject to special allocation under this Agreement), with the following modifications:

(i) The amount determined above shall be increased by any income exempt from federal income tax;

(ii) The amount determined above shall be reduced by any expenditures described in Section 705(a)(2)(B) of the Code or expenditures treated as such pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i);

(iii) Depreciation, amortization and other cost recovery deductions shall be computed based on Book Value instead of on the amount determined in computing taxable income or loss. Any item of deduction, amortization or cost recovery specially allocated to a Member and not included in Net Income or Net Loss shall be determined for Capital Account purposes in a similar manner; and

(iv) For purposes of this Agreement, Book Gain and Book Loss attributable to a revaluation of Property attributable to unrealized gain or loss in such Property shall be treated as Net Income and Net Loss.

1.32 "NEUROCRINE CONSTRUCTION LOAN AGREEMENT" shall have the meaning given the term in Recital C of this Agreement.

1.33 "NEUROCRINE LEASE" shall have the meaning given the term in Recital E of this Agreement.

1.34 "NEUROCRINE LOAN" shall have the meaning given the term in Recital C of this Agreement.

1.35 "NONRECOURSE DEBT" shall have the meaning set forth in Treasury Regulations Section 1.704-2(b)(3).

1.36 "NONRECOURSE DEDUCTIONS" shall have the meaning, and the amount thereof shall be, as set forth in Treasury Regulations Section 1.704-2(c).

1.37 "OPTION AGREEMENT" shall have the meaning given the term in Recital F of this Agreement.

1.38 "PERCENTAGE INTEREST" shall mean the following percentages of the Members, which percentages shall not be adjusted as relative proportions of the Capital Accounts of the Members are adjusted from time to time, but shall be adjusted with the consent of Members

holding at least two-thirds of the Membership Interests: Nexus ***; Neurocrine ***; and Crocker ***.

1.39 "PERMANENT LOAN" shall have the meaning given the term in Recital E of this Agreement.

1.40 "PERSON" shall mean an individual, general partnership, limited partnership, limited liability company, corporation, trust, estate, real estate investment trust, association or any other entity.

1.41 "PREFERRED RETURN" shall mean a *** compounded annually in arrears on *** beginning on the Term Commencement Date of the Neurocrine Lease; provided, however, that the *** amount shall be reduced by and at the time of any distribution made pursuant to Section 7.1(iv), or by and at the time Nexus receives such amount from other sources.

1.42 "PREFERRED CAPITAL RETURN" shall mean a percentage per annum return *** on Nexus' Unreturned Capital Contribution equal to what Tokai Bank would charge for an unsecured loan of ***.

1.43 "PREMISES" shall have the meaning given the term in Recital D of this Agreement and the Neurocrine Lease.

1.44 "PRIME RATE" shall mean the reference rate announced from time-to-time by the bank at which the Company's bank accounts are maintained, and changes in the Prime Rate shall be deemed to occur on the date that changes in such rate are announced.

1.45 "PROPERTY" shall refer to any and all of such real and tangible or intangible personal property or properties as may be acquired by the Company, including the Premises.

1.46 "REGULATIONS" shall mean, unless the context clearly indicates otherwise, the regulations currently in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code.

1.47 "REGULATORY ALLOCATIONS" shall mean the allocations set forth in Sections 6.3.1 through 6.3.7.

1.48 "RENT" shall have the meaning given the term in the Neurocrine Lease and Recital E of this Agreement.

1.49 "SCHEDULES" shall mean the schedules described in Recital G and attached to this Agreement.

* confidential treatment

1.50 "SUBSTITUTED MEMBER" shall mean any person admitted as a Substituted Member pursuant to this Agreement.

1.51 "TAX MATTERS PARTNER" shall be Neurocrine or its successor as designated pursuant to Section 11.7.

1.52 "TOKAI CONSTRUCTION LOAN" shall have the meaning given the term in Recital E of this Agreement.

1.53 "UNRETURNED CAPITAL CONTRIBUTION" shall mean the *** initial Capital Contribution of Nexus, reduced by all distributions to Nexus under Sections 7.1(ii) and 7.2(ii) of this Agreement.

ARTICLE II ORGANIZATIONAL MATTERS

2.1 FORMATION. The Members have formed a California limited liability company under the Act and other applicable laws of the State of California by filing the Articles with the California Secretary of State on April 2, 1997 and entering into this Agreement. The rights and liabilities of the Members shall be determined pursuant to the Act and this Agreement. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control.

2.2 NAME. The name of the Company shall be Science Park Center LLC. The business of the Company may be conducted under that name or, upon compliance with applicable laws, any other name that the Managers deem appropriate or advisable. The Managers shall file any fictitious name certificates and similar filings, and any amendments thereto, that the Managers consider appropriate or advisable.

2.3 TERM. The term of this Agreement shall expire on December 31, 2022, unless extended or sooner terminated as hereinafter provided. However, in the event the Company is unable on or before October 1, 1997 to secure (i) the Tokai Construction Loan or another construction loan in an amount and on terms satisfactory to Neurocrine, or (ii) grading, foundation or other permits necessary for the commencement of construction of the Building and Improvements, the Company shall, at the election of Neurocrine, immediately be dissolved and terminated. Notwithstanding the provisions of Sections 7.1, 7.2 and 12.5.1 of this Agreement to the contrary, if the Company is dissolved and terminated pursuant to the immediately preceding sentence, or if the Neurocrine Lease is terminated pursuant to Section 4.2 thereof, then (i) the Property shall be distributed in kind to Neurocrine subject to any deeds of trust encumbering the Property, (ii) Nexus shall be paid an amount equal to its initial Capital Contribution of *** (if and to the extent made), plus an amount equal to its

* confidential treatment

Preferred Capital Return, from Distributable Cash, (iii) if the amount of Distributable Cash is insufficient to pay the amount due to Nexus pursuant to clause (ii) above, Neurocrine shall pay the deficiency, (iv) if the amount of Distributable Cash exceeds the amount payable to Nexus pursuant to clause (ii) above, Neurocrine shall be entitled to such excess, and (v) the provisions of Section 12.4 hereof will not apply. In the event of such dissolution, Nexus shall not be entitled to (i) any amounts that otherwise would be due to it pursuant to Sections 5.9 and 8.3 of this Agreement, (ii) the Preferred Return, or (iii) the *** described in subsection 7.1(iv).

2.4 OFFICE AND AGENT. The Company shall continuously maintain an office and registered agent in the State of California as required by the Act. The initial principal office of the Company shall be 3250 La Jolla Village Drive, Suite 930, San Diego, California 92122, and shall otherwise be as the Managers may determine. The registered agent shall be as stated in the Articles or as otherwise determined by the Managers.

2.5 PURPOSE OF COMPANY. The purpose of the Company is to engage in any lawful activity for which a limited liability company may be organized under the Act. Notwithstanding the foregoing, without the unanimous consent of the Managers, the Company shall not engage in any business other than the business of developing, financing, improving, leasing, and selling the Premises, and such other activities directly related to the foregoing business as may be necessary, advisable, or appropriate to further the foregoing business.

ARTICLE III CAPITAL CONTRIBUTIONS

3.1 "CAPITAL ACCOUNT" with respect to any Member (or such Member's assignee) shall mean such Member's initial Capital Contribution adjusted as follows:

3.1.1 A Member's Capital Account shall be increased by:

(i) Such Member's share of Net Income;

(ii) Any income or gain specially allocated to a Member and not included in Net Income or Net Loss;

(iii) Any additional cash Capital Contribution made by such Member to the Company; and

(iv) The fair market value of any additional Capital Contribution consisting of property contributed by such Member to the capital of the Company reduced by any liabilities assumed by the Company in connection with such contribution or to which the property is subject.

* confidential treatment

3.1.2 A Member's Capital Account shall be reduced by:

(i) Such Member's share of Net Loss;

(ii) Any deduction specially allocated to a Member and not included in Net Income or Net Loss;

(iii) Any cash distribution to such Member; and

(iv) The fair market value, as agreed to by Members holding at least two-thirds of the Membership Interests, of any Property (reduced by any liabilities assumed by the Member in connection with the distribution or to which the distributed Property is subject) distributed to such Member; provided that, upon liquidation and winding up of the Company, unsold Property will be valued for distribution at its fair market value and the Capital Account of each Member before such distribution shall be adjusted to reflect the allocation of gain or loss that would have been realized had the Company then sold the Property for its fair market value. Such fair market value shall not be less than the amount of any nonrecourse indebtedness that is secured by the Property.

Property other than money may not be contributed to the Company except as specifically provided in this Agreement. Property of the Company may not be revalued for purposes of calculating Capital Accounts unless all of the following occur:

(i) The Members, pursuant to the consent of Members holding at least two-thirds of the Membership Interests, agree on the fair market value of the Property; provided, however for purposes of calculating Book Gain or Book Loss (but not for purposes of adjusting Capital Accounts to reflect the contribution and distribution of such Property), the fair market value of Property shall be deemed to be no less than the outstanding balance of any nonrecourse indebtedness secured by such Property;

(ii) Capital Accounts are adjusted to reflect the contribution or revaluation (including, without limitation, the valuation of such Property and the selection of book depreciation methods); and

(iii) The Members, pursuant to the consent of Members holding at least two-thirds of the Membership Interests, agree on the allocation among the Members of items of income, gain, depreciation, amortization and loss relating to such Property for federal income tax purposes.

The Capital Account of a Substituted Member or an Economic Interest Owner shall include the Capital Account of his transferor. Notwithstanding anything to the contrary in this Agreement, Capital Accounts shall be maintained in accordance with Treasury Regulations Section 1.704-1(b), and allocations of items of income and loss of the Company

shall be adjusted as necessary consistent with the foregoing to cause the Capital Accounts of the members to be sufficient to permit the distributions required under Sections 2.3, 7.1, 7.2 and 12.5. References in this Agreement to the Treasury Regulations shall include corresponding subsequent provisions.

3.2 INITIAL CAPITAL CONTRIBUTION. Nexus shall contribute an initial Capital Contribution consisting of cash in the amount of *** concurrently with the initial funding of the Tokai Construction Loan; Neurocrine shall not be required to make an initial Capital Contribution.

3.3 ADDITIONAL CAPITAL CONTRIBUTIONS. Additional Capital Contributions may be made by Neurocrine; provided, however, that Neurocrine shall have no obligation to make any additional Capital Contributions. Neurocrine may make Capital Contributions for any reason, including, but not limited to, any remaining distribution to Nexus required pursuant to Section 7.1 or 7.2 or to repay any indebtedness of the Company.

3.4 MEMBER LOANS. Neurocrine or an Affiliate may make a loan to the Company to the extent required to pay the Company's operating expenses, including debt service. Except for the Neurocrine Loan, any such loan shall bear interest at the Prime Rate plus 2% and provide for the payment of principal and any accrued but unpaid interest in accordance with the terms of the promissory note evidencing such loan approved by Neurocrine, but in no event later than upon dissolution of the Company. Except with the consent of Members holding at least two-thirds of the Membership Interests, or as may be expressly provided in this Agreement, no Member or any Affiliate may make any loan to the Company. Except for the Neurocrine Loan, amounts due on loans made pursuant to this Section shall be repaid from Distributable Cash or proceeds from the sale or exchange of the Premises before any further distributions are made pursuant to Sections 7.1 or 7.2. A Member shall have the right to exercise remedies with respect to any loans made by such Member to the Company (including, without limitation, the Neurocrine Loan) without being in violation of any duty it may have by reason of its status as a Member of the Company.

3.5 NEUROCRINE LOAN. Pursuant to a Purchase and Sale Agreement between the Company and Neurocrine, Neurocrine will sell the Land to the Company for a purchase price of \$3,472,000. The purchase price shall be financed in its entirety by a loan from Neurocrine to the Company. In addition, pursuant to the Neurocrine Construction Loan Agreement, Neurocrine will loan to the Company \$368,000, or such greater or lesser amount as may be required to pay all costs of construction of the Building and Improvements in excess of the *** Tokai Bank loan and the *** Capital Contribution of Nexus. The purchase price and the loan (defined above as the "Neurocrine Loan") will be represented by a promissory note payable by the Company to Neurocrine in the aggregate principal sum of \$3,840,000 (or such greater or lesser amount as may have been advanced by Neurocrine to the Company pursuant to this Section 3.5), which note will be secured by a deed of trust on the Premises. The Neurocrine Loan will bear interest at 8.25% per annum with interest and

* confidential treatment

principal amortized over a ten-year period commencing on the Term Commencement Date as defined in the Neurocrine Lease.

3.6 NO INTEREST. No Member shall be entitled to receive any interest on the Member's Capital Contributions except as set forth herein.

3.7 COMPLETION AND LOAN GUARANTEES. To the extent required by Tokai Bank (or such other construction lender approved by the Managers), Neurocrine will execute a guarantee of the completion of the Building and Improvements in a form reasonably acceptable to the lender and Neurocrine, and Nexus will provide any personal guarantees which the lender may require. A Member's guaranty of an obligation shall not result in the adjustment of such Member's Capital Account.

ARTICLE IV MEMBERS

4.1 LIMITED LIABILITY. Except as required under the Act or as expressly set forth in this Agreement, no Member shall be personally liable for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise.

4.2 ADMISSION OF ADDITIONAL MEMBERS. Additional Members may be admitted to the Company only with the consent of Members holding at least two-thirds of the Membership Interests. Any additional Members shall obtain Membership Interests and will participate in the management, Net Income, Net Loss, and distributions of the Company on such terms as are determined by the consent of Members holding at least two-thirds of the Membership Interests. Notwithstanding the foregoing, Substituted Members may only be admitted in accordance with Article IX. Additionally, notwithstanding the foregoing, at any time after the Tokai Construction Loan is retired, Nexus and Crocker may assign their Membership Interests (but not the duties of Nexus as Manager) to a limited liability company of which Nexus is manager and Michael J. Reidy and R. Darrell Gary are majority members; provided that such assignment does not trigger any adverse income tax consequences for the Company or its Members or cause an acceleration on any loan for which the Company is obligated; provided, further, that such assignee shall only become a Member upon the unanimous consent of the other Members. In the event Michael Reidy and Darrell Gary cease to be majority owners of such assignee, the assignee shall become an Economic Interest Owner and shall no longer be a Member.

4.3 WITHDRAWAL, RESIGNATION OR RETIREMENT. No Member may withdraw, resign or retire from the Company except in the event of death. Upon the occurrence of any event that would cause a person to cease to be a Member under the Act, including a Dissolution Event when the business of the Company is continued in accordance with Section 10.1 by the remaining Members, the disassociated Member shall become an Economic Interest Owner in accordance with Section 10.2.

4.4 TRANSACTIONS WITH THE COMPANY. Subject to any limitations set forth in this Agreement, a Member (or an Affiliate of a Member) may lend money to and transact other business with the Company. Subject to other applicable law, such Member (or an Affiliate of a Member) has the same rights and obligations with respect thereto as a Person who is not a Member.

4.5 REMUNERATION TO MEMBERS. Except as otherwise authorized pursuant to this Agreement, no Member is entitled to remuneration for acting in the Company business, subject to the entitlement of Members winding up the affairs of the Company to reasonable compensation pursuant to Section 12.3.

4.6 MEMBERS ARE NOT AGENTS. Pursuant to Section 5.1 and the Articles, the management of the Company is vested in the Managers. No Member, acting solely in the capacity of a Member, is an agent of the Company nor can any Member in such capacity bind nor execute any instrument on behalf of the Company.

4.7 VOTING RIGHTS. Except as expressly provided in this Agreement or the Articles, Members shall have no voting, approval or consent rights. Unless otherwise specifically provided, in all matters in which a vote, approval or consent of the Members is required, the vote, consent or approval of Members holding at least two-thirds of the Membership Interests shall be required to authorize or approve such act.

4.8 MEETINGS OF MEMBERS.

4.8.1 DATE, TIME AND PLACE OF MEETINGS OF MEMBERS; SECRETARY. Meetings of Members may be held at such date, time and place within or without the State of California as the Members may fix from time to time. No annual or regular meetings of Members is required. At any Members' meeting, the Managers shall appoint a person to preside at the meeting and a person to act as secretary of the meeting.

4.8.2 POWER TO CALL MEETINGS. Unless otherwise prescribed by the Act or by the Articles, meetings of the Members may be called by the Managers, or upon written demand of any Member for the purpose of addressing any matters on which the Members may vote.

4.8.3 NOTICE OF MEETING. The Managers shall give written notice of a meeting of Members to each Member not less than 10 nor more than 60 days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and the general nature of the business to be transacted. No other business may be transacted at this meeting. If the meeting is called upon written demand of Members entitled to call a meeting pursuant to Section 4.8.2, the Managers shall give written notice of the meeting at a time requested by the person calling the meeting, not less than 10 days nor more than 60 days after

the receipt of the request. If the notice is not given within 20 days after the receipt of the request, the Members entitled to call the meeting may give the notice.

4.8.4 MANNER OF GIVING NOTICE. Notice of any meeting of Members shall be given either personally or by first-class mail or other written communication (including facsimile transmission), charges prepaid, addressed to the Member at the address of that Member appearing on the books of the Company or given by the Member to the Company for the purpose of notice. If no such address appears on the Company's books or is given, notice shall be deemed to have been given if sent to that Member by first-class mail or other written communication to the Company's principal executive office. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication (including facsimile transmission).

4.8.5 VALIDITY OF ACTION. Any action approved at a meeting, other than by unanimous approval of those entitled to vote, shall be valid only if the general nature of the proposal so approved was stated in the notice of meeting.

4.8.6 QUORUM. The presence in person or by proxy of all Members shall constitute a quorum at a meeting of Members. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the loss of a quorum, if any action taken after loss of a quorum (other than adjournment) is approved by all of the Members.

4.8.7 ADJOURNED MEETING; NOTICE. Any Members' meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of all of the Membership Interests represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 4.8.6. When any meeting of Members is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is subsequently fixed, or unless the adjournment is for more than 45 days from the date set for the original meeting. At any adjourned meeting the Company may transact any business which might have been transacted at the original meeting.

4.8.8 WAIVER OF NOTICE OR CONSENT. The actions taken at any meeting of Members however called and noticed, and wherever held, have the same validity as if taken at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the Members entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or consents to the holding of the meeting or approves the minutes of the meeting. Attendance of a person at a meeting shall constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any

right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting. Neither the business to be transacted nor the purpose of any meeting of Members need be specified in any written waiver of notice.

4.8.9 ACTION BY WRITTEN CONSENT WITHOUT A MEETING. Any action that may be taken at a meeting of Members may be taken without a meeting, if a consent in writing setting forth the action so taken is signed and delivered to the Managers by all of the Members. Any Member giving a written consent, or the Member's proxy holders, may revoke the consent by a writing received by the Managers before written consents of the number of votes required to authorize the proposed action have been filed.

4.8.10 TELEPHONIC PARTICIPATION BY MEMBER AT MEETINGS. Members may participate in any Members' meeting through the use of any means of conference telephones or similar communications equipment as long as all Members participating can hear one another. A Member so participating is deemed to be present in person at the meeting.

4.8.11 RECORD DATE. In order that the Company may determine the Members of record entitled to notices of any meeting or to vote, or entitled to receive any distribution or to exercise any rights in respect of any distribution or to exercise any rights in respect of any other lawful action, the Managers (or, if they fail to do so, any Member) may fix, in advance, a record date that is not more than 60 days nor less than 10 days prior to the date of the meeting and not more than 60 days prior to any other action. If no record date is fixed:

(i) The record date for determining Members entitled to notice of or to vote at a meeting of Members shall be at the close of business on the business day immediately preceding the day on which notice is given or, if notice is waived, at the close of business on the business day immediately preceding the day on which the meeting is held.

(ii) The record date for determining Members entitled to give consent to Company action in writing without a meeting shall be the day on which the first written consent is given.

(iii) The record date for determining Members for any other purpose shall be at the close of business on the day on which the Managers adopt the resolution relating thereto, or the 60th day prior to the date of the other action, whichever is later.

(iv) The determination of Members of record entitled to notice of or to vote at a meeting of Members shall apply to any adjournment of the meeting unless the Managers or the Members who called the meeting fix a new record date for the adjourned meeting, but the Managers or the Members who called the meeting shall fix a new record date if the meeting is adjourned for more than 45 days from the date set for the original meeting.

4.8.12 PROXIES. Every Member entitled to vote for the election of Managers or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Managers. A proxy shall be deemed signed if the Member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, electronic transmission or otherwise) by the Member or the Member's attorney in fact. A proxy may be transmitted by an oral telephonic transmission if it is submitted with information from which it may be determined that the proxy was authorized by the Member or the Member's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the Company stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Company before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of 11 months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be irrevocable as set forth therein, and the provisions of Corporations Code Sections 705(e) and 705(f) shall not apply thereto.

ARTICLE V
MANAGEMENT AND CONTROL OF THE COMPANY

5.1 MANAGEMENT OF THE COMPANY BY MANAGERS.

5.1.1 MANAGEMENT BY MANAGERS. The business, property and affairs of the Company shall be managed by the Managers. Except for situations in which the approval of the Members is expressly required by this Agreement, the Managers shall have full, complete and exclusive authority, power, and discretion to manage and control the business, property and affairs of the Company, to make all decisions regarding those matters, and to perform any and all other acts or activities customary or incident to the management of the Company's business, property and affairs. Unless otherwise specifically provided, in all matters in which a vote, approval, consent or act of the Managers is allowed or required, the vote, approval, consent or act of all of the Managers shall be required to authorize or approve such act.

5.1.2 AGENCY AUTHORITY OF MANAGERS. Subject to Section 5.3.2, either Manager is authorized to endorse checks, drafts, and other evidences of indebtedness made payable to the order of the Company, but only for the purpose of deposit into the Company's accounts. All checks, drafts, and other instruments obligating the Company to pay money may be signed by either Manager, and either Manager is authorized to sign contracts and obligations on behalf of the Company.

5.2 ELECTION OF MANAGERS.

5.2.1 NUMBER, TERM AND QUALIFICATIONS. The Company shall initially have two Managers. The number of Managers of the Company may be changed from time to time with the consent of Members holding at least two-thirds of the Membership Interests, provided that in no instance shall there be less than one Manager. Unless a Manager resigns or is removed, the Manager shall hold office until a successor shall have been elected and qualified. Managers shall be elected by the affirmative vote or written consent of Members holding at least two-thirds of the Membership Interests; provided, however, that Neurocrine acting alone may elect a Manager to replace Nexus at any time after Nexus has received the entire distributions required pursuant to Section 7.1(i) through (iv), and payments required by Sections 5.9 and 8.3, of this Agreement, and Nexus and its Affiliates have been released from any personal liability by all lenders who have made loans secured by the Premises. A Manager need not be a Member or an individual.

5.2.2 RESIGNATION. A Manager may resign at any time by giving written notice to the Members without prejudice to the rights, if any, of the Company under any contract to which the Manager is a party. The resignation of a Manager shall take effect upon receipt of that notice or at such later time as shall be specified in the notice; and, unless otherwise specified in the notice, the acceptance of the resignation shall not be necessary to make it effective. The resignation of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member, and specifically shall not affect the right of Nexus to receive distributions under Sections 7.1(i) through (iv), and payments required by Sections 5.9 and 8.3, of this Agreement.

5.2.3 REMOVAL. A Manager may be removed at any time, with or without cause, by the affirmative vote or written consent of Members holding two-thirds of the Membership Interests; provided, however, that Neurocrine acting alone may remove Nexus as Manager at any time (i) after Nexus has received the entire distributions required pursuant to Sections 7.1(i) through (iv), and payments required by Sections 5.9 and 8.3, of this Agreement, and Nexus and its Affiliates have been released from any personal liability by all lenders who have made loans secured by the Premises, (ii) in the event Nexus files for Bankruptcy, or (iii) in the event of Nexus' fraud, willful misconduct or gross negligence. Any removal shall be without prejudice to the rights, if any, of Nexus or an Affiliate of Nexus (i) under any brokerage agreement, construction management agreement, property management agreement, or other contract between the Company and Nexus or an Affiliate of Nexus, or (ii) to collect payments under Sections 5.9. Furthermore, the removal of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member, and specifically shall not affect the right of Nexus to receive distributions under Sections 7.1(i) through (iv) of this Agreement.

5.2.4 VACANCIES. Except as provided above, any vacancy occurring for any reason in position of Manager may be filled by the affirmative vote or written consent of Members holding at least two-thirds of the Membership Interests.

5.3 POWERS OF MANAGERS.

5.3.1 POWERS OF MANAGERS. Without limiting the generality of Section 5.1, but subject to the limitations of Section 5.3.2 and to the express limitations set forth elsewhere in this Agreement, the Managers shall have all necessary powers to manage and carry out the purposes, business, property, and affairs of the Company, including, without limitation, the power to exercise on behalf and in the name of the Company all of the powers described in Corporations Code Section 17003.

5.3.2 LIMITATIONS ON POWER OF MANAGERS. The Managers shall not have authority to cause the Company to engage in any of the following transactions without first obtaining the affirmative vote or written consent of Members holding at least two-thirds of the Membership Interests:

(i) The sale, exchange, leasing or other disposition of all or substantially all of the Company's assets, except for the development, financing, and construction of the Premises, and except for the orderly liquidation and winding up of the business of the Company upon its duly authorized dissolution.

(ii) The joint venture of the Company with another entity for any purpose.

(iii) The merger of the Company with another entity; provided, in no event shall a Member be required to become a general partner in a merger with a partnership without such Member's express written consent or unless the agreement of merger provides each Member with the dissenter's rights described in the Act.

(iv) The establishment of different classes of Members.

(v) An alteration of the primary purpose of the Company as set forth in Section 2.5.

(vi) Any act which would make it impossible to carry on the ordinary business of the Company.

(vii) The confession of a judgment against the Company.

(viii) Any other transaction described in this Agreement as requiring the vote, consent, or approval of the Members.

(ix) Enter into contracts with the Company that would bind the Company after the expulsion, Bankruptcy, or other cessation to exist of the Manager, or to continue the business of the Company after the occurrence of such event.

(x) Use or permit any other person to use Company funds or assets in any manner except for the exclusive benefit of the Company.

(xi) Receive from the Company a rebate or give-up or participate in any reciprocal business arrangements which would enable it or any Affiliate to do so.

(xii) Borrowing or lending of any sum of money by the Company, the extension of credit or becoming a surety, guarantor, endorser or accommodation maker except as set forth in Article III.

(xiii) Admit another person as a Manager.

(xiv) Reinvest Distributable Cash in any additional properties.

(xv) Approval of any proposed settlement with the Internal Revenue Service or other taxing authority regarding any Company matter.

(xvi) The approval of any loan documents, including all construction loans and any loan documents which pledge any portion of the Premises as security.

(xvii) The commencement, settlement, assignment, transfer, compromise, release or other action (including selection of counsel for the Company) with respect to any claim of the Company or any legal, judicial, arbitral or administrative proceeding with respect to any non-budget claim; provided, however, that Neurocrine and Nexus, acting alone, shall have the right to enforce the obligations of the other party under this Agreement.

(xviii) Selecting or varying accounting methods, filing of federal or state income tax returns or other income tax filings and making other decisions with respect to treatment of items for accounting, financial reporting, or federal or state income tax purposes, or other matters in connection therewith.

(xvix) Determining whether or not distributions should be made to the Members.

(xx) Amendment of this Agreement.

(xxi) Dissolution of the Company.

(xxii) Any transaction with a Member, Manager or an Affiliate.

(xxiii) Approval of agreements relating to the design and/or construction of the Building and Improvements, including, without limitation, the budget for construction of the Building and Improvements, the owner-contractor agreement, the owner-architect agreement, and any change orders.

(xxiv) Matters relating to any lease affecting the Premises.

5.4 OBLIGATIONS OF THE MANAGERS. The Managers shall:

5.4.1 Exercise its management powers in order to carry out the purposes of the Company;

5.4.2 Implement the transactions approved by the Members;

5.4.3 Have a fiduciary responsibility to the Members in the same manner as a general partner would have to limited partners in a limited partnership and for the safekeeping and use of all the funds and assets of the Company, whether or not in its immediate possession or control;

5.4.4 Keep all bank and other accounts and records in the name of the Company;

5.4.5 Devote such of its time and business efforts to the business of the Company as it shall in its discretion, exercised in good faith, determine to be necessary to conduct the business of the Company for the benefit of the Company and the Members;

5.4.6 Cause the Company to be protected by public liability, property damage and other insurance determined by the Managers in their discretion to be appropriate to the business of the Company;

5.4.7 At all times use its best efforts to meet applicable requirements for the Company to be taxed as a partnership and not as an association taxable as a corporation;

5.4.8 Manage, operate and generally maintain the Company;

5.4.9 Be responsible for and have authority to conduct the day to day operations of the Company; and

5.4.10 Obtain insurance to the same extent and in the same amount as is required by any law, rule, or regulation of the State of California that would be applicable to

the Company were it a corporation organized and existing or duly qualified for the transaction of intrastate business under the General Corporation Law.

5.5 MEMBERS HAVE NO MANAGERIAL AUTHORITY. The Members shall have no power to participate in the management of the Company except as expressly authorized by this Agreement or the Articles and except as expressly required by the Act. Unless expressly and duly authorized in writing to do so by the Manager, no Member shall have any power or authority to bind or act on behalf of the Company in any way, to pledge its credit, or to render it liable for any purpose.

5.6 PERFORMANCE OF DUTIES; LIABILITY OF MANAGERS. No Manager shall be liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, reckless or intentional misconduct or a knowing violation of law by the Manager. The Managers shall perform their managerial duties in good faith, in a manner it reasonably believes to be in the best interests of the Company and its Members, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No Manager shall have any liability by reason of being or having been a Manager of the Company. In performing their duties, each Manager shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, of any attorney, independent accountant, or other licensed person as to matters which the Manager reasonably believes to be within such person's professional or expert competence, unless the Manager has knowledge concerning the matter in question that would cause such reliance to be unwarranted, and provided that the Manager acts in good faith and after reasonable inquiry when the need therefor is indicated by the circumstances.

5.7 DEVOTION OF TIME. No Manager is obligated to devote all of its time or business efforts to the affairs of the Company. The Managers shall devote whatever time, effort, and skill as they deem appropriate for the operation of the Company.

5.8 COMPETING ACTIVITIES. Any Manager and its officers, directors, shareholders, agents, employees and Affiliates may engage or invest in, independently or with others, any business activity of any type or description, including without limitation those that might be the same as or similar to the Company's business and that might be in direct or indirect competition with the Company. Neither the Company nor any Member shall have any right in or to such other ventures or activities or to the income or proceeds derived therefrom. No Manager shall be obligated to present any investment opportunity or prospective economic advantage to the Company, even if the opportunity is of the character that, if presented to the Company, could be taken by the Company. A Manager shall have the right to hold any investment opportunity or prospective economic advantage for its own account or to recommend such opportunity to Persons other than the Company. The Members acknowledge that the Managers and their Affiliates own and/or manage other businesses, including businesses that may compete with the Company and for the Manager's time. The Members

hereby waive any and all rights and claims which they may otherwise have against the Managers and their officers, directors, shareholders, agents, employees, and Affiliates as a result of any of such activities.

5.9 TRANSACTIONS BETWEEN THE COMPANY AND THE MANAGERS. A Manager or an Affiliate of the Manager may engage in any transaction (including, without limitation, the purchase, sale, lease, or exchange of any property or the rendering of any service, or the establishment of any salary, other compensation, or other terms of employment) with the Company so long as the terms and conditions of such transaction are approved by all of the Members. The Members agree that Nexus or an Affiliate of Nexus shall provide development services and receive compensation equal to *** from the Tokai Construction Loan (the "general administration" or "g&a" line item on the pro forma which serves as the basis for any construction loan and which shall be paid out of the Tokai Construction Loan amortized over the estimated construction period).

5.10 ACTS OF MANAGERS AS CONCLUSIVE EVIDENCE OF AUTHORITY. Any note, mortgage, evidence of indebtedness, lease, contract, certificate, statement, conveyance, or other instrument or document in writing, and any assignment or endorsement thereof, executed or entered into between the Company and any other person, when signed by either Manager acting alone, is not invalidated as to the Company by any lack of authority of the Manager in the absence of actual knowledge on the part of the other person that the Manager had no authority to execute the same.

5.11 LIMITED LIABILITY. No Manager shall be personally liable under a ny judgment of a court, or in any other manner, for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise, solely by reason of being a Manager.

5.12 RESOLUTION OF DISPUTES. In the event of a disagreement between the Managers on a matter requiring the approval or consent of both Managers, the dispute shall be submitted to binding arbitration in accordance with Section 15.9 hereof. In resolving any dispute, the arbitrator shall apply the standard of what an institutional owner of real property acting in a commercially reasonable manner would do under similar circumstances.

ARTICLE VI ALLOCATIONS OF NET INCOME AND NET LOSS

6.1 ALLOCATION OF NET INCOME AND NET LOSS FROM OPERATIONS. For each fiscal year, (i) Net Income from operations of the Company shall be allocated to ***.

* confidential treatment

6.2 ALLOCATION OF NET INCOME AND NET LOSS FROM SALE OR EXCHANGE. For each fiscal year, the Net Income and Net Loss from sale or exchange of the Premises shall be allocated as follows:

6.2.1 NET INCOME ALLOCATIONS.***

(i)***

(ii)***

(iii)***

(iv)***

6.2.2 NET LOSS ALLOCATIONS.***

6.3 SPECIAL ALLOCATIONS.

6.3.1 QUALIFIED INCOME OFFSET. Except as provided in Section 6.3.3, in the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6), items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit created by such adjustment, allocation or distribution as quickly as possible.

* confidential treatment

6.3.2 GROSS INCOME ALLOCATION. Net Loss shall not be allocated to any Member to the extent such allocation would cause any Member to have an Adjusted Capital Account Deficit at the end of a fiscal year. In the event any Member has an Adjusted Capital Account Deficit at the end of any fiscal year, each such Member shall be specially allocated items of Company gross income and gain in the amount of such Adjusted Capital Account Deficit as quickly as possible.

6.3.3 COMPANY MINIMUM GAIN CHARGEBACK. Notwithstanding any other provision of this Section 6, if there is a net decrease in Company Minimum Gain during any fiscal year, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g)(2). This Section 6.3.3 is intended to comply with the Company Minimum Gain chargeback requirement in the Treasury Regulations and shall be interpreted consistently therewith. This provisions shall not apply to the extent the Member's share of net decrease in Company Minimum Gain is caused by a guaranty, refinancing, or other change in the debt instrument causing it to become partially or wholly recourse debt or Member Nonrecourse Debt, and such Member bears the economic risk of loss (within the meaning of Treasury Regulations Section 1.752-2 for the newly guaranteed, refinanced or otherwise changed debt or to the extent the Member contributes cash to the capital of the Company that is used to repay the Nonrecourse Debt, and the Member's share of the net decrease in Company Minimum Gain results from the repayment.

6.3.4 MEMBER MINIMUM GAIN CHARGEBACK. Notwithstanding any other provision of this Section 6, except Section 6.3.3, if there is a net decrease in Member Minimum Gain, any Member with a share of that Member Minimum Gain (as determined under Treasury Regulations Section 704-2(i)(5)) as of the beginning of the year shall be allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Member Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g)(2). This Section shall not apply to the extent the net decrease in Member Minimum Gain arises because the liability ceases to be Member Nonrecourse Debt due to conversion, refinancing or other change in a debt instrument that causes it to become partially or wholly a Nonrecourse Debt. This Section is intended to comply with the Member Minimum Gain chargeback requirements in the Treasury Regulations and shall be interpreted consistently therewith and applied with the restrictions attributable thereto.

6.3.5 NONRECOURSE DEDUCTIONS. Nonrecourse Deductions for any fiscal year or other period shall be allocated 100% to Neurocrine.

6.3.6 MEMBER NONRECOURSE DEDUCTIONS. Member Nonrecourse Deductions for any fiscal year shall be allocated to the Member who bears the economic risk of loss as set forth in Treasury Regulations Section 1.752-2 with respect to the Member Nonrecourse

Debt. If more than one Member bears the economic risk of loss for a Member Nonrecourse Debt, any Member Nonrecourse Deductions attributable to that Member Nonrecourse Debt shall be allocated among the Members according to the ratio in which they bear the economic risk of loss.

6.3.7 CODE SECTION 754 ADJUSTMENTS. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Treasury Regulations.

6.3.8 CURATIVE ALLOCATIONS. Notwithstanding any other provision of this Agreement, the Regulatory Allocations shall be taken into account in allocating items of income, gain, loss and deduction among the Members so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not occurred.

6.4 CONTRIBUTED PROPERTY. Notwithstanding any other provision of this Section 6 to the contrary, the Members shall cause depreciation and cost recovery deductions and gain or loss attributable to Property contributed by a Member or revalued by the Company to be allocated among the Members for income tax purposes in accordance with Section 704(c) of the Code and the Treasury Regulations promulgated thereunder.

ARTICLE VII DISTRIBUTIONS

7.1 DISTRIBUTION OF DISTRIBUTABLE CASH FROM SALE OR EXCHANGE OF THE PREMISES.***

* confidential treatment

-27-

* confidential treatment

7.3 PERSONS TO RECEIVE DISTRIBUTIONS. All distributions shall be made only to the Persons who, according to the books and records of the Company, are the holders of record of the Economic Interests in respect of which such distributions are made on the actual date of distribution. Neither the Company nor the Members shall incur any liability for making distributions in accordance with this Section 7.3.

7.4 FORM OF DISTRIBUTION. A Member or Economic Interest Owner has no right to demand and receive any distribution from the Company in any form other than money. No Member or Economic Interest Owner may be compelled to accept from the Company a distribution of any asset in kind in lieu of a proportionate distribution of money being made to other Members. Except upon a dissolution and the winding up of the Company, no Member or Economic Interest Owner may be compelled to accept a distribution of any asset in kind.

7.5 RESTRICTION ON DISTRIBUTIONS.

7.5.1 INSUFFICIENT ASSETS. No distribution shall be made if, after giving effect to the distribution, (i) the Company would not be able to pay its debts as they become due in the usual course of business, or (ii) the Company's total assets would be less than the sum of its total liabilities.

7.5.2 BASIS OF DETERMINATION. The Members may base a determination that a distribution is not prohibited on any of the following: (i) financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances; (ii) a fair valuation; or (iii) any other method that is reasonable in the circumstances. Except as provided in Section 17254(e) of the Corporations Code, the effect of a distribution is measured as of the date the distribution is authorized if the payment occurs within 120 days after the date of authorization, or the date payment is made if it occurs more than 120 days after the date of authorization.

7.6 RETURN OF DISTRIBUTIONS. Except for distributions made in violation of the Act or this Agreement, no Member or Economic Interest Owner shall be obligated to return any distribution to the Company or pay the amount of any distribution for the account of the Company or to any creditor of the Company. The amount of any distribution returned to the Company by a Member or Economic Interest Owner or paid by a Member or Economic Interest Owner for the account of the Company or to a creditor of the Company shall be added to the account or accounts from which it was subtracted when it was distributed to the Member or Economic Interest Owner.

7.7 OBLIGATIONS OF MEMBERS TO REPORT ALLOCATIONS. The Members are aware of the income tax consequences of the allocations made by this Article VI and hereby agree to be bound by the provisions of this Article VI in reporting their shares of Company income and loss for income tax purposes. Further, the Members agree to treat the Company as the

owner of the Premises for income tax purposes and agree not to take any position that is inconsistent with such treatment for income tax purposes.

ARTICLE VIII

COMPENSATION TO THE MANAGERS, MEMBERS AND AFFILIATES

8.1 COMPENSATION OF MEMBERS. The Members, the Managers and their Affiliates shall receive compensation from the Company for services rendered or to be rendered only as specified in this Agreement.

8.2 COMPANY EXPENSES.

8.2.1 OPERATING EXPENSES. Subject to the limitations set forth in Section 8.2.2, the Company shall pay directly, or reimburse the Members as the case may be, for all of the costs and expenses of the Company's operations.

8.2.2 OVERHEAD OF MANAGERS. No Manager, Member nor any Affiliate shall be reimbursed for overhead expenses incurred in connection with the business of the Company.

8.3 PAYMENTS TO NEXUS. Nexus shall receive a Development Services Fee of *** per year or *** per month beginning the first day of the month following the later of the Lease Commencement Date or the date upon which Tokai Bank is willing to fund the Permanent Loan and terminating at the earlier of (i) the time, if at all, that Neurocrine purchases Nexus' membership interest pursuant to Section 9.5, or purchases the Premises pursuant to the Option Agreement, or (ii) the sale, exchange or transfer of the Project. Notwithstanding the above, the *** amount shall be reduced to *** in the event Nexus has received the Preferred Return and a cumulative amount of *** (excluding distributions allocable to the Preferred Capital Return and the Unreturned Capital Contribution) and Nexus and its Affiliates have been released from any personal liability by all lenders who have made loans secured by the Premises. The *** annual amount shall be increased on each anniversary date of the first payment by *** over the amount of the fee for the prior year. The *** increase described in the immediately preceding sentence shall not apply to the Development Service Fee if and when the fee is reduced to ***. If due to the acts of Neurocrine, any payment required hereunder is not paid within 10 days of the date due, it shall thereafter bear interest at the rate of 8.5% until paid.

ARTICLE IX

TRANSFER AND ASSIGNMENT OF INTERESTS

9.1 TRANSFER AND ASSIGNMENT OF INTERESTS. No Member shall be entitled to transfer, assign, convey, sell, encumber or in any way alienate all or any part of such Member's Membership Interest without the prior written consent of the other Members, which

* confidential treatment

consent may be given, withheld, conditioned or delayed as the other Members may determine in their sole discretion; provided, however, that Neurocrine may transfer its Membership Interest to any entity by which it is acquired, or into which it is merged or consolidated, or to which it has sold all or substantially all of its assets. Transfers in violation of this Article X shall only be effective to the extent set forth in Section 9.4. After the consummation of any transfer of any part of a Membership Interest, the Membership Interest so transferred shall continue to be subject to the terms and provisions of this Agreement and any further transfers shall be required to comply with all the terms and provisions of this Agreement.

9.2 FURTHER RESTRICTIONS ON TRANSFER OF INTERESTS. In addition to other restrictions found in this Agreement, no Member shall transfer, assign, convey, sell, encumber or in any way alienate all or any part of such Member's Membership Interest (i) without compliance with Section 14.10, (ii) if the Membership Interest to be transferred, assigned, sold or exchanged, when added to the total of all other Membership Interests sold or exchanged in the preceding 12 consecutive months prior thereto, would cause the termination of the Company under the Code, or (iii) if the Membership Interest to be transferred, assigned, sold or exchanged, when added to the total of all other Membership Interests sold or exchanged prior thereto, would cause a reassessment of the Premises as a "change of ownership" under the California Revenue and Taxation Code. Any transferee of a Membership Interest shall take subject to the restrictions on transfer imposed by this Agreement.

9.3 SUBSTITUTION OF MEMBERS. A transferee of a Membership Interest shall have the right to become a Substituted Member only if (i) the requirements of Sections 9.1 and 9.2, and the requirements of applicable securities and tax laws are met, (ii) such Person executes an instrument satisfactory to the Managers accepting and adopting the terms and provisions of this Agreement, (iii) such Person pays any reasonable expenses in connection with admission as a new Member, and (iv) the written consent of Members holding at least two-thirds of the other Membership Interests is obtained to admit the Economic Interest Owner as a Substituted Member; provided, however, that any permitted transferee of Neurocrine described in the proviso to the first sentence of Section 9.1 shall automatically be admitted as a Substituted Member upon completion of such transfer and compliance with clauses (i) through (iii) of this sentence. The granting or withholding of such consent shall be within the sole and absolute discretion of the other Members. The admission of a Substituted Member shall not result in the release of the Member who assigned the Membership Interest from any liability that such Member may have to the Company.

9.4 NO EFFECT TO TRANSFERS IN VIOLATION OF AGREEMENT. Upon any transfer of a Membership Interest in violation of this Article IX, the transferee shall have no right to vote or participate in the management of the business, property and affairs of the Company or to exercise any rights of a Member. Such transferee shall only be entitled to become an Economic Interest Owner and thereafter shall only receive the share of one or more of the Company's Net Income, Net Losses and distributions of the Company's assets to which the

transferor of such Economic Interest would otherwise be entitled. Notwithstanding the immediately preceding sentences, if a transfer in violation of this Article IX would cause the termination of the Company under the Code, or a reassessment of the Premises under the California Revenue and Taxation Code, the transfer shall be null and void and the purported transferee shall not become either a Member or an Economic Interest Owner.

9.5 TRANSFER OF NEXUS' INTEREST TO NEUROCRINE. The entire Membership Interest of Nexus and Crocker shall automatically become Neurocrine's interest upon Neurocrine's payment of \$1.00 to Nexus and Crocker at any time after Nexus (A) has received the entire distribution required pursuant to Sections 7.1(i) through (iv), (B) Nexus has received any payments due Nexus under Sections 5.9 and 8.3 of this Agreement and (C) Nexus and any Affiliate, are released from any guaranty or personal liability for any loans to the Company, including any construction or permanent loan secured by the Premises. Notwithstanding any other provision of this Agreement, Neurocrine shall have the power and authority to refinance any indebtedness on the Premises without any other Member's or the Manager's consent as long as the proceeds of such financing would allow the Company to satisfy the conditions set forth in this Section. If, by the end of the 9th year of the term of the Neurocrine Lease, the Membership Interest of Nexus does not become Neurocrine's Membership Interest under the terms of this Section 9.5 or Neurocrine does not exercise its right to purchase the Premises under the Option Agreement, Neurocrine shall extend the term of the Neurocrine Lease for one period of five years pursuant to Section 40 of the Neurocrine Lease.

ARTICLE X
CONSEQUENCES OF DEATH, DISSOLUTION,
RETIREMENT OR BANKRUPTCY OF MEMBER

10.1 DISSOLUTION EVENT. Upon the occurrence of a Dissolution Event, the Company shall dissolve unless the remaining Members holding at least two-thirds of the Membership Interests consent within 90 days of the Dissolution Event to the continuation of the business of the Company.

10.2 NO EFFECT IF VIOLATION OF AGREEMENT. If the remaining Members consent to the continuation of the business of the Company in accordance with Section 10.1, the Member subject to the dissolution event shall thereafter have no right to vote or participate in the management of the business, property and affairs of the Company or to exercise any rights of a Member. Such transferee shall only be entitled to become an Economic Interest Owner and thereafter shall only receive the share of one or more of the Company's Net Income, Net Loss and distributions of the Company's assets to which the transferor of such Economic Interest would otherwise be entitled.

ARTICLE XI
ACCOUNTING, RECORDS, REPORTING BY MEMBERS

11.1 BOOKS AND RECORDS. The books and records of the Company shall be kept, and the financial position and the results of its operations recorded, in accordance with the accounting methods followed for federal income tax purposes. The books and records of the Company shall reflect all the Company transactions and shall be appropriate and adequate for the Company's business. The Company shall maintain at its principal office in California all of the following:

A. A current list of the full name and last known business or residence address of each Member and Economic Interest Owner set forth in alphabetical order, together with the Capital Contributions, Capital Account and Percentage Interest of each Member and Economic Interest Owner;

B. A current list of the full name and business or residence address of each Manager;

C. A copy of the Articles and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which any amendments to the Articles have been executed;

D. Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;

E. A copy of this Agreement and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

F. Copies of the financial statements of the Company, if any, for the six most recent Fiscal Years; and

G. The Company's books and records as they relate to the internal affairs of the Company for at least the current and past four Fiscal Years.

11.2 DELIVERY TO MEMBERS AND INSPECTION.

11.2.1 REQUESTS FOR INFORMATION. Upon the request of any Member or Economic Interest Owner for purposes reasonably related to the interest of that Person as a Member or Economic Interest Owner, the Managers shall promptly deliver to the requesting Member or Economic Interest Owner, at the expense of the Company, a copy of the information required to be maintained by Sections 11.1A through F.

11.2.2 INSPECTION OF RECORDS. Each Member, Manager and Economic Interest Owner has the right, upon reasonable request for purposes reasonably related to the interest of the Person as Member, Manager or Economic Interest Owner, to inspect and copy during normal business hours any of the Company records described at Sections 11.1A through G.

11.2.3 INSPECTION BY REPRESENTATIVE. Any request, inspection or copying by a Member or Economic Interest Owner under this Section 11.2 may be made by that Person or that Person's agent or attorney.

11.3 FINANCIAL STATEMENTS/TAX RETURNS.

11.3.1 ANNUAL STATEMENTS. Neurocrine as Manager shall cause annual income statements and balance sheets to be prepared and sent to each of the Members as soon as reasonably practicable after the close of each Fiscal Year reflecting the financial position of the Company for such Fiscal Year.

11.3.2 TAX RETURNS. Neurocrine as Manager shall cause to be prepared after the end of each Fiscal Year information necessary for the preparation of the Members' and Economic Interest Owners' federal and state income tax returns.

11.3.3 ANNUAL STATUTORY REPORT. Neurocrine as Manager shall cause to be filed at least annually with the California Secretary of State the statement required under California Corporations Code Section 17060.

11.4 FILINGS. Neurocrine as Manager shall cause the income tax returns for the Company to be prepared and timely filed with the appropriate authorities. Neurocrine shall also cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, amendments to, or restatements of, the Articles and all reports required to be filed by the Company with those entities under the Act or other then current applicable laws, rules, and regulations. If Neurocrine as Manager is required by the Act to execute or file any document and fails, after demand, to do so within a reasonable period of time, or refuses to do so, the other Manager or any Member may prepare, execute and file that document with the California Secretary of State.

11.5 BANK ACCOUNTS. The Managers shall maintain the funds of the Company in one or more separate bank accounts in the name of the Company, and shall not permit the funds of the Company to be commingled in any fashion with the funds of any other Person.

11.6 ACCOUNTING DECISIONS AND RELIANCE ON OTHERS. All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by the Members. The Members may rely upon the advice of their accountants as to whether such

decisions are in accordance with accounting methods followed for federal income tax purposes.

11.7 TAX MATTERS FOR THE COMPANY HANDLED BY MEMBERS AND TAX MATTERS PARTNER. The Members shall from time to time cause the Company to make such tax elections as they deem to be in the best interests of the Company. The Tax Matters Partner, as defined in Code Section 6231, shall represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting judicial and administrative proceedings, and shall expend the Company funds for professional services and costs associated therewith. The Tax Matters Partner shall oversee the Company tax affairs in the overall best interests of the Company. If for any reason the Tax Matters Partner can no longer serve in that capacity or ceases to be a Member or Manager, as the case may be, Members may designate another to be Tax Matters Partner. The Company shall take the position that it is a "partnership" for federal income tax purposes, and shall not file any federal income tax election or other document that is inconsistent with such position.

ARTICLE XII
DISSOLUTION AND WINDING UP

12.1 DISSOLUTION. The Company shall be dissolved, its assets shall be disposed of, and its affairs wound up on the first to occur of the following:

- A. Upon the happening of any event of dissolution specified in the Articles;
- B. Upon the entry of a decree of judicial dissolution pursuant to Section 17351 of the Corporations Code;
- C. The occurrence of a Dissolution Event and the failure of the remaining Members to consent in accordance with Section 10.1 to continue the business of the Company within 90 days after the occurrence of such event; or
- D. The sale of all or substantially all of the assets of Company.

12.2 CERTIFICATE OF DISSOLUTION. As soon as possible following the occurrence of any of the events specified in Section 12.1, the Manager who has not wrongfully dissolved the Company or, if none, the Members, shall execute a Certificate of Dissolution in such form as shall be prescribed by the California Secretary of State and file the Certificate as required by the Act.

12.3 WINDING UP. Upon the occurrence of any event specified in Section 12.1, the Company shall continue solely for the purpose of winding up its affairs in an orderly manner,

liquidating its assets, and satisfying the claims of its creditors. The Manager who has not wrongfully dissolved the Company or, if none, the Members, shall be responsible for overseeing the winding up and liquidation of Company, shall take full account of the liabilities of Company and assets, shall either cause its assets to be sold or distributed, and if sold as promptly as is consistent with obtaining the fair market value thereof, shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section 12.5. The Persons winding up the affairs of the Company shall give written notice of the commencement of winding up by mail to all known creditors and claimants whose addresses appear on the records of the Company. The Manager or Members winding up the affairs of the Company shall be entitled to reasonable compensation for such services. 12.4 DISTRIBUTIONS IN KIND. Without the consent of Members holding at least two-thirds of the Membership Interests, all distributions to Members shall be in cash. Any non-cash asset distributed to one or more Members shall first be valued at its fair market value to determine the Net Profit or Net Loss that would have resulted if such asset were sold for such value, such Net Profit or Net Loss shall then be allocated pursuant to Article VI, and the Members' Capital Accounts shall be adjusted to reflect such allocations. The amount distributed and charged to the Capital Account of each Member receiving an interest in such distributed asset shall be the fair market value of such interest (net of any liability secured by such asset that such Member assumes or takes subject to). The fair market value of such asset shall be determined by the Members or if there is no agreement within thirty (30) days by an independent appraiser (any such appraiser must be recognized as an expert in valuing the type of asset involved) selected by the Members or liquidating trustee. 12.5 ORDER OF PAYMENT OF LIABILITIES UPON DISSOLUTION. 12.5.1 DISTRIBUTION TO MEMBERS. After determining that all known debts and liabilities of the Company in the process of winding-up, including, without limitation, debts and liabilities to Members who are creditors of the Company, including payments required pursuant to Section 8.3, have been paid or adequately provided for, the remaining assets shall be distributed to the Members and Nexus in accordance with Section 7.1. Such liquidating distributions shall be made by the end of the Company's taxable year in which the Company is liquidated, or, if later, within 90 days after the date of such liquidation.

12.5.2 PROVISION FOR LIABILITIES. The payment of a debt or liability, whether the whereabouts of the creditor is known or unknown, has been adequately provided for if the payment has been provided for by either of the following means:

(i) Payment thereof has been assumed or guaranteed in good faith by one or more financially responsible persons or by the United States government or any agency thereof and the provision, including the financial responsibility of the Person, was determined in good faith and with reasonable care by the Members to be adequate at the time of any distribution of the assets pursuant to this Section.

(ii) The amount of the debt or liability has been deposited as provided in Section 2008 of the Corporations Code.

This Section 12.5.2 shall not prescribe the exclusive means of making adequate provision for debts and liabilities.

12.6 COMPLIANCE WITH REGULATIONS. All payments to the Members upon the winding and dissolution of Company shall be strictly in accordance with the positive capital account balance limitation and other requirements of Regulations Section 1.704-1(b)(2)(ii)(d).

12.7 LIMITATIONS ON PAYMENTS MADE IN DISSOLUTION. Except as otherwise specifically provided in this Agreement, each Member shall only be entitled to look solely at the assets of Company for the return of the Member's positive Capital Account balance and shall have no recourse for the Member's Capital Contribution and/or share of Net Income (upon dissolution or otherwise) against the Manager or any other Member except as provided in Article XIII.

12.8 CERTIFICATE OF CANCELLATION. The Manager or Members who filed the Certificate of Dissolution shall cause to be filed in the office of, and on a form prescribed by, the California Secretary of State, a certificate of cancellation of the Articles upon the completion of the winding up of the affairs of the Company.

12.9 NO ACTION FOR DISSOLUTION. Except as expressly permitted in this Agreement, a Member shall not take any voluntary action that directly causes a Dissolution Event. The Members acknowledge that irreparable damage would be done to the goodwill and reputation of the Company if any Member should bring an action in court to dissolve the Company under circumstances where dissolution is not required by Section 12.1. This Agreement has been drawn carefully to provide fair treatment of all parties and equitable payment in liquidation of the Economic Interests. Accordingly, except where the Managers have failed to liquidate the Company as required by this Article XII, each Member hereby waives and renounces the Member's right to initiate legal action to seek the appointment of a receiver or trustee to liquidate the Company or to seek a decree of judicial dissolution of the Company on the ground that (a) it is not reasonably practicable to carry on the business of the Company in conformity with the Articles or this Agreement, or (b) dissolution is reasonably necessary for the protection of the rights or interests of the complaining Member. Damages for breach of this Section 12.9 shall be monetary damages only (and not specific performance), and the damages may be offset against distributions by the Company to which such Member would otherwise be entitled.

ARTICLE XIII
INDEMNIFICATION AND INSURANCE

13.1 INDEMNIFICATION OF AGENTS. The Company shall indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such Person is or was a Member, Manager, officer, employee or other agent of the Company (all such Persons being referred to hereinafter as an "agent"), to the extent the claims underlying the action, suit or proceeding are based on the agent's scope of employment or agency, or on the agent's good faith discharge of duties under this Agreement, and which were not the result of gross negligence, willful misconduct or breach of this Agreement or the terms of any employment or agency. The Managers shall be authorized, on behalf of the Company, to enter into indemnity agreements from time to time with any Person entitled to be indemnified by the Company hereunder, upon such terms and conditions as the Managers deem appropriate in its reasonable business judgment.

13.2 INSURANCE. The Company shall have the power to purchase and maintain insurance on behalf of any Person who is or was an agent of the Company against any liability asserted against such Person and incurred by such Person in any such capacity, or arising out of such Person's status as an agent, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of Section 13.1 or under applicable law.

ARTICLE XIV
INVESTMENT REPRESENTATIONS

Each Member hereby represents and warrants to, and agrees with, the Manager, the other Members, and the Company as follows:

14.1 PREEXISTING RELATIONSHIP OR EXPERIENCE. (i) The Member has a preexisting personal or business relationship with the Company or one or more of its officers or control persons or the Managers or (ii) by reason of the Member's business or financial experience, or by reason of the business or financial experience of the Member's financial advisor who is unaffiliated with and who is not compensated, directly or indirectly, by the Company or any affiliate or selling agent of the Company, the Member is capable of evaluating the risks and merits of an investment in the Membership Interest and of protecting the Member's own interests in connection with this investment.

14.2 NO ADVERTISING. The Member has not seen, received, been presented with, or been solicited by any leaflet, public promotional meeting, newspaper or magazine article or advertisement, radio or television advertisement, or any other form of advertising or general solicitation with respect to the sale of the Membership Interest.

14.3 INVESTMENT INTENT. The Member is acquiring the Membership Interest for investment purposes for the Member's own account only and not with a view to or for sale in connection with any distribution of all or any part of the Membership Interest. No other person will have any direct or indirect beneficial interest in or right to the Membership Interest other than a shareholder of a corporation which is a Member or a beneficiary of a trust which is a Member.

14.4 PURPOSE OF ENTITY. If the Member is a corporation, partnership, limited liability company, trust, or other entity, it was not organized for the specific purpose of acquiring the Membership Interest.

14.5 RESIDENCY. The Member is a resident of the state of California.

14.6 ECONOMIC RISK. The Member is financially able to bear the economic risk of an investment in the Membership Interest, including the total loss thereof.

14.7 NO REGISTRATION OF MEMBERSHIP INTEREST. The Member acknowledges that the Membership Interest has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or qualified under the California Corporate Securities Law of 1968, as amended, or any other applicable blue sky laws in reliance, in part, on the Member's representations, warranties, and agreements herein.

14.8 MEMBERSHIP INTEREST IN RESTRICTED SECURITY. The Member

understands that the Membership Interest is a "restricted security" under the Securities Act in that the Membership Interest will be acquired from the Company in a transaction not involving a public offering, and that the Membership Interest may be resold without registration under the Securities Act only in certain limited circumstances and that otherwise the Membership Interest must be held indefinitely. In this connection, the Member understands the resale limitations imposed by the Securities Act and is familiar with SEC Rule 144, as presently in effect, and the conditions which must be met in order for that Rule to be available for resale of "restricted securities," including the requirement that the securities must be held for at least two years after purchase thereof from the Company prior to resale (three years in the absence of publicly available information about the Company) and the condition that there be available to the public current information about the Company under certain circumstances. The Member understands that the Company has not made such information available to the public and has no present plans to do so.

14.9 NO OBLIGATION TO REGISTER. The Member represents, warrants, and agrees that the Company and the Managers are under no obligation to register or qualify the Membership Interest under the Securities Act or under any state securities law, or to assist the Member in complying with any exemption from registration and qualification.

14.10 NO DISPOSITION IN VIOLATION OF LAW. Without limiting the representations set forth above, and without limiting Article IX of this Agreement, the Member will not make any disposition of all or any part of the Membership Interest which will result in the violation by the Member or by the Company of the Securities Act, the California Corporate Securities Law of 1968, or any other applicable securities laws. Without limiting the foregoing, the Member agrees not to make any disposition of all or any part of the Membership Interest unless and until the Member has notified the Company of the proposed disposition and has furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Manager, the Member has furnished the Company with a written opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of any securities under the Securities Act or the consent of or a permit from appropriate authorities under any applicable state securities law.

14.11 LEGENDS. The Member understands that the certificates evidencing the Membership Interest may bear the following legend:

The Membership Interests represented by this Certificate may not be sold, transferred or otherwise disposed of except in accordance with and subject to the restrictions, terms and conditions of the Operating Agreement of the Company, a copy of which is on deposit with the Managers of the Company. Furthermore, the securities represented by this Certificate have not been registered under the Securities Act of 1933 nor registered nor qualified under any state securities laws. Such securities may not be offered for sale, sold, delivered after sale, transferred, pledged, or hypothecated unless qualified and registered under applicable state and federal securities laws or unless, in the opinion of counsel satisfactory to the Company, such qualification and registration is not required.

14.12 INVESTMENT RISK. The Member acknowledges that the Membership Interest is a speculative investment which involves a substantial degree of risk of loss by the Member of the Member's investment in the Company, that the Member understands and takes full cognizance of the risk factors related to the purchase of the Membership Interest, and that the Company is newly organized and has no financial or operating history.

14.13 RESTRICTIONS ON TRANSFERABILITY. The Member acknowledges that there are substantial restrictions on the transferability of the Membership Interest pursuant to this Agreement, that there is no public market for the Membership Interest and none is expected to develop, and that, accordingly, it may not be possible to liquidate the investment in the Company.

14.14 INFORMATION REVIEWED. The Member has received and reviewed all information the Member considers necessary or appropriate for deciding whether to purchase the Membership Interest. The Member has had an opportunity to ask questions and receive

answers from the Company and its Managers regarding the terms and conditions of purchase of the Membership Interest and regarding the business, financial affairs, and other aspects of the Company and has further had the opportunity to obtain all information (to the extent the Company possesses or can acquire such information without unreasonable effort or expense) which the Member deems necessary to evaluate the investment and to verify the accuracy of information otherwise provided to such Member.

14.15 NO REPRESENTATIONS BY COMPANY. Neither the Managers nor any agent or employee of the Company or of any Manager nor any other Person has at any time expressly or implicitly represented, guaranteed, or warranted to the Member that the Member may freely transfer the Membership Interest, that a percentage of profit and/or amount or type of consideration will be realized as a result of an investment in the Membership Interest, that past performance or experience on the part of the Managers or their Affiliates or any other person in any way indicates the predictable results of the ownership of the Membership Interest or of the overall Company business, that any cash distributions from Company operations or otherwise will be made to the Members by any specific date or will be made at all, or that any specific tax benefits will accrue as a result of an investment in the Company. Without limiting the generality of the foregoing, the Member understands that any proforma distributed to the Members are estimates only, and are not representations, guarantees or warranties of results.

14.16 CONSULTATION WITH ATTORNEY. The Member has had an opportunity to consult with the Member's own attorney regarding all legal matters concerning an investment in the Company and the tax consequences of participating in the Company, and has done so to the extent the Member considers necessary.

14.17 TAX CONSEQUENCES. The Member acknowledges that the tax consequences of investing in the Company will depend on the Member's particular circumstances, and neither the Company, the Manager, the other Members, nor the partners, shareholders, members, managers, agents, officers, directors, employees, Affiliates, or consultants of any of them will be responsible or liable for the tax consequences to the Member of an investment in the Company. The Member will look solely to, and rely upon, the Member's own advisers with respect to the tax consequences of this investment.

14.18 NO ASSURANCE OF TAX BENEFITS. The Member acknowledges that there can be no assurance that the Code or the Regulations will not be amended or interpreted in the future in such a manner so as to deprive the Company and the Members of some or all of the tax benefits they might now receive, nor that some of the deductions claimed by the Company or the allocations of items of income, gain, loss, deduction, or credit among the Members may not be challenged by the Internal Revenue Service

14.19 INDEMNITY. The Member shall indemnify and hold harmless the Company, the Manager, each and every other Member, and any officers, directors, shareholders, managers,

members, employees, partners, agents, attorneys, registered representatives, and control persons of any such entity who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of or arising from any misrepresentation or misstatement of facts or omission to represent or state facts made by such Member including, without limitation, the information in this Agreement, against losses, liabilities, and expenses of the Company, the Manager, each and every other Member, and any officers, directors, shareholders, managers, members, employees, partners, attorneys, accountants, agents, registered representatives, and control persons of any such Person (including attorneys' fees, judgments, fines, and amounts paid in settlement, payable as incurred) incurred by such Person in connection with such action, suit, proceeding, or the like.

14.20 REPRESENTATIONS BY NEXUS. Nexus warrants and represents (each of which warranty and representation shall be deemed to be a continuing warranty and representation and a covenant that such warranty and representation shall remain true and correct at all times during the term of this Agreement):

14.20.1 STATUS. Nexus is a California corporation duly formed and organized, validly existing and in good standing under the laws of the State of California and has the power and adequate authority to execute, deliver and perform this Agreement, which upon such execution and delivery will be a valid and binding obligation enforceable in accordance with its terms (subject only to the application of bankruptcy, insolvency or other similar laws regarding the rights of creditors generally and the exercise of judicial discretion in equity).

14.20.2 DUE AUTHORIZATION. The execution, delivery and performance of this Agreement by Nexus is duly authorized by all requisite action of Nexus as of the date hereof, do not require the consent or approval of any person that has not been obtained, and are not in contravention of or in conflict with any term or provision of the articles of incorporation, bylaws and charter documents of Nexus.

14.20.3 OTHER AGREEMENTS. The execution, delivery and performance of this Agreement will not breach or constitute a default under any agreement, indenture, undertaking or other instrument to which Nexus or any Affiliate of Nexus is a party or by which any of such persons or any of their respective properties may be bound or affected, which breach or default would have a materially adverse effect on the financial condition, properties or operations of this Company, and other than as contemplated by this Agreement, such execution, delivery and performance will not result in the creation or imposition of (or the obligation to create or impose) any lien or encumbrance on any of the Company property.

14.21 REPRESENTATIONS OF NEUROCRINE. Neurocrine warrants and represents (each of which warranty and representation shall be deemed to be a continuing warranty and representation and a covenant that such warranty and representation shall remain true and correct at all times during the term of this Agreement):

14.21.1 STATUS. Neurocrine is a Delaware corporation duly formed and organized, validly existing and in good standing under the laws of the State of Delaware and has the power and adequate authority to execute, deliver and perform this Agreement, which upon such execution and delivery will be a valid and binding obligation enforceable in accordance with its terms (subject only to the application of bankruptcy, insolvency or other similar laws regarding the rights of creditors generally and the exercise of judicial discretion in equity).

14.21.2 DUE AUTHORIZATION. The execution, delivery and performance of this Agreement by Neurocrine is duly authorized by all requisite action of Neurocrine as of the date hereof, do not require the consent or approval of any person that has not been obtained, and are not in contravention of or in conflict with any term or provision of the articles of incorporation, bylaws and charter documents of Neurocrine.

14.21.3 OTHER AGREEMENTS. The execution, delivery and performance of this Agreement will not breach or constitute a default under any agreement, indenture, undertaking or other instrument to which Neurocrine or any Affiliate of Neurocrine is a party or by which any of such persons or any of their respective properties may be bound or affected, which breach or default would have a materially adverse effect on the financial condition, properties or operations of this Company, and other than as contemplated by this Agreement, such execution, delivery and performance will not result in the creation or imposition of (or the obligation to create or impose) any lien or encumbrance on any of the Company property.

ARTICLE XV
MISCELLANEOUS

15.1 REPRESENTATION BY COUNSEL. Counsel to the Company may also be counsel to a Member or Manager of the Company. The Company has initially selected Sullivan Wertz McDade & Wallace ("Company Counsel") as legal counsel to the Company, to organize the Company, to represent the Company in the development, leasing, financing, construction and sale of the Property, and to provide such other legal services as the Company may request. Company Counsel also represented Nexus in the preparation and negotiation of this Agreement, and has represented, and will continue to represent, the Nexus and its Affiliates with regard to real estate development and other activities both related and unrelated to the Company. This representation involves potential conflicts of interest in that the interests and objectives of Nexus may be or become inconsistent with the interests and objectives of the Company or Neurocrine or other Members. By signing this Agreement, the Members waive any conflicts of interest in regard thereto.

15.2 BINDING EFFECT. Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and inure to the benefit of the Members, and their respective successors and assigns.

15.3 PARTIES IN INTEREST. Except as expressly provided in the Act, nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any Persons other than the Members and the Managers and their respective successors and assigns nor shall anything in this Agreement relieve or discharge the obligation or liability of any third person to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

15.4 PRONOUNS: STATUTORY REFERENCES. All pronouns and all variations thereof shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the context in which they are used may require. Any reference to the Code, the Regulations, the Act, Corporations Code or other statutes or laws will include all amendments, modifications, or replacements of the specific sections and provisions concerned.

15.5 HEADINGS. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

15.6 INTERPRETATION. In the event any claim is made by any Member relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular Member or such Member's counsel.

15.7 REFERENCES TO THIS AGREEMENT. Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated.

15.8 GOVERNING LAW/JURISDICTION/VENUE. This Agreement shall be construed in accordance with California law, and any arbitrator appointed hereunder shall be required to apply such law. Each Member hereby consents to the exclusive jurisdiction of the Superior Court of the State of California, County of San Diego, on a claim arising out of, under or in connection with this Agreement or the transactions contemplated by this Agreement, provided such claim is not required to be arbitrated pursuant to Section 15.10.

15.9 ARBITRATION. Any dispute arising from or related to this Agreement, the Company or the Premises shall be resolved by binding arbitration under the Commercial Rules of the American Arbitration Association, and venue for any such arbitration shall be the County of San Diego.

15.10 SEVERABILITY. If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to persons or circumstances other than those to which it is held invalid shall not be affected thereby.

15.11 ADDITIONAL DOCUMENTS AND ACTS. Each Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Agreement and the transactions contemplated hereby.

15.12 NOTICES. Any notice to be given or to be served upon the Company or any party hereto in connection with this Agreement must be in writing (which may include facsimile) and will be deemed to have been given and received when delivered to the address specified by the party to receive the notice. Such notices will be given to a Member or Manager at the last known business or residence address of the Member or the Manager. Any party may, at any time by giving five days' prior written notice to the other parties, designate any other address in substitution of the foregoing address to which such notice will be given.

15.13 AMENDMENTS. The consent of Members who are not the subject of a Dissolution Event holding at least two-thirds of the Membership Interests shall be required to amend this Agreement or the Articles. All amendments to this Agreement or the Articles will be in writing and signed by all of the Members whose consent is required.

15.14 RELIANCE ON AUTHORITY OF PERSON SIGNING AGREEMENT. If a Member is not a natural person, neither the Company nor any Member will (a) be required to determine the authority of the individual signing this Agreement to make any commitment or undertaking on behalf of such entity or to determine any fact or circumstance bearing upon the existence of the authority of such individual or (b) be responsible for the application or distribution of proceeds paid or credited to individuals signing this Agreement on behalf of such entity.

15.15 NO INTEREST IN COMPANY PROPERTY: WAIVER OF ACTION FOR PARTITION. No Member or Economic Interest Owner has any interest in specific property of the Company. Without limiting the foregoing, each Member and Economic Interest Owner irrevocably waives during the term of the Company any right that the Member may have to maintain any action for partition with respect to the property of the Company.

15.16 MULTIPLE COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

15.17 ATTORNEY FEES. In the event that any dispute between the Company and the Members or among the Members should result in litigation or arbitration, the prevailing party in such dispute shall be entitled to recover from the other party all reasonable fees, costs and expenses of enforcing any right of the prevailing party, including, without limitation, reasonable attorneys' fees and expenses.

15.18 TIME IS OF THE ESSENCE. All dates and times in this Agreement are of the essence.

15.19 REMEDIES CUMULATIVE. The remedies under this Agreement are cumulative and shall not exclude any other remedies to which any person may be lawfully entitled.

15.20 NEUROCRINE DEFAULT. A "Neurocrine Default" shall mean all of the following have occurred: (i) there has been a continuous default in the payment of Rent by Neurocrine under the Neurocrine Lease for a period of ninety (90) days, and (ii) the Neurocrine Lease has been terminated in accordance with Section 24.5 of the Neurocrine Lease prior to Neurocrine's cure of the default in the payment of Rent. In the event of a Neurocrine Default, the Deed of Trust securing the Neurocrine Loan shall be released and reconveyed from the Premises by the written request of Nexus to the Trustee under such Deed of Trust. Any such release shall not affect any amounts due from the Company to Neurocrine under the Promissory Note given for the Neurocrine Loan. In addition, notwithstanding any other provision of this Agreement, if Neurocrine has been in continuous default in the payment of Rent under the Neurocrine Lease for a period of ninety (90) days, Neurocrine shall become an Economic Interest Owner rather than a Member under this Agreement unless and until the default is cured, although this Agreement may not thereafter be amended without the consent of Neurocrine in a manner which would increase its obligations or liabilities.

IN WITNESS WHEREOF, the Members of Science Park Center LLC, a California limited liability company, have executed this Agreement, effective as of the date written above.

NEUROCRINE BIOSCIENCES, INC.
a Delaware Corporation

By: /s/ PAUL W. HAWRAN

NEXUS PROPERTIES, INC.
a California Corporation

By: /s/ MICHAEL J. REIDY

Michael J. Reidy
Chief Executive Officer

/s/ BRANDON CROCKER

BRANDON CROCKER

SCHEDULE 1
PROJECT BUDGET

-46-

NEUROCRINE
*** SF R&D FACILITY
PRELIMINARY COST PRO FORMA

* confidential treatment

SCHEDULE 2
ESTIMATED CASH DISTRIBUTION SCHEDULE

SCHEDULE 2

Page 1 of 2

NEUROCRINE

CASH FLOW SCHEDULE

* confidential treatment

SCHEDULE 2

Page 2 of 2

NEUROCRINE

CASH FLOW SCHEDULE

* confidential treatment

SCHEDULE 3
ESTIMATED OPTION PURCHASE PRICE

SCHEDULE 3

NEUROCRINE

OPTION PRICE CALCULATION

* confidential treatment

3-MOS
DEC-31-1997
JUL-01-1997
SEP-30-1997
15,094,554
53,832,352
2,631,488
0
0
5,340,892
0
84,905,832
5,271,682
0
0
83,496,706
0
84,905,832
0
6,240,779
0
6,564,414
(257,380)
0
35,088
957,672
145,161
0
0
0
812,511
.04
.04