

As filed with the Securities and Exchange Commission on August 25, 2006

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

SCHEDULE TO
(Rule 14d-100)

**TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1) OF
THE SECURITIES EXCHANGE ACT OF 1934.**

NEUROCRINE BIOSCIENCES, INC.
(Name of Subject Company (Issuer) and Name of Filing Person (Offeror))

Options to Purchase Common Stock, Par Value \$0.001 Per Share
(Title of Class of Securities)

64125C109
(CUSIP Number of Class of Securities)
(Underlying Common Stock)

Gary A. Lyons
President and Chief Executive Officer
NEUROCRINE BIOSCIENCES, INC.
12790 El Camino Real
San Diego, CA 92130
(858) 617-7600

(Name, address, and telephone numbers of person authorized to receive notices and communications on behalf of filing persons)

Copies to:

Robin L. Struve, Esq.
Latham & Watkins LLP
Sears Tower, Suite 5800
233 South Wacker Drive
Chicago, IL 60606-6401
(312) 876-7700

CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee**
\$6,449,427	\$691

- * Estimated solely for purposes of calculating the amount of the filing fee. This amount assumes that options to purchase 2,480,160 shares of common stock of Neurocrine Biosciences, Inc., par value \$0.001 per share ("Common Stock"), having an aggregate value of \$6,449,427 will be exchanged pursuant to this offer. The aggregate value is calculated based upon the Black-Scholes option pricing model as of August 23, 2006.
- ** The amount of the filing fee calculated in accordance with Rule 0-11(b) of the Securities Exchange Act of 1934, as amended, equals \$107.00 for each \$1,000,000 of the aggregate transaction valuation.
- Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not Applicable

Filing Party: Not Applicable.

Form or Registration No.: Not Applicable

Date Filed: Not Applicable.

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third-party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing fee is a final amendment reporting the results of the tender offer:

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SCHEDULE TO

ITEM 1. SUMMARY TERM SHEET.

The information set forth under “Summary Term Sheet” in the Offer to Exchange Outstanding Options to Purchase Common Stock Under the 2003 Incentive Stock Plan, as Amended and Amend Certain Outstanding Options to Purchase Common Stock Under the 1992 Incentive Stock Plan and 2001 Stock Option Plan, as Amended filed as Exhibit (a)(1)(A) hereto (the “Offer”), is incorporated herein by reference.

ITEM 2. SUBJECT COMPANY INFORMATION.

(a) *Name and Address.* The name of the issuer is Neurocrine Biosciences, Inc., (the “Company” or “Neurocrine”), a California corporation, and the address of its principal executive office is 12790 El Camino Real, San Diego, CA 92130. Neurocrine’s telephone number is (858) 617-7600. As of the close of business on August 23, 2006, 37,866,858 shares of Neurocrine’s common stock, par value \$0.001 per share, were outstanding. The information set forth in the Offer under Section 15, “Additional Information,” and Schedule B, “Information Concerning the Directors and Executive Officers of Neurocrine Biosciences, Inc.” is incorporated herein by reference.

(b) *Securities.* This tender offer statement on Schedule TO relates to an offer by the Company to holders of outstanding options to purchase its common stock under the 2003 Incentive Stock Plan, as amended (the “2003 Plan”), 1992 Incentive Stock Plan (the “1992 Plan”) and 2001 Stock Option Plan, as amended (the “2001 Plan”). The offer is (i) for holders of options under the 2003 Plan to cancel their options in exchange for a lesser number of new options to purchase shares of Neurocrine’s common stock (“New Options”), issued under the 2003 Plan and (ii) for holders of options under the 1992 Plan and 2001 Plan to cancel one-half of their options and amend their remaining options to purchase shares of Neurocrine’s common stock (“Amended Options”); in each case, on the terms and conditions set forth in the Offer.

This exchange offer is open to eligible employees and active consultants of the Company who hold at least one option with an exercise price of \$20.00 or higher per share, provided that they remain employed by the Company or maintain a consulting agreement with the Company at all times until the first trading day after the date the options are cancelled. The Company’s President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President-Research and Development, Executive Vice President, General Counsel and Corporate Secretary, Executive Vice President and Chief Business Officer and Senior Vice President-Human Resources and members of the Board of Directors are not eligible to participate. The number of shares of common stock subject to the New Options will be equal to one-half the number shares of common stock subject to the options accepted for exchange from the 2003 Plan, as set forth in the Offer. The number of shares of common stock subject to the Amended Options will be equal to one-half the number shares of common stock subject to the options accepted for amendment from the 1992 Plan and the 2001 Plan, as set forth in the Offer. The information set forth in the Offer under “This Offer,” Section 1 (“Number of Options; Expiration Date”), Section 5 (“Acceptance of Options for Exchange or Amendment and Issuance of New Options and Amendment of Options”) and Section 7 (“Source and Amount of Consideration; Terms of New and Amended Options”) is incorporated herein by reference.

(c) *Trading Market and Price.* The eligible options are not publicly traded. The information set forth in the Offer under Section 6 (“Price Range of Common Stock Underlying the Options”) is incorporated herein by reference.

ITEM 3. IDENTITY AND BACKGROUND OF FILING PERSON.

(a) *Name and Address.* The Company is the filing person and the subject company. The information set forth under Item 2(a) above and on Schedule B of the Offer (“Information Concerning the Directors and Executive Officers of Neurocrine Biosciences, Inc.”) is incorporated herein by reference.

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ITEM 4. TERMS OF THE TRANSACTION.

(a) *Material Terms.* The information set forth in the Offer under “This Offer,” Section 1 (“Number of Options; Expiration Date”), Section 3 (“Procedures for Electing to Exchange or Amend Options”), Section 4 (“Withdrawal Rights”), , Section 5 (“Acceptance of Options for Exchange or Amendment and Issuance of New Options and Amendment of Options”), Section 6 (“Price Range of Common Stock Underlying the Options”), Section 7 (“Source and Amount of Consideration; Terms of New and Amended Options”), Section 10 (“Status of Options Acquired by Us in this Offer”), Section 11 (“Legal Matters; Regulatory Approvals”), Section 12 (“Material Federal Income Tax Consequences”) and Section 13 (“Extension of Offer; Termination; Amendment”) is incorporated herein by reference.

(b) *Purchases.* The information set forth in the Offer under Section 9 (“Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning the Options”) is incorporated herein by reference.

ITEM 5. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS.

(a) *Agreements Involving the Subject Company’s Securities.* The information set forth in the Offer under Section 7 (“Source and Amount of Consideration; Terms of New and Amended Options”) and Section 9 (“Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning the Options”) is incorporated herein by reference.

ITEM 6. PURPOSES OF THE TRANSACTION AND PLANS OR PROPOSALS.

(a) *Purposes.* The information set forth in the Offer under “Summary Term Sheet” and Section 2 (“Purpose of This Offer”) is incorporated herein by reference.

(b) *Use of Securities Acquired.* The information set forth in the Offer under Section 5 (“Acceptance of Options for Exchange or Amendment and Issuance of New Options and Amendment of Options”) and Section 10 (“Status of Options Acquired by Us in this Offer”) is incorporated herein by reference.

(c) *Plans.* The information set forth in the Offer under Section 2 (“Purpose of This Offer”) is incorporated herein by reference.

ITEM 7. SOURCE AND AMOUNTS OF FUNDS OR OTHER CONSIDERATION.

(a) *Source of Funds.* The information set forth in the Offer under Section 7 (“Source and Amount of Consideration; Terms of New and Amended Options”) and Section 14 (“Fees and Expenses”) is incorporated herein by reference.

(b) *Conditions.* Not applicable.

(c) *Borrowed Funds.* Not applicable.

ITEM 8. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a) *Securities Ownership.* The information set forth in the Offer under Section 9 (“Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning the Options”) is incorporated herein by reference.

(b) *Securities Transactions.* The information set forth in the Offer under Section 9 (“Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning the Options”) is incorporated herein by reference.

ITEM 9. PERSONS/ASSETS, RETAINED, EMPLOYED, COMPENSATED OR USED.

Not applicable.

ITEM 10. FINANCIAL STATEMENTS.

(a) *Financial Information.* The financial information included in Item 8 (“Financial Statements and Supplementary Data”) of Neurocrine’s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed on February 7, 2006, and Item 1 (“Financial Statements (unaudited)”) of the Company’s Quarterly Report on Form 10-Q for its fiscal quarter ended June 30, 2006, filed on August 9, 2006, including all material incorporated by reference therein, is incorporated herein by reference. The information set forth in the Offer under Section 15 (“Additional Information”) is incorporated herein by reference.

(b) *Pro Forma Financial Information.* Not applicable.

ITEM 11. ADDITIONAL INFORMATION.

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(a) *Agreements, Regulatory Requirements and Legal Proceedings.* The information set forth in the Offer under Section 9 (“Interests of Directors, Officers and Affiliates; Transactions and Arrangements Concerning the Options”) and Section 11 (“Legal Matters; Regulatory Approvals”) is incorporated herein by reference.

(b) *Other Material Information.* Not applicable.

ITEM 12. EXHIBITS.

See Index of Exhibits below.

ITEM 13. INFORMATION REQUIRED BY SCHEDULE 13E-3.

Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

NEUROCRINE BIOSCIENCES, INC.

By: /s/ Paul W. Hawran

Paul W. Hawran

Its: Executive Vice President and Chief Financial Officer

Dated: August 25, 2006

INDEX OF EXHIBITS

Exhibit Number	Description
99.(a)(1)(A)	Offer to Exchange Certain Outstanding Options to Purchase Common Stock under the 2003 Incentive Stock Plan, As Amended, and Amend Certain Outstanding Options to Purchase Common Stock under the 1992 Incentive Stock Plan and 2001 Stock Option Plan, As Amended, dated August 25, 2006.
99.(a)(1)(B)	Form of Election Concerning Exchange or Amendment of Stock Options.
99.(a)(1)(C)	Neurocrine's Proxy Statement for the 2006 Annual Meeting of Stockholders, filed with the SEC on May 1, 2006 and incorporated herein by reference.
99.(a)(1)(D)	Neurocrine Biosciences, Inc.'s Annual Report on Form 10-K for its fiscal year ended December 31, 2006, filed with the SEC on February 7, 2006, and incorporated herein by reference.
99.(b)	Not applicable.
99.(d)(1)	1992 Incentive Stock Plan, as amended, incorporated herein by reference to the Company's Report on Form S-8 filed on July 12, 2002.
99.(d)(2)	2001 Stock Option Plan, as amended, incorporated herein by reference to the Company's Report on Form 10-K for the fiscal year ended December 31, 2002 filed on March 4, 2003.
99.(d)(3)	Neurocrine Biosciences, Inc. 2003 Incentive Stock Plan, as amended incorporated herein by reference to the Company's Registration Statement on Form S-8 filed on July 21, 2006.
99.(d)(4)	Form of incentive stock option agreement and nonstatutory stock option agreement for use in connection with the 1992 Incentive Stock Plan, incorporated herein by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-03172).
99.(d)(5)	Form of stock option agreement for use in connection with the 2001 Stock Option Plan, as amended
99.(d)(6)	Form of stock option agreement for use in connection with the 2003 Incentive Stock Plan, as amended
99.(g)	Not applicable.
99.(h)	Not applicable.

NEUROCRINE BIOSCIENCES, INC.

OFFER TO EXCHANGE CERTAIN OUTSTANDING OPTIONS TO PURCHASE
COMMON STOCK UNDER THE 2003 INCENTIVE STOCK PLAN, AS AMENDED, AND
AMEND CERTAIN OUTSTANDING OPTIONS TO PURCHASE COMMON STOCK
UNDER THE 1992 INCENTIVE STOCK PLAN, AS AMENDED AND 2001 STOCK OPTION
PLAN, AS AMENDED

THIS OFFER AND WITHDRAWAL RIGHTS EXPIRE
AT 4:00 P.M. PDT ON SEPTEMBER 25, 2006
UNLESS THIS OFFER IS EXTENDED

Neurocrine Biosciences, Inc. is offering to:

1. Exchange outstanding options to purchase shares of our common stock granted under the Neurocrine Biosciences, Inc. 2003 Incentive Stock Plan, as amended (the "2003 plan") held by eligible employees and active consultants with an exercise price of \$20 or higher per share for new options granted pursuant to the 2003 plan (the "new options") following cancellation of the surrendered options. The new options will be granted on the first trading day after the date we cancel the options accepted for exchange (the "replacement grant date") and will have the following characteristics:

- The number of shares of common stock subject to the new options will be equal to one-half the number of shares subject to the options elected to be exchanged and accepted for exchange, rounded down to the nearest whole share on a grant-by-grant basis.
- The exercise price of the new options will equal to the closing price of our common stock on the Nasdaq National Market on the replacement grant date, as reported in the print edition of The Wall Street Journal.
- The new options will be subject to vesting, with one third becoming vested and exercisable on each of the first, second and third anniversaries of the replacement grant date.
- The term of the new options will be the lesser of the remaining term of the options accepted for exchange or seven years. This means that the latest date on which the new options will expire is September 25, 2013.
- The new options will have other terms and conditions that are substantially similar to the cancelled options, except for the exercise price, vesting and possibly the term.

2. Amend outstanding options to purchase shares of common stock granted under our 1992 Incentive Stock Plan, as amended (the "1992 plan") and 2001 Stock Option Plan, as amended (the "2001 plan") held by eligible employees and active consultants with an

exercise price of \$20 or higher per share in exchange for cancellation of one-half of the options such eligible employees and active consultants hold under the 1992 and 2001 plans, rounded down to the nearest whole share on a grant-by-grant basis. The options under the 1992 and 2001 plans which are not cancelled (the “amended options”) will be amended to:

- Reduce the number of shares subject to the option by one-half, rounded down to the next whole share;
- Change the exercise price to the closing price of our common stock on the Nasdaq National Market on the replacement grant date, as reported in the print edition of The Wall Street Journal; and
- Change the vesting in such options to one third vesting on each of the first, second and third anniversaries of the replacement grant date, regardless of whether such options were previously vested.

We are making this offer upon the terms and subject to the conditions set forth in this offer to exchange and in the related Election Concerning Exchange or Amendment of Stock Options form (which together, as they may be amended from time to time, constitute the “offer”).

Employees and active consultants are eligible to participate in the offer. Our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President-Research and Development, Executive Vice President, General Counsel and Corporate Secretary, Executive Vice President and Chief Business Officer and Senior Vice President-Human Resources and members of our Board of Directors are not eligible to participate. If you are eligible and choose to participate, you can elect to participate in the offer with respect to any or all options you hold with an exercise price of \$20.00 or higher per share, as applicable.

This offer is not conditioned upon a minimum number of options being elected for exchange or amendment. This offer is subject to certain conditions which we describe in Schedule A of this offer.

ALTHOUGH OUR BOARD OF DIRECTORS HAS APPROVED THIS OFFER, NEITHER WE NOR OUR BOARD OF DIRECTORS MAKES ANY RECOMMENDATION AS TO WHETHER YOU SHOULD ELECT TO EXCHANGE OR AMEND OR REFRAIN FROM ELECTING TO EXCHANGE OR AMEND YOUR OPTIONS. YOU MUST MAKE YOUR OWN DECISION WHETHER TO ELECT TO EXCHANGE OR AMEND YOUR OPTIONS.

Shares of our common stock are quoted on the Nasdaq National Market under the symbol “NBIX.” On August 23, 2006, the closing price of the common stock on the Nasdaq National Market was \$10.27 per share. **WE RECOMMEND THAT YOU OBTAIN CURRENT MARKET QUOTATIONS FOR OUR COMMON STOCK BEFORE DECIDING WHETHER TO ELECT TO PARTICIPATE IN THE OFFER.**

You should direct questions about this offer or requests for assistance to Richard Ranieri at rranieri@neurocrine.com or for additional copies of this offer to exchange or the Election

Concerning Exchange or Amendment of Stock Options form, contact Shelagh Jones at sjones@neurocrine.com.

IMPORTANT

If you wish to elect to exchange or amend your options pursuant to this offer, you must complete and sign the Election Concerning Exchange or Amendment of Stock Options form in accordance with its instructions, and send it to us by internal mail or post to Shelagh Jones, Neurocrine Biosciences, Inc., 12790 El Camino Real, San Diego, California 92130.

We are not making this offer to, nor will we accept any election to exchange or amend options from or on behalf of, option holders in any jurisdiction in which this offer or the acceptance of any election to exchange or amend options would not be in compliance with the laws of such jurisdiction. However, we may, at our discretion, take any actions necessary for us to make this offer to option holders in any such jurisdiction.

WE HAVE NOT AUTHORIZED ANY PERSON TO MAKE ANY RECOMMENDATION ON OUR BEHALF AS TO WHETHER YOU SHOULD ELECT TO EXCHANGE OR AMEND OR REFRAIN FROM ELECTING TO EXCHANGE OR AMEND YOUR OPTIONS PURSUANT TO THIS OFFER. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO GIVE YOU ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFER OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DOCUMENT OR IN THE RELATED ELECTION CONCERNING EXCHANGE OR AMENDMENT OF STOCK OPTIONS FORM. IF ANYONE MAKES ANY RECOMMENDATION OR REPRESENTATION TO YOU OR GIVES YOU ANY INFORMATION, YOU MUST NOT RELY UPON THAT RECOMMENDATION, REPRESENTATION OR INFORMATION AS HAVING BEEN AUTHORIZED BY US.

NOTHING IN THIS DOCUMENT SHALL BE CONSTRUED TO GIVE ANY PERSON THE RIGHT TO REMAIN IN THE EMPLOY OF THE COMPANY OR TO AFFECT THE RIGHT OF THE COMPANY TO TERMINATE THE EMPLOYMENT OF ANY PERSON AT ANY TIME WITH OR WITHOUT CAUSE TO THE EXTENT PERMITTED UNDER LAW. NOTHING IN THIS DOCUMENT SHOULD BE CONSIDERED A CONTRACT OR GUARANTEE OF WAGES OR COMPENSATION. THE EMPLOYMENT RELATIONSHIP BETWEEN THE COMPANY AND EACH EMPLOYEE REMAINS "AT WILL."

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SUMMARY TERM SHEET

The following are answers to some of the questions that you may have about this offer. We urge you to read carefully the remainder of this offer to exchange and the accompanying Election Concerning Exchange or Amendment of Stock Options form because the information in this summary is not complete, and additional important information is contained in the remainder of this offer to exchange and the Election Concerning Exchange or Amendment of Stock Options form.

GENERAL QUESTIONS ABOUT THE EXCHANGE

1. What securities are Neurocrine Biosciences offering to exchange?

We are offering to exchange all options to purchase shares of Neurocrine Biosciences, Inc. common stock which are outstanding under the 2003 Incentive Stock Plan, as amended (the "2003 plan") held by current employees and active consultants of Neurocrine Biosciences with an exercise price of \$20.00 or higher per share for new options under the 2003 plan.

2. What securities are Neurocrine Biosciences offering to amend?

We are offering to amend all options to purchase shares of Neurocrine Biosciences, Inc. common stock which are outstanding under the 1992 Incentive Plan (the "1992 plan") and 2001 Stock Option Plan, as amended (the "2001 plan") held by current employees and active consultants of Neurocrine Biosciences with an exercise price of \$20.00 or higher per share.

3. Why can't you just exchange all of my options for the same number of new options?

We have elected to offer a two for one exchange for all outstanding options with an exercise price greater than \$20.00 in an effort to balance stockholder interests with employee retention goals.

4. Why is Neurocrine Biosciences making this offer?

We are implementing this offer because a considerable number of our employees and active consultants have stock options, whether or not they are currently exercisable, with exercise prices that are significantly above our current and recent trading prices. We believe these options are unlikely to be exercised in the foreseeable future, which does not serve the original purpose of such options. This program is VOLUNTARY and will allow certain employees and active consultants to choose whether to keep their current stock options at their current exercise price or to exchange or amend those options in order to potentially have half the original number of options at a current exercise price. We hope that this program will ameliorate the current underwater options issue, but this cannot be guaranteed considering the ever-present risks associated with a volatile and unpredictable stock market. By making this offer to exchange or amend outstanding options, we will intend to provide employees and active consultants with options that have an exercise price equal to the market value of our common stock on the first trading day after the date we cancel the options accepted for exchange (the "replacement grant

date”). We intend that, over time, the new options and the amended options may have a greater potential to increase in value, create better performance incentives for employees and active consultants and thereby maximize stockholder value.

5. Who is eligible to participate in this offer?

Generally, anyone who is currently employed by Neurocrine Biosciences or has an active consulting agreement with us from the offer date through the replacement grant date is eligible to participate. However, our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President-Research and Development, Executive Vice President, General Counsel and Corporate Secretary, Executive Vice President and Chief Business Officer and Senior Vice President-Human Resources and members of our Board of Directors are not eligible to participate.

6. How does this offer work?

Participating in this offer requires an eligible employee or active consultant to make a voluntary, irrevocable election to exchange or amend outstanding stock options on September 25, 2006 (the “expiration date”). To participate, employees and active consultants can elect to exchange or amend any or all option agreements with an exercise price of \$20.00 or higher per share. What happens to your options if you elect to participate depends upon the plan under which your options were granted.

2003 plan options — On the expiration date all options you elect to exchange under the 2003 plan will be cancelled. Then on the replacement grant date, you will be granted new options for one-half the number of shares subject to the cancelled options. The new options will have an exercise price equal to the closing market price for Neurocrine Biosciences common stock on the replacement grant date and will vest and become exercisable as to one third of the number of underlying shares on each of the first, second and third anniversaries of the replacement grant date. The term of the new options will be the lesser of the remaining term of the options accepted for exchange or seven years. The new options will have other terms and conditions that are substantially similar to the cancelled options, except for the exercise price, vesting and possibly the term.

1992 and 2001 plan options – If you elect to have your options under the 1992 plan and 2001 plan amended, then on the expiration date one-half of the options you hold under the 1992 plan and 2001 plan will be cancelled and forfeited. On the replacement grant date, the remaining one-half of your options (the “amended options”) will be amended to (1) reduce the number of shares subject to the options by one-half, rounded down to the next whole share, (2) change the exercise price to equal the closing market price for Neurocrine Biosciences common stock on the replacement grant date and (3) change the vesting so that one third of the amended options shall vest and become exercisable on each of the first, second and third anniversaries of the replacement grant date. In all other respects the amended options will remain the same, including the exercise period.

7. What do I need to do to participate in this offer?

To participate, you must complete the Election Concerning Exchange or Amendment of Stock Options form, sign it, and ensure that the Neurocrine Biosciences Finance Department receives it no later than 4:00 p.m. PDT on Monday, September 25, 2006. You can return your form by either internal mail or post to Shelagh Jones, Neurocrine Biosciences, Inc., 12790 El Camino Real, San Diego, California 92130, USA.

8. Why can't you just reprice my options or grant additional options to me?

In designing the option exchange and amendment program, we needed to balance the interest of our employees and active consultants and our stockholders. Simply repricing the options by itself would not necessarily be in the best interests of our stockholders. Accordingly, our Board of Directors determined that employees and active consultants would need to give up some of their options in order to benefit from a potentially lower stock option price.

Because of the large number of underwater options currently outstanding at Neurocrine Biosciences, a total re-grant of new options would have a severe negative impact on Neurocrine Biosciences' stockholders through dilution of the value of outstanding shares.

9. What is the deadline to elect to exchange or amend and how do I make an election?

The deadline to participate in this program is 4:00 p.m. PDT on Monday, September 25, 2006 (the "expiration date") unless it is extended by us. This means that Shelagh Jones in the Finance Department must have your form in her hands before that time. We may, in our discretion, extend this offer at any time, but we cannot assure you that this offer will be extended or, if extended, for how long. If this offer is extended, we will make a public announcement of the extension no later than 9:00 a.m. on the next business day following the previously scheduled expiration of this offer period and such new date will be the expiration date of this offer. If this offer is extended by us beyond that time, you must deliver your form before the extended expiration of this offer.

We reserve the right to reject any or all elections made that we determine are not in appropriate form or that we determine are unlawful to accept. Otherwise, we will accept proper and timely elections that are not validly withdrawn. Subject to our rights to extend, terminate and amend this offer, we currently expect that we will accept all proper elections promptly after the expiration of this offer.

10. What will happen if I do not turn in my form by the deadline?

If you do not turn in your election form by the deadline, then you will not participate in the offer, and all stock options currently held by you will remain intact at their original price and original terms.

11. During what period of time can I withdraw previous elections?

You can withdraw your election at any time before 4:00 p.m. PDT on Monday September 25, 2006. If this offer is extended by us beyond that time, you can withdraw your elections for exchange or amendment at any time until the extended expiration of this offer. To withdraw your election for exchange or amendment, you must deliver to us a written notice of withdrawal with the required information while you still have the right to withdraw the election for exchange or amendment, and we must receive the withdrawal notice before the election deadline. It is your responsibility to confirm that we have received your withdrawal notice before the deadline. Once you have withdrawn an election, you can re-elect to exchange or amend options only by again following the delivery procedures described above.

12. Is there any tax consequence to my participation in this exchange?

If you accept this offer, you will not recognize income for federal income tax purposes either at the time your options are cancelled or when the new options are granted or upon amendment of the amended options.

If you hold options which are intended to qualify for special tax treatment as “incentive stock options” (“ISOs”) under Section 422 of the Internal Revenue Code you may give up such tax treatment if you participate in the offer. The new options you receive in exchange for the cancellation of your 2003 plan options will be non-qualified stock options. In addition, under the terms of Section 422 of the Internal Revenue Code amending the options granted under the 1992 and 2001 plans to reduce the exercise price will cause such options to lose their ISO status. See “Tax Consequences of Options” for more details on the tax treatment of ISOs vs. non-qualified stock options.

We recommend that you consult with your own tax advisor to determine the tax consequences of electing to exchange or amend options pursuant to this offer.

13. How should I decide whether or not to participate?

The decision to participate must be each individual employee’s personal decision, and it will depend largely on each employee’s assumptions about the future overall economic environment, the performance of the Nasdaq National Market and our own stock price, and our business.

14. What do the officers and the members of our Board of Directors think of this offer?

Although our Board of Directors has approved this offer, neither officers of Neurocrine Biosciences nor the members of our Board of Directors make any recommendation as to whether you should elect to exchange or amend or refrain from exchanging or amending your options. Our officers and members of our Board of Directors are not eligible to participate in this offer.

15. What if I leave Neurocrine Biosciences between the date I elect to exchange or amend option agreements and the replacement grant date?

If you leave Neurocrine Biosciences voluntarily, involuntarily, or for any other reason before the replacement grant date, you will forfeit the right to new options and to have your 1992 plan options and 2001 plan options amended. THEREFORE, IF YOU ARE NOT AN EMPLOYEE OF NEUROCRINE BIOSCIENCES OR YOU DO NOT HAVE AN ACTIVE CONSULTING AGREEMENT WITH US FROM THE DATE YOU ELECT TO EXCHANGE OR AMEND OPTION AGREEMENTS THROUGH THE REPLACEMENT GRANT DATE, YOU WILL NOT RECEIVE ANY NEW OPTIONS OR HAVE ANY AMENDED OPTIONS IN EXCHANGE FOR YOUR OPTIONS THAT HAVE BEEN ACCEPTED FOR EXCHANGE OR AMENDMENT. YOU ALSO WILL NOT RECEIVE ANY OTHER CONSIDERATION FOR THE OPTIONS ELECTED TO BE EXCHANGED OR AMENDED IF YOU ARE NOT AN EMPLOYEE OR YOU DO NOT HAVE AN ACTIVE CONSULTING AGREEMENT WITH US FROM THE DATE YOU ELECT TO EXCHANGE OR AMEND THE OPTIONS THROUGH THE REPLACEMENT GRANT DATE.

16. What are the conditions to this offer?

This offer is not conditioned upon a minimum number of options being elected for exchange or amendment. This offer is subject to a number of conditions, including the conditions described in Schedule A.

SPECIFIC QUESTIONS ABOUT THE CANCELLED OPTIONS

17. Which options can be exchanged?

Employees and active consultants choosing to participate in this offer can elect to exchange pursuant to the offer any or all option agreements issued under the 2003 plan with an exercise price of \$20.00 or higher per share on a grant by grant basis.

18. Which options can be amended?

Employees and active consultants choosing to participate in this offer can elect to have any or all options issued under the 1992 plan or 2001 plan with an exercise price of \$20.00 or higher per share on a grant by grant basis amended pursuant to the offer.

19. Can I choose which options I want to exchange or amend if I have multiple options?

You can elect to exchange or amend one or more option agreements with an exercise price of \$20.00 or higher per share on a grant-by-grant basis. Exchange of such option agreements is entirely discretionary.

20. Can I exchange or amend the remaining portion of an option agreement that I have already partially exercised?

Yes, any remaining outstanding, unexercised option agreements from the 2003 plan can be exchanged, and any remaining outstanding, unexercised option agreements from the 1992 plan and 2001 plan can be amended.

21. Can I select which portion of an option to exchange or amend?

No. You cannot partially cancel an outstanding option agreement. If you choose to exchange or amend an option agreement, all options within that agreement will be either exchanged or amended pursuant to the terms of the offer.

22. Can I exchange or amend both vested and unvested options?

Yes. You can exchange or amend any or all of your eligible options, whether or not they are vested. Once your options are cancelled, you will receive no vesting credit with respect to the cancelled options. The new options and amended options vest according to the new schedule of one third on each of the first, second and third anniversaries of the replacement grant date.

Please remember that on November 7, 2005, we accelerated vesting of all unvested options to purchase shares of common stock that were held by employees which had an exercise price per share equal to or greater than \$50.00.

23. Can I exchange or amend options that I have already exercised?

No. This offer only pertains to options currently outstanding and does not apply in any way to shares purchased, whether upon the exercise of options, through Neurocrine's employee stock purchase plan ("ESPP") or otherwise. If you have exercised an option in its entirety, that option is no longer outstanding and is therefore not subject to this offer. If you have exercised an option in part, the remaining unexercised portion of that option is outstanding and can be exchanged or amended pursuant to this offer. Options for which you have properly submitted an exercise notice prior to the date this offer expires will be considered exercised to that extent, whether or not you have received confirmation of exercise for the shares purchased.

24. If I participate, what will happen to my options that are surrendered?

Options designated to be exchanged and/or surrendered under this program will be cancelled on the expiration date of the offer, September 25, 2006, unless extended and will no longer be considered effective or outstanding. You will not be able to exercise any cancelled options.

SPECIFIC QUESTIONS ABOUT THE NEW OPTIONS AND AMENDED OPTIONS

25. How many shares will be subject to my new option?

Employees and active consultants who participate in this program will receive a new option agreement on the replacement grant date for each option under the 2003 plan selected for exchange. The number of shares subject to the new option will be equal to one half the number of shares subject to the cancelled option, rounded down to the nearest whole share on a grant-by-grant basis. Each new option will be granted under the 2003 plan pursuant to a new option agreement between you and us.

26. How many shares will be subject to my amended option?

Employees and active consultants who participate in this program will have one-half of their options granted under the 1992 plan and 2001 plan cancelled. Accordingly, on the replacement grant date the number of shares subject to their options under the 1992 and 2001 plans will equal one half the number of shares subject to the original option, rounded down to the nearest whole share on a grant-by-grant basis.

27. What will be the exercise price on my new or amended option?

The exercise price for the new and amended options be the closing price of our common stock on the Nasdaq National Market on that date, as reported in the print edition of The Wall Street Journal on the replacement grant date.

28. When will I receive my new or amended option?

We will grant the new options and amend the options under the 1991 and 2001 on the first trading day after the expiration date. We will cancel options elected for exchange on September 25, 2006, the expiration date of this offer, in which case, unless the expiration date is extended, the replacement grant date will be September 25, 2006. You will get your new option grant agreement or amended option agreements within four weeks after the replacement grant date.

29. When will the new options and amended options vest?

Once the new options are granted and the options under the 1991 plan and 2002 plan are amended, they will vest as to one third of the number of underlying shares on each of the first, second and third anniversaries of the replacement grant date. Therefore, if your options are currently vested, such vesting will be affected if you participate in the offer.

30. When will the new options and amended options expire?

The new options will expire on the sooner of the date the options accepted for exchange would have expired or seven years. This means that the latest date on which the new options will expire is September 25, 2013. The amended options will expire on the date the original options would have expired.

31. What will be the terms and conditions of my new or amended option agreement?

Except for the exercise price, vesting, the number of shares, and possibly the expiration, as described above, the terms and conditions of the new options will be substantially similar to the cancelled options under the 2003 plan.

Except for changes to the exercise price, vesting and number of shares described above, the amended options will remain the same.

32. Can I have some examples of how the offer works?

The follow examples demonstrate how the offer works depending upon which plan the options were granted under. The examples are based on an assumed expiration date of the offer being September 25, 2006 and replacement grant date of September 26, 2006 and a hypothetical stock price on the replacement grant date: \$9.00. The actual impact of the offer will depend upon the actual expiration date, replacement grant date and the stock price on the replacement grant date. Accordingly, these are examples only to help demonstrate the offer and are not an indication of the actual results of participation in the offer.

Example 1

Stock Option # 1:

Issued under the 2001 plan

The original stock option agreement: 1,200 shares

The original stock option price: \$35.50

The original expiration date: April 30, 2010.

Stock Option #1 would be amended on September 26, 2006 to:

- reduce the number of shares subject to the option to 600
- change the option price to \$9.00
- change vesting to one-third of the option vesting on September 26, 2007, 2008 and 2009

Except for those amendments Stock Option #1 would continue to have the same terms, including an expiration date of April 30, 2010.

Example 2

Stock Option #2:

Issued under the 2003 plan

The original stock option agreement: 525 shares

The original stock option price: \$65.50

The original expiration date: April 30, 2013.

Stock Option #2 would be cancelled on September 25, 2006, the expiration date of the offer. On September 26, 2006, the replacement grant date, we would grant you an amended option for 262 shares with an exercise price of \$9.00, which vests and becomes exercisable as to one third of the option on each of September 26, 2007, 2008 and 2009 and would expire on April 30, 2013.

Example 3

Stock Option #3:

Issued under the 2003 plan

The original stock option agreement: 200 shares

The original stock option price: \$55.00

The original expiration date: April 30, 2014.

Stock Option #3 would be cancelled on September 25, 2006, the expiration date of the offer. On September 26, 2006, the replacement grant date, we would grant you an amended option for 100 shares with an exercise price of \$9.00, which vests and becomes exercisable as to one third of the option on each of September 26, 2007, 2008 and 2009. The new option would expire on September 25, 2013, which is the latest date on which the new options are permitted to expire.

33. After the replacement grant date, what happens if my options end up underwater again?

We are conducting this offer only at this time. This is considered a one-time offer and is not expected to be offered again in the future. As your stock options are valid for a number of years from the date of initial grant, subject to continued employment, the price of our common stock may appreciate over the long term even if your options are underwater for some period of time after the replacement grant date. **HOWEVER, WE CAN PROVIDE NO ASSURANCE AS TO THE PRICE OF OUR COMMON STOCK AT ANY TIME IN THE FUTURE.**

INTRODUCTION

Neurocrine Biosciences, Inc. is offering to:

1. Exchange outstanding options to purchase shares of our common stock granted under the Neurocrine Biosciences, Inc. 2003 Incentive Stock Plan, as amended (the "2003 plan") held by eligible employees and active consultants with an exercise price of \$20 or higher per share for new options granted pursuant to the 2003 plan (the "new options") following cancellation of the surrendered options. The new options will be granted on the first trading day after the date we cancel the options accepted for exchange (the "replacement grant date") and will have the following characteristics:

- The number of shares of common stock subject to the new options will be equal to one-half the number of shares subject to the options elected to be exchanged and accepted for exchange, rounded down to the nearest whole share on a grant-by-grant basis.
- The exercise price of the new options will equal to the closing price of our common stock on the Nasdaq National Market on the replacement grant date, as reported in the print edition of The Wall Street Journal.
- The new options will be subject to vesting, with one third becoming vested and exercisable on each of the first, second and third anniversaries of the replacement grant date.
- The term of the new options will be the lesser of the remaining term of the options accepted for exchange or seven years. This means that the latest date on which the new options will expire is September 25, 2013.
- The new options will have other terms and conditions that are substantially similar to the cancelled options, except for the exercise price, vesting and possibly the term.

2. Amend outstanding options to purchase shares of common stock granted under our 1992 Incentive Stock Plan, as amended (the "1992 plan") and 2001 Stock Option Plan, as amended (the "2001 plan") held by eligible employees and active consultants with an exercise price of \$20 or higher per share in exchange for cancellation of one-half of the options such eligible employees and active consultants hold under the 1992 and 2001 plans, rounded down to the nearest whole share on a grant-by-grant basis. The options under the 1992 and 2001 plans which are not cancelled (the "amended options") will be amended to:

- Reduce the number of shares subject to the option by one-half, rounded down to the next whole share;
- Change the exercise price to the closing price of our common stock on the Nasdaq National Market on the replacement grant date, as reported in the print edition of The Wall Street Journal; and

- Change the vesting in such options to one third vesting on each of the first, second and third anniversaries of the replacement grant date, regardless of whether such options were previously vested.

We are making this offer upon the terms and subject to the conditions set forth in this offer to exchange and in the related Election Concerning Exchange or Amendment of Stock Options form (which together, as they may be amended from time to time, constitute the “offer”).

Employees and active consultants are eligible to participate in the offer. Our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President-Research and Development, Executive Vice President, General Counsel and Corporate Secretary, Executive Vice President and Chief Business Officer and Senior Vice President-Human Resources and members of our Board of Directors are not eligible to participate. If you are eligible and choose to participate, you can elect to participate in the offer with respect to any or all options you hold with an exercise price of \$20.00 or higher per share, as applicable.

This offer is not conditioned upon a minimum number of options being elected for exchange or amendment. This offer is subject to certain conditions which we describe in Schedule A of this offer.

ALTHOUGH OUR BOARD OF DIRECTORS HAS APPROVED THIS OFFER, NEITHER WE NOR OUR BOARD OF DIRECTORS MAKES ANY RECOMMENDATION AS TO WHETHER YOU SHOULD ELECT TO EXCHANGE OR AMEND OR REFRAIN FROM ELECTING TO EXCHANGE OR AMEND YOUR OPTIONS. YOU MUST MAKE YOUR OWN DECISION WHETHER TO ELECT TO EXCHANGE OR AMEND YOUR OPTIONS.

Shares of our common stock are quoted on the Nasdaq National Market under the symbol “NBIX.” On August 23, 2006, the closing price of the common stock on the Nasdaq National Market was \$10.27 per share. **WE RECOMMEND THAT YOU OBTAIN CURRENT MARKET QUOTATIONS FOR OUR COMMON STOCK BEFORE DECIDING WHETHER TO ELECT TO PARTICIPATE IN THE OFFER.**

You should direct questions about this offer or requests for assistance to Richard Ranieri at rranieri@neurocrine.com or for additional copies of this offer to exchange or the Election Concerning Exchange or Amendment of Stock Options form, contact Shelagh Jones at sjones@neurocrine.com.

As of August 23, 2006, options to purchase 2,071,570 shares of our common stock were issued and outstanding under the 1992 Incentive Stock Plan, as amended, of which options to purchase 1,576,521 shares of our common stock had an exercise price of \$20.00 or higher per share, including 855,058 of which are held by consultants and employees other than our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President-Research and Development, Executive Vice President, General Counsel and Corporate Secretary, Executive Vice President and Chief Business Officer and Senior Vice President-Human Resources.

As of August 23, 2006, options to purchase 579,675 shares of our common stock were issued and outstanding under the 2001 Stock Option Plan, as amended, of which options to purchase 550,894 shares of our common stock had an exercise price of \$20.00 or higher per share, including 550,894 of which are held by consultants and employees other than our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President-Research and Development, Executive Vice President, General Counsel and Corporate Secretary, Executive Vice President and Chief Business Officer and Senior Vice President-Human Resources.

As of August 23, 2006, options to purchase 2,727,038 shares of our common stock were issued and outstanding under the 2003 Incentive Stock Plan, as amended, of which options to purchase 2,566,888 shares of our common stock had an exercise price of \$20.00 or higher per share, including 1,555,888 of which are held by consultants and employees other than our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President-Research and Development, Executive Vice President, General Counsel and Corporate Secretary, Executive Vice President and Chief Business Officer and Senior Vice President-Human Resources.

The shares of common stock issuable upon exercise of options we are offering to exchange represent approximately 7% of the total shares of our common stock outstanding as of August 23, 2006.

All options accepted for exchange by us pursuant to this offer will be cancelled and will no longer be exercisable thereafter.

THIS OFFER

1. NUMBER OF OPTIONS; EXPIRATION DATE.

Upon the terms and subject to the conditions of this offer, we will (i) exchange for new options to purchase common stock under the 2003 plan options that are properly elected for exchange and not validly withdrawn in accordance with Section 4 of this offer before the "expiration date," as defined below and (ii) amend options to purchase common stock under the 1992 plan and 2001 plan options that are properly elected for amendment and not validly withdrawn in accordance with Section 4 of this offer before the expiration date. Employees and active consultants are eligible to participate in the offer as long as they are not our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Executive Vice President-Research and Development, Executive Vice President, General Counsel and Corporate Secretary, Executive Vice President and Chief Business Officer and Senior Vice President-Human Resources. Options with an exercise price of \$20.00 or higher per share are eligible for exchange or amendment under this offer. If you are eligible and choose to participate, you can elect to exchange or amend, as applicable, any or all options that you hold with an exercise price of \$20.00 or higher per share.

If your option under the 2003 plan is properly elected for exchange and accepted for exchange, you will be entitled to receive a new option to purchase the number of shares of our common stock which is equal to one-half the number of shares subject to the original option that you elected to exchange, rounded down to the nearest whole share on a grant-by-grant basis. The new options will be subject to the terms of the 2003 plan pursuant to a new option agreement between us.

If your options under the 1992 plan or the 2001 plan is properly elected for amendment and accepted for amendment, such options will be amended to reduce by one-half the number of shares subject to the original option that you elected to amend, rounded down to the nearest whole share on a grant-by-grant basis.

IF YOU ARE NOT AN EMPLOYEE OF NEUROCRINE BIOSCIENCES OR YOU DO NOT HAVE AN ACTIVE CONSULTING AGREEMENT WITH US FROM THE DATE YOU ELECT TO EXCHANGE OR AMEND OPTIONS THROUGH THE REPLACEMENT GRANT DATE, YOU WILL NOT RECEIVE ANY NEW OPTIONS OR HAVE YOUR OPTIONS AMENDED IN EXCHANGE FOR YOUR OPTIONS THAT HAVE BEEN ACCEPTED FOR EXCHANGE OR AMENDMENT. YOU ALSO WILL NOT RECEIVE ANY OTHER CONSIDERATION FOR THE OPTIONS ELECTED TO BE EXCHANGED OR AMENDED IF YOU ARE NOT AN EMPLOYEE OR YOU DO NOT HAVE AN ACTIVE CONSULTING AGREEMENT WITH US FROM THE DATE YOU ELECT TO EXCHANGE OR AMEND THE OPTIONS THROUGH THE REPLACEMENT GRANT DATE.

The term "expiration date" means 4:00 p.m. PDT on Monday, September 25, 2006, unless and until we, in our discretion, have extended the period of time during which this offer will remain open, in which event the term "expiration date" refers to the latest time and date at which this

offer, as so extended, expires. See Section 13 of this offer to exchange for a description of our rights to extend, delay, terminate and amend this offer.

If we decide to take any of the following actions, we will notify you of such action and extend this offer for a period of ten business days after the date of such notice:

(a) we increase or decrease the amount of consideration offered for the options;

(b) we decrease the number of options eligible to be elected for exchange in this offer; or we increase the number of options eligible to be elected for exchange in this offer by an amount that exceeds 2% of the shares of common stock issuable upon exercise of the options that are subject to this offer immediately prior to the increase; and this offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that notice of such increase or decrease is first published, sent or given in the manner specified in Section 13 of this offer.

For purposes of this offer, a “business day” means any day other than Saturday, Sunday or a federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, PDT.

2. PURPOSE OF THIS OFFER.

We issued the options outstanding under the stock option plans to promote our long-term success and the creation of stockholder value by:

- encouraging employees to focus on critical long-range objectives;
- encouraging the retention of employees with exceptional qualifications; and
- linking employee’s interests directly to those of stockholders through increased stock ownership.

Many of our outstanding options, whether or not they are currently exercisable, have exercise prices that are significantly higher than the current market price of our common stock. We believe these options are unlikely to be exercised in the foreseeable future and therefore do not serve their original purpose. By making this offer, we will provide employees and active consultants with option agreements that have an exercise price equal to the market value of our common stock on the replacement grant date. We intend that these options, over time, may have a greater potential to increase in value, create better performance incentives for employees and active consultants and thereby maximize stockholder value. **WE HOPE THAT THIS PROGRAM WILL AMELIORATE THE CURRENT UNDERWATER OPTIONS ISSUE, BUT IT IS NOT GUARANTEED CONSIDERING THE EVER-PRESENT RISKS ASSOCIATED WITH A VOLATILE AND UNPREDICTABLE STOCK MARKET.**

Subject to the foregoing, and except as otherwise disclosed in this offer to exchange or in our filings with the Securities and Exchange Commission (the “SEC”), as of the date hereof, we have no plans, proposals or negotiations that relate to or would result in:

- (a) any extraordinary transaction, such as a merger, reorganization or liquidation, involving us;
- (b) any purchase, sale or transfer of a material amount of our assets;
- (c) any material change in our present dividend rate or policy, or our indebtedness or capitalization;
- (d) any change in our present Board of Directors or management, including, but not limited to, any plans or proposals to change the number or the term of directors or to fill any existing board vacancies or to change any material term of the employment contract of any executive officer;
- (e) any other material change in our corporate structure or business;
- (f) our common stock to be delisted from any national securities exchange or cease to be authorized for quotation in an automated quotation system operated by a national securities association;
- (g) our common stock becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act;
- (h) the suspension of our obligation to file reports pursuant to Section 15(d) of the Securities Exchange Act;
- (i) the acquisition by any person of any of our securities or the disposition of any of our securities; or
- (j) any change in our certificate of incorporation or bylaws, or any actions which could impede the acquisition of control of us by any person.

NEITHER WE NOR OUR BOARD OF DIRECTORS MAKES ANY RECOMMENDATION AS TO WHETHER YOU SHOULD ELECT TO EXCHANGE OR AMEND YOUR OPTIONS, NOR HAVE WE AUTHORIZED ANY PERSON TO MAKE ANY SUCH RECOMMENDATION. YOU ARE URGED TO EVALUATE CAREFULLY ALL OF THE INFORMATION IN THIS OFFER TO EXCHANGE AND AMEND AND TO CONSULT YOUR OWN INVESTMENT AND TAX ADVISORS. YOU MUST MAKE YOUR OWN DECISION WHETHER TO ELECT TO EXCHANGE OR AMEND YOUR OPTIONS.

3. PROCEDURES FOR ELECTING TO EXCHANGE OR AMEND OPTIONS.

Proper Exchange of Options. To validly elect to exchange or amend your options pursuant to this offer, you must, in accordance with the terms of the Election Concerning Exchange or Amendment of Stock Options form, properly complete, duly execute and deliver to us the Election Concerning Exchange or Amendment of Stock Options form. We must receive the form

by either internal mail or post in the office of Shelagh Jones, Finance Department, Neurocrine Biosciences, Inc., 12790 El Camino Real, San Diego, California 92130 before the expiration date.

If you do not turn in your election form by the deadline, then you will not participate in the offer, and all stock options currently held by you will remain intact at their original price and original terms.

THE METHOD OF DELIVERY OF ALL DOCUMENTS, INCLUDING ELECTIONS CONCERNING EXCHANGE OR AMENDMENT OF STOCK OPTIONS FORMS AND ANY OTHER REQUIRED DOCUMENTS, IS AT THE ELECTION AND RISK OF THE ELECTING OPTION HOLDER. IT IS YOUR RESPONSIBILITY TO ALLOW SUFFICIENT TIME TO ENSURE TIMELY DELIVERY AND RECEIPT BY US.

Determination of Validity; Rejection of Options; Waiver of Defects; No Obligation to Give Notice of Defects. We will determine, in our discretion, all questions as to form of documents and the validity, form, eligibility, including time of receipt, and acceptance of any exchange of options. Our determination of these matters will be final and binding on all parties. We reserve the right to reject any or all elections to exchange or amend options that we determine are not in appropriate form or that we determine are unlawful to accept. Otherwise, we will accept proper and timely elections which are not validly withdrawn. We also reserve the right to waive any of the conditions of this offer or any defect or irregularity in any election with respect to any particular options or any particular option holder. No election to exchange or amend options will be deemed to have been properly made until all defects or irregularities have been cured by the electing option holder or waived by us. Neither we nor any other person is obligated to give notice of any defects or irregularities in elections, nor will anyone incur any liability for failure to give any such notice.

Our Acceptance Constitutes an Agreement. Your election to exchange or amend options pursuant to the procedures described above constitutes your acceptance of the terms and conditions of this offer. OUR ACCEPTANCE FOR EXCHANGE OR AMENDMENT OF YOUR OPTIONS ELECTED BY YOU PURSUANT TO THIS OFFER WILL CONSTITUTE A BINDING AGREEMENT BETWEEN US AND YOU UPON THE TERMS AND SUBJECT TO THE CONDITIONS OF THIS OFFER.

Subject to our rights to extend, terminate and amend this offer, we currently expect that we will accept promptly after the expiration of this offer to exchange or amend all proper elections to exchange or amend that have not been validly withdrawn.

4. WITHDRAWAL RIGHTS.

You can only withdraw your election in accordance with the provisions of this Section 4.

You can withdraw your election at any time before 4:00 p.m. PDT on Monday, September 25, 2006. If this offer is extended by us beyond that time, you can withdraw your election at any time until the extended expiration of this offer.

To validly withdraw an elections, an option holder must deliver to us a written notice of withdrawal with the required information listed below while the option holder still has the right to withdraw, and we must RECEIVE the notice of withdrawal before the deadline specified in the preceding paragraph. It is your responsibility to seek confirmation from us that we received your withdrawal notice before the deadline. The notice of withdrawal must specify the name of the option holder who elected to withdraw, the grant date, exercise price and total number of options subject to each option elected to be withdrawn from the offer. Except as described in the following sentence, the notice of withdrawal must be executed by the option holder who elected to exchange or amend the options to be withdrawn exactly as such option holder's name appears on the option agreement or agreements evidencing such options. If the signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or another person acting in a fiduciary or representative capacity, the signer's full title and proper evidence of the authority of such person to act in such capacity must be indicated on the notice of withdrawal.

You cannot rescind any withdrawal, and any options you withdraw from the offer will thereafter be deemed not properly elected for exchange or amendment for purposes of this offer unless you properly re-elect those options before the expiration date by following the procedures described in Section 3.

Neither Neurocrine Biosciences nor any other person is obligated to give notice of any defects or irregularities in any notice of withdrawal, nor will anyone incur any liability for failure to give any such notice. We will determine, in our discretion, all questions as to the form and validity, including time of receipt, of notices of withdrawal. Our determination of these matters will be final and binding.

5. ACCEPTANCE OF OPTIONS FOR EXCHANGE OR AMENDMENT, ISSUANCE OF NEW OPTIONS AND AMENDMENT OF OPTIONS.

Upon the terms and subject to the conditions of this offer and as promptly as practicable following the expiration date, we will accept for exchange or amendment options properly elected and not validly withdrawn before the expiration date. If your election is properly and timely made and accepted, we will (i) cancel your options elected to be exchanged under the 2003 plan on September 25, 2006 and you will be granted new options, on the replacement grant date and (ii) cancel one-half your options under the 1992 plan and 2001 plan elected to be amended on September 25, 2006 and amend any remaining options under the 1992 plan and 2001 plan in accordance with the terms of the offer on the replacement grant date.

If we extend the date by which we must accept and cancel options properly elected, you will be granted a new option or your options will be amended, as applicable, on the first trading date following expiration of the offer.

Your new options and/or amended options will entitle you to purchase a number of shares of our common stock which is equal one-half the number of shares subject to the option agreements elected for exchange, rounded down to the nearest whole share on a grant-by-grant basis (subject to adjustments for any stock splits, stock dividends and similar events). IF YOU

ARE NOT AN EMPLOYEE OF NEUROCRINE BIOSCIENCES OR YOU DO NOT HAVE AN ACTIVE CONSULTING AGREEMENT WITH US FROM THE DATE YOU ELECT TO EXCHANGE OR AMEND OPTIONS THROUGH THE REPLACEMENT GRANT DATE, YOU WILL NOT RECEIVE ANY NEW OPTIONS OR YOU'RE YOUR OPTIONS AMENDED IN EXCHANGE FOR YOUR OPTIONS THAT HAVE BEEN ACCEPTED FOR EXCHANGE OR AMENDMENT. YOU ALSO WILL NOT RECEIVE ANY OTHER CONSIDERATION FOR THE OPTIONS ELECTED TO BE EXCHANGED OR AMENDED IF YOU ARE NOT AN EMPLOYEE OR YOU DO NOT HAVE AN ACTIVE CONSULTING AGREEMENT WITH US FROM THE DATE YOU ELECT TO EXCHANGE OR AMEND THE OPTIONS THROUGH THE REPLACEMENT GRANT DATE. Therefore, if you leave Neurocrine Biosciences voluntarily, involuntarily or for any other reason before your new options are granted or your options are amended you will not have a right to new options that would have been granted on the replacement grant date or to have your options amended.

For purposes of this offer, we will be deemed to have accepted for exchange or amendment options that are validly elected and not properly withdrawn as, if and when we give oral or written notice to the option holders of our acceptance of such options, which may be by press release or delivered via e-mail. Subject to our rights to extend, terminate and amend this offer, we currently expect that you will receive evidence of your new options and amended options within four weeks of the replacement grant date.

6. PRICE RANGE OF COMMON STOCK UNDERLYING THE OPTIONS.

Our common stock is quoted on the Nasdaq National Market under the symbol "NBIX." The following table shows, for the periods indicated, the high and low sales prices per share of our common stock as reported by the Nasdaq National Market.

QUARTER ENDED	HIGH	LOW
June 30, 2006	\$65.13	\$ 8.61
March 31, 2006	73.13	57.45
December 31, 2005	65.70	43.31
September 30, 2005	52.90	41.20
June 30, 2005	44.09	33.86
March 31, 2005	50.10	36.58
December 31, 2004	51.10	42.87

WE RECOMMEND THAT YOU OBTAIN CURRENT MARKET QUOTATIONS FOR OUR COMMON STOCK BEFORE DECIDING WHETHER TO ELECT TO EXCHANGE YOUR OPTIONS.

7. SOURCE AND AMOUNT OF CONSIDERATION; TERMS OF NEW AND AMENDED OPTIONS.

Consideration. We will issue new options to purchase common stock under the 2003 plan in exchange for outstanding eligible options originally issued under the 2003 plan properly elected and accepted for exchange by us with an exercise price equal to the closing price of our common stock on the Nasdaq National Market on the replacement grant date, as reported in the print

edition of The Wall Street Journal. The number of shares of common stock subject to new options to be granted to each option holder will be equal to one-half the number of shares subject to the options elected for exchange or amendment by such option holder, rounded down to the nearest whole share on a grant-by-grant basis.

In addition, we will amend options to purchase common stock issued under the 1992 plan and 2001 plan properly elected and accepted for amendment by us to change the exercise price of such options to the closing price of our common stock on the Nasdaq National Market on the replacement grant date, as reported in the print edition of The Wall Street Journal in exchange for cancellation of one-half of such options.

Terms of New Options and Amended Options. We will issue a new options to each option holder who has made a valid election to exchange options under the 2003 plan in this offer. The new options will be issued under the 2003 plan and will be one-half the number of shares subject to the options elected for exchange, rounded down to the nearest whole share on a grant-by-grant basis. The new options will vest and be exercisable as to one third of the shares subject to the option on each of the first, second and third anniversaries of the replacement grant date and will have an exercise price equal to the closing price of our common stock on the Nasdaq National Market on the replacement grant date, as reported in the print edition of The Wall Street Journal. The term of the new options will be the lesser of the remaining term of the options accepted for exchange or seven years. Except for the number of shares, exercise price, vesting and possibly the term, the terms and conditions of the new options will be substantially similar to the terms and conditions of the options exchanged.

Options under the 1992 plan and 2001 plan will be amended to (i) reduce the number of shares subject to the option by one-half, rounded down to the next whole share; (ii) change the exercise price of the option to the closing price of our common stock on the Nasdaq National Market on the replacement grant date, as reported in the print edition of The Wall Street Journal; and (iii) change the vesting, such that the option will vest and be exercisable as to one third of the shares subject to the option on each of the first, second and third anniversaries of the replacement grant date. All other terms of the amended options will remain the same.

The terms and conditions of your current options are set forth in the stock option plans and the stock option agreement you entered into in connection with each grant.

The terms and conditions of the stock option plans are summarized in the plan prospectuses prepared by us and previously distributed to you. If you would like another copy, please contact Shelagh Jones at sjones@neurocine.com.

IMPORTANT NOTE. THE STATEMENTS IN THIS OFFER CONCERNING THE STOCK OPTION PLANS AND THE NEW OPTIONS ARE MERELY SUMMARIES AND DO NOT PURPORT TO BE COMPLETE. THE STATEMENTS ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, ALL PROVISIONS OF THE STOCK OPTION PLANS AND THE FORM OF STOCK OPTION AGREEMENT UNDER THEREUNDER. PLEASE CONTACT US AT 12790 EL CAMINO REAL, SAN DIEGO, CA 92130 TO RECEIVE A COPY OF THE STOCK OPTION PLANS, PROSPECTUS OR FORM

OF STOCK OPTION AGREEMENT. WE WILL PROMPTLY FURNISH YOU COPIES OF THESE DOCUMENTS AT OUR EXPENSE.

8. INFORMATION CONCERNING NEUROCRINE BIOSCIENCES.

General. Neurocrine Biosciences, Inc. was incorporated in California in 1992 and reincorporated in Delaware in 1996. We discover, develop and intend to commercialize drugs for the treatment of neurological and endocrine-related diseases and disorders. Our product candidates address some of the largest pharmaceutical markets in the world, including insomnia, anxiety, depression, diabetes, endometriosis, irritable bowel syndrome, pain, Parkinson's disease, and other neurological and endocrine related diseases and disorders. We currently have eight programs in various stages of research and development, including six programs in clinical development. While we independently develop many product candidates, we are in a collaboration for two programs. Our lead clinical program has been for the development of *indiplon*, a drug candidate for the treatment of insomnia. We submitted two New Drug Applications ("NDAs") to the United States Food and Drug Administration ("FDA") with respect to *indiplon*.

On May 15, 2006, we received two complete responses from the FDA regarding our *indiplon* capsule and tablet NDAs. These responses indicated that *indiplon* 5 mg and 10 mg capsules were approvable ("FDA Approvable Letter") and that the 15 mg tablets were not approvable ("FDA Not Approvable Letter"). The FDA Approvable Letter requested that we reanalyze data from certain preclinical and clinical studies to support approval of *indiplon* 5 mg and 10 mg capsules for sleep initiation and middle of the night dosing. The FDA Approvable Letter also requested reexamination of the safety analysis for the elderly population. The FDA may require additional clinical and/or preclinical safety data. The FDA Not Approvable Letter requested that we reanalyze certain safety and efficacy data and questioned the sufficiency of the objective sleep maintenance clinical data with the 15 mg tablet in view of the fact that the majority of our *indiplon* tablet studies were conducted with doses higher than 15 mg. Additional clinical data will likely be required. The FDA approval process is ongoing, so please refer to our SEC reports on the SEC's internet site at <http://www.sec.gov> for current status of our FDA applications.

As a result of the May 2006 FDA decision, we determined that the sales force we assembled could not be productively deployed. In addition, in August 2006, we reduced research and development and general and administrative staff based in San Diego by approximately 100 employees through involuntary terminations.

Our goal is to become the leading biopharmaceutical company focused on neurological and endocrine-related diseases and disorders. To accomplish this objective, we intend to:

- complete the development and commercialization of our lead product candidate, *indiplon*.
- continue to advance and build our product portfolio focused on neurological and endocrine-related diseases and disorders;

- identify novel drug targets to address large unmet market opportunities;
- selectively establish corporate collaborations with global pharmaceutical companies to assist in the development of our products and mitigate financial risk while retaining significant commercial upside; and
- acquire rights to complementary drug candidates and technologies.

We commenced operations in May 1996. One of our business strategies is to utilize strategic alliances to enhance our development and commercialization capabilities. We also rely on contract manufacturers, and will continue to rely on contract manufacturers for at least the next few years, to produce sufficient quantities of our product candidates for use in our preclinical and anticipated clinical trials.

We currently have limited experience in marketing or selling pharmaceutical products. We have initiated sales and marketing activities for *indiplon* by hiring staff with experience in pharmaceutical sales, marketing and distribution. However, as a result of recent decisions by the United States Food and Drug Administration, we determined that the sales force we assembled could not be productively deployed and announced on July 26, 2006 a plan of organizational restructuring through involuntary terminations.

Regulation by government authorities in the United States and foreign countries is a significant factor in the development, manufacture and marketing of our proposed products and in our ongoing research and product development activities. All of our products will require regulatory approval by government agencies prior to commercialization.

Our principal executive offices are located at 12790 El Camino Real, San Diego, CA 92130 and our telephone number is (858) 617-7600.

See “Additional Information” beginning on page 26 for instructions on how you can obtain copies of our SEC reports that contain our audited financial statements and unaudited financial data.

9. INTERESTS OF DIRECTORS, OFFICERS AND AFFILIATES; TRANSACTIONS AND ARRANGEMENTS CONCERNING THE OPTIONS.

A list of our directors and executive officers is attached to this offer as Schedule B.

Several of our executive officers made common stock purchases under our Employee Stock Purchase Plan on June 30, 2006 in the ordinary course pursuant to the terms of such plan.

On June 30, 2006, we issued to each of Adrian Adams, Stephen Sherwin, Richard F. Pops, Wylie W. Vale, Corrine H. Lyle, W. Thomas Mitchell and Joseph A. Mollica (our nonemployee directors) 12,000 nonqualified options (except for Mr. Mollica who, as chairman of the board receives 15,000 nonqualified options) to purchase our common stock at \$10.60 per share. Such options will vest ratably over a one-year period.

Except as otherwise described above, there have been no transactions in options to purchase our common stock or in our common stock which were effected during the past 60 days by Neurocrine Biosciences, or to our knowledge, by any executive officer, director, or affiliate of Neurocrine Biosciences. For more detailed information on the beneficial ownership of our common stock, you can consult the beneficial ownership table on page 4 of our definitive proxy statement for our 2006 annual meeting of stockholders.

Our executive officers and members of our Board of Directors are not eligible to participate in this offer to exchange.

10. STATUS OF OPTIONS ACQUIRED BY US IN THIS OFFER.

Options we acquire pursuant to this offer will be cancelled. The shares of common stock subject to options granted under the 2003 plan will be returned to the pool of shares available for grants of new options under the 2003 plan and for issuance upon the exercise of new options. To the extent such shares are not fully reserved for issuance upon exercise of the new options to be granted in connection with this offer, the shares will be available for future awards to employees and other eligible plan participants without further stockholder action, except as required by applicable law or the rules of the Nasdaq National Market or any other securities quotation system or any stock exchange on which our common stock is then quoted or listed. Upon amendment of the options granted under the 1992 plan and 2001 plan to reduce the number of shares subject to the option by one-half, rounded down to the next whole share on a grant-by-grant basis, the difference in shares will be cancelled and will not be eligible for future grants.

11. LEGAL MATTERS; REGULATORY APPROVALS.

Regulation by government authorities in the United States and foreign countries is a significant factor in the development, manufacture and marketing of our proposed products and in our ongoing research and product development activities. Any failure to receive the regulatory approvals necessary to commercialize our product candidates would harm our business. The process of obtaining these approvals and the subsequent compliance with federal and state statutes and regulations require spending substantial time and financial resources. If we fail or our collaborators or licensees fail to obtain or maintain, or encounter delays in obtaining or maintaining, regulatory approvals, it could adversely affect the marketing of any products we develop, our ability to receive product or royalty revenues, our recovery of prepaid royalties, and our liquidity and capital resources.

On May 15, 2006, we received two complete responses from the FDA regarding our *indiplon* capsule and tablet NDAs. These responses indicated that *indiplon* 5 mg and 10 mg capsules were approvable ("FDA Approvable Letter") and that the 15 mg tablets were not approvable ("FDA Not Approvable Letter"). The FDA Approvable Letter requested that we reanalyze data from certain preclinical and clinical studies to support approval of *indiplon* 5 mg and 10 mg capsules for sleep initiation and middle of the night dosing. The FDA Approvable Letter also requested reexamination of the safety analysis for the elderly population. The FDA may require additional clinical and/or preclinical safety data. The FDA Not Approvable Letter requested that we reanalyze certain safety and efficacy data and questioned the sufficiency of the objective sleep

maintenance clinical data with the 15 mg tablet in view of the fact that the majority of our *indiplon* tablet studies were conducted with doses higher than 15 mg. Additional clinical data will likely be required. The FDA approval process is ongoing, so please refer to our SEC reports on the SEC's internet site at <http://www.sec.gov> for current status of our FDA applications.

All of our products are in research and development, and we have not yet received regulatory approval to commercialize any product from the FDA or any other regulatory body. In addition, we have limited experience in filing and pursuing applications necessary to gain regulatory approvals, which may impede our ability to obtain such approvals. We cannot assure you that any such approval or other action could be obtained or would be obtained without substantial conditions. The failure to obtain any such approval or other action could result in further adverse consequences to our business.

Our obligation under this offer to accept options elected for exchange and to issue new options for options elected for exchange is subject to conditions, including the conditions described in Schedule A.

12. MATERIAL FEDERAL INCOME TAX CONSEQUENCES.

The following is a general summary of the material federal income tax consequences of the exchange of options pursuant to this offer. This discussion is based on the Internal Revenue Code, its legislative history, Treasury Regulations thereunder and administrative and judicial interpretations thereof as of the date of this offer, all of which are subject to change, possibly on a retroactive basis. This summary does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of option holders.

The exchange of eligible options under the 2003 plan, whether non-qualified options or incentive stock options under Section 422 of the Internal Revenue Code, and the amendment of the eligible options under the 1992 plan and 2001 plan should be treated as a non-taxable exchange and no income should be recognized for U.S. federal or state income tax purposes upon grant of the new options or amendment of the amended options.

All of the new options you will be issued in exchange for your eligible options under the 2003 plan will be nonqualified stock options. In addition, if any options under the 1992 plan or 2001 plan are intended to be incentive stock options under Section 422 of the Internal Revenue Code, an amendment of such options which reduces the exercise price will cause such options to be nonqualified stock options. Accordingly, when you exercise a new option or an amended option, the difference between the exercise price of such option and the fair market value of the shares subject to the option on the date of exercise will be treated as taxable compensation income to you, and you will be subject to withholding of income and employment taxes at that time. The subsequent sale of the shares acquired pursuant to the exercise of a nonqualified stock option generally will give rise to capital gain or loss equal to the difference between the sale price and the sum of the exercise price paid for the shares plus the ordinary income previously recognized with respect to the shares, and these capital gains or losses will be treated as long-term capital gains or losses if you held the shares for more than one year following exercise of the option.

U.S. Federal Income Tax Consequences of Incentive Stock Options. So that you are able to compare the tax consequences of the new options and the amended options to those of any of your eligible options that are incentive stock options under Section 422 of the Internal Revenue Code, we have included the following summary as a reminder of the tax consequences generally applicable to incentive stock options under U.S. Federal income tax law:

Under current U.S. tax law, an option holder will not realize taxable income upon the grant of an incentive stock option. In addition, an option holder generally will not realize taxable income upon the exercise of an incentive stock option. However, an option holder's alternative minimum taxable income will be increased by the amount that the aggregate fair market value of the shares underlying the option, which is generally determined as of the date of exercise, exceeds the aggregate exercise price of the option. Except in the case of an option holder's death or disability, if an option is exercised more than three (3) months after the option holder's termination of employment, the option ceases to be treated as an incentive stock option and is subject to taxation under the rules that apply to nonqualified stock options.

If an option holder sells the option shares acquired upon exercise of an incentive stock option, the tax consequences of the disposition depend upon whether the disposition is qualifying or disqualifying. The disposition of the option shares is qualifying if it is made:

- more than 2 years after the date the incentive stock option was granted; and
- more than 1 year after the date the incentive stock option was exercised.

If the disposition of the option shares is qualifying, any excess of the sale price of the option shares over the exercise price of the option will be treated as long-term capital gain taxable to the option holder at the time of the sale. Any such capital gain will be taxed at the long-term capital gain rate in effect at the time of sale.

If the disposition is not qualifying, which we refer to as a "disqualifying disposition," the excess of the fair market value of the option shares on the date the option was exercised (or, if less, the amount realized on the disposition of the shares) over the exercise price will be taxable income to the option holder at the time of the disposition.

Of that income, the amount up to the excess of the fair market value of the shares at the time the option was exercised over the exercise price will be ordinary income for income tax purposes and the balance, if any, will be long-term or short-term capital gain, depending upon whether or not the shares were sold more than 1 year after the option was exercised.

Unless an option holder engages in a disqualifying disposition, we will not be entitled to a deduction with respect to an incentive stock option. If an option holder engages in a disqualifying disposition, we will be entitled to a deduction equal to the amount of compensation income taxable to the option holder.

If you participate in the offer with respect to any option that is an incentive stock option, the new options you receive will be nonqualified stock options and any amended option will likely no longer qualify as an incentive stock option. Accordingly, by participating in the offer you would be giving up the tax treatment of incentive stock options.

THE ABOVE DESCRIPTIONS ARE ONLY A SUMMARY OF THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THIS OFFER, AND IS NOT INTENDED TO PROVIDE YOU WITH ANY TAX ADVICE IN CONNECTION WITH THIS SUMMARY OR THIS OFFER. WE RECOMMEND THAT YOU CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PARTICIPATING IN THIS OFFER.

13. EXTENSION OF OFFER; TERMINATION; AMENDMENT.

We expressly reserve the right, in our discretion, at any time and from time to time, and regardless of whether or not any event set forth in Schedule A has occurred or is deemed by us to have occurred, to extend the period of time during which this offer is open and thereby delay the acceptance for exchange or amendment of any options by giving oral or written notice of such extension to the option holders and making a public announcement thereof.

We also expressly reserve the right, in our reasonable judgment, prior to the expiration date to terminate or amend this offer and to postpone our acceptance and cancellation of any options elected for exchange or amendment upon the occurrence of any of the conditions specified in Schedule A by giving oral or written notice of such termination or postponement to the option holders and making a public announcement thereof. Notwithstanding the foregoing, we will return the options elected for exchange or amendment promptly after termination or withdrawal of the offer.

Subject to compliance with applicable law, we further reserve the right, in our discretion, and regardless of whether any event set forth in Schedule A has occurred or is deemed by us to have occurred, to amend this offer in any respect, including, without limitation, by decreasing or increasing the consideration offered in this offer to option holders or by decreasing or increasing the number of options being sought in this offer.

Amendments to this offer may be made at any time and from time to time by public announcement of the amendment. In the case of an extension, the amendment must be issued no later than 9:00 a.m. PDT on the next business day after the last previously scheduled or announced expiration date. Any public announcement made pursuant to this offer will be disseminated promptly to option holders in a manner reasonably designated to inform option holders of such change. Without limiting the manner in which we may choose to make a public announcement, except as required by applicable law, we have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a press release to the Dow Jones News Service.

If we materially change the terms of this offer or the information concerning this offer, or if we waive a material condition of this offer, we will extend this offer. Except for a change in price or a change in percentage of securities sought, the amount of time by which we will extend this offer following a material change in the term of this offer or information concerning this offer will depend on the facts and circumstances, including the relative materiality of such terms

or information. If we decide to take any of the following actions, we will notify you of such action and extend this offer for a period of ten business days after the date of such notice:

- (a) (i) we increase or decrease the amount of consideration offered for the options;
 - (ii) we decrease the number of options eligible to be elected for exchange or amendment in this offer; or
 - (iii) we increase the number of options eligible to be elected for exchange or amendment in this offer by an amount that exceeds 2% of the shares of common stock issuable upon exercise of the options that are subject to this offer immediately prior to the increase; and
- (b) this offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that notice of such increase or decrease is first published, sent or given in the manner specified in this Section 13.

14. FEES AND EXPENSES.

We will not pay any fees or commissions to any broker, dealer or other person for soliciting elections to exchange options pursuant to this offer to exchange.

15. ADDITIONAL INFORMATION.

We recommend that, in addition to this offer to exchange and Election Concerning Exchange or Amendment of Stock Options form, you review the following materials which we have filed with the SEC before making a decision on whether to elect to exchange your options:

- (a) our annual report on Form 10-K for our fiscal year ended December 31, 2005, filed with the SEC on February 7, 2006.
- (b) our definitive proxy statement for our 2006 annual meeting of stockholders, filed with the SEC on May 1, 2006.
- (c) our quarterly report on Form 10-Q for our quarter ended June 30, 2006, filed with the SEC on August 9, 2006.
- (d) our Form S-8 registration statements (registering shares to be issued under the stock option plans), filed with the SEC on various dates between October 21, 1996 and July 21, 2006.
- (e) the description of our common stock included in our registration statement on Form 424B1, filed with the SEC on May 24, 1996, including any amendments or reports we file or have filed for the purpose of updating that description.

The SEC file number for these filings is 0-22705 or 0-28150. These filings, our other annual, quarterly and current reports, our proxy statements and our other SEC filings may be examined, and copies may be obtained, at the following SEC public reference rooms:

450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20549

500 West Madison Street
Suite 1400
Chicago, Illinois 60661

You may obtain information on the operation of the public reference rooms by calling the SEC at (800) SEC-0330.

Our SEC filings are also available to the public on the SEC's internet site at <http://www.sec.gov>.

Our common stock is quoted on the Nasdaq National Market under the symbol "NBIX".

We will also provide without charge to each person to whom a copy of this offer to exchange or amend is delivered, upon the written or oral request of any such person, a copy of any or all of the documents to which we have referred you, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests should be directed to:

Neurocrine Biosciences, Inc.
Attention: Investor Relations
12790 El Camino Real
San Diego, California 92130

or by telephoning us at (858) 617-7600 between the hours of 8:00 a.m. and 5:00 p.m. PDT.

As you read the foregoing documents, you may find some inconsistencies in information from one document to another. If you find inconsistencies between the documents, or between a document and this offer to exchange or amend, you should rely on the statements made in the most recent document.

The information contained in this offer about Neurocrine Biosciences should be read together with the information contained in the documents to which we have referred you.

16. MISCELLANEOUS.

This offer to exchange and our SEC reports referred to above include "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue" or the negative of such terms or other comparable terminology. These statements involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially

different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. These factors include, among other things, those listed in our most recently filed report on Form 10-Q. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

We are not aware of any jurisdiction where the making of this offer is not in compliance with applicable law. If we become aware of any jurisdiction where the making of this offer is not in compliance with any valid applicable law, we will make a good faith effort to comply with such law. If, after such good faith effort, we cannot comply with such law, this offer will not be made to, nor will elections to exchange options be accepted from or on behalf of, the option holders residing in such jurisdiction.

WE HAVE NOT AUTHORIZED ANY PERSON TO MAKE ANY RECOMMENDATION ON OUR BEHALF AS TO WHETHER YOU SHOULD ELECT TO EXCHANGE OR AMEND OR REFRAIN FROM EXCHANGING OR AMENDING YOUR OPTIONS PURSUANT TO THIS OFFER. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO GIVE YOU ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFER OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DOCUMENT OR IN THE RELATED ELECTION CONCERNING EXCHANGE OR AMENDMENT OF STOCK OPTIONS FORM. IF ANYONE MAKES ANY RECOMMENDATION OR REPRESENTATION TO YOU OR GIVES YOU ANY INFORMATION, YOU MUST NOT RELY UPON THAT RECOMMENDATION, REPRESENTATION OR INFORMATION AS HAVING BEEN AUTHORIZED BY US.

Neurocrine Biosciences, Inc.
August 25, 2006

SCHEDULE A
CONDITIONS OF THIS OFFER

Notwithstanding any other provision of this offer, we will not be required to accept any options elected for exchange or amendment, and we may terminate or amend this offer, or postpone our acceptance and cancellation of any options elected for exchange, in each case subject to certain limitations, if at any time on or after August 25, 2006 and prior to the expiration date any of the following events has occurred or has been determined by us to have occurred, and, in our reasonable judgment in any such case and regardless of the circumstances giving rise thereto, including any action or omission to act by us, the occurrence of such event or events makes it inadvisable for us to proceed with this offer or with such acceptance and cancellation of options elected for exchange:

(a) there shall have been threatened or instituted or be pending any action or proceeding by any government or governmental, regulatory or administrative agency, authority or tribunal or any other person, domestic or foreign, before any court, authority, agency or tribunal that directly or indirectly challenges the making of this offer, the acquisition of some or all of the options elected for exchange pursuant to this offer, the issuance of new options, or otherwise relates in any manner to this offer or that, in our reasonable judgment, could materially and adversely affect the business, condition (financial or other), income, operations or prospects of Neurocrine Biosciences, or otherwise materially impair in any way the contemplated future conduct of our business or materially impair the contemplated benefits of this offer to us;

(b) there shall have been any action threatened, pending or taken, or approval withheld, or any statute, rule, regulation, judgment, order or injunction threatened, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to this offer or us, by any court or any authority, agency or tribunal that, in our reasonable judgment, would or might directly or indirectly:

(i) make the acceptance for exchange of, or issuance of new options for, some or all of the options elected for exchange illegal or otherwise restrict or prohibit consummation of this offer or otherwise relates in any manner to this offer;

(ii) delay or restrict our ability, or render us unable, to accept for exchange or issue new options for some or all of the options elected for exchange;

(iii) materially impair the contemplated benefits of this offer to us; or

(iv) materially and adversely affect the business, condition (financial or other), income, operations or prospects of Neurocrine Biosciences, or otherwise materially impair in any way the contemplated future conduct of our business;

(c) there shall have occurred:

- (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market;
 - (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, whether or not mandatory;
 - (iii) the commencement of a war, armed hostilities or other international or national crisis directly or indirectly involving the United States;
 - (iv) any limitation, whether or not mandatory, by any governmental, regulatory or administrative agency or authority on, or any event that in our reasonable judgment might affect, the extension of credit by banks or other lending institutions in the United States;
 - (v) any significant change in the market price of the shares of our common stock or any change in the general political, market, economic or financial conditions in the United States or abroad that could, in our reasonable judgment, have a material adverse effect on the business, condition (financial or other), operations or prospects of Neurocrine Biosciences or on the trading in our common stock;
 - (vi) any change in the general political, market, economic or financial conditions in the United States or abroad that could have a material adverse effect on the business, condition (financial or other), operations or prospects of Neurocrine Biosciences or that, in our reasonable judgment, makes it inadvisable to proceed with this offer;
 - (vii) in the case of any of the foregoing existing at the time of the commencement of this offer, a material acceleration or worsening thereof; or
 - (viii) any decline in either the Dow Jones Industrial Average or the Standard and Poor's Index of 500 Companies by an amount in excess of 10% measured during any time period after the close of business on August 25, 2006;
- (d) a tender or exchange offer with respect to some or all of our common stock, or a merger or acquisition proposal for us, shall have been proposed, announced or made by another person or entity or shall have been publicly disclosed, or we shall have learned that:
- (i) any person, entity or group within the meaning of Section 13(d)(3) of the Securities Exchange Act, shall have acquired or proposed to acquire beneficial ownership of more than 5% of the outstanding shares of our common stock, or any new group shall have been formed that beneficially owns more than 5% of the outstanding shares of our common stock, other than any such person, entity or group that has filed a Schedule 13D or Schedule 13G with the SEC on or before September 25, 2006;
 - (ii) any such person, entity or group that has filed a Schedule 13D or Schedule 13G with the SEC on or before September 25, 2006 shall have acquired or proposed to acquire beneficial ownership of an additional 2% or more of the outstanding shares of our common stock; or

(iii) any person, entity or group shall have filed a Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or made a public announcement reflecting an intent to acquire us or any of the assets or securities of us; or

(e) any change or changes shall have occurred in the business, condition (financial or other), assets, income, operations, prospects or stock ownership of Neurocrine Biosciences that, in our reasonable judgment, is or may be material to Neurocrine Biosciences.

The conditions to this offer are for our benefit. We may assert them in our discretion regardless of the circumstances giving rise to them prior to the expiration date. We may waive them, in whole or in part, at any time and from time to time prior to the expiration date, in our discretion, whether or not we waive any other condition to this offer. Our failure at any time to exercise any of these rights will not be deemed a waiver of any such rights. The waiver of any of these rights with respect to particular facts and circumstances will not be deemed a waiver with respect to any other facts and circumstances. Any determination we make concerning the events described in this Schedule A will be final and binding upon all persons.

SCHEDULE B
INFORMATION CONCERNING THE DIRECTORS AND EXECUTIVE OFFICERS OF
NEUROCRINE BIOSCIENCES, INC.

The directors and executive officers of Neurocrine Biosciences, Inc. and their positions and offices as of August 25, 2006 are set forth in the following table:

<u>NAME</u>	<u>POSITIONS AND OFFICES HELD</u>
Gary A. Lyons	President, Chief Executive Officer and Director
Paul W. Hawran	Executive Vice President and Chief Financial Officer
Wendell Wierenga, Ph.D.	Executive Vice President, Research and Development
Margaret E. Valeur-Jensen, J.D., Ph.D.	Executive Vice President, General Counsel and Corporate Secretary
Kevin C. Gorman, Ph.D.	Executive Vice President and Chief Business Officer
Richard Ranieri	Senior Vice President, Human Resources
Joseph A. Mollica, Ph.D	Chairman of the Board
Wylie W. Vale, Ph.D.	Director
W. Thomas Mitchell	Director
Corinne H. Lyle	Director
Richard F. Pops	Director
Stephen A. Sherwin, M.D.	Director
Adrian Adams	Director

The address of each director and executive officer is: c/o Neurocrine Biosciences, Inc., 12790 El Camino Real, San Diego, California 92130.

Form of ELECTION CONCERNING EXCHANGE OR AMENDMENT OF STOCK OPTIONS

Employee Name:

Employee I.D. Number: _____

Instructions

In order to participate in the Offer (as defined below), you will need to:

1. Read this Election Concerning Exchange or Amendment of Stock Options (the "Election Form") carefully;
2. Indicate your election by selecting the "Exchange or Amend", or "Do Not Exchange or Amend" box for each of your Eligible Option grants listed below;
3. Fill in all other required information (marked with two asterisks **);
4. Sign and date this Election Form, keeping a copy for your records; and
5. Send the original of this Election Form to: Shelagh Jones, Neurocrine Biosciences, Inc., 12790 El Camino Real, San Diego, CA, 92130, **to be received by the Company no later than Monday, September 25, 2006 (the "Expiration Date")**.

If the original of this Election Form cannot be sent by you so that it is assured delivery by the Expiration Date, you must send a copy of this completed and signed Election Form to Shelagh Jones by facsimile (FAX) at 858-617-7601 or send a scanned version of this Election Form by email to sjones@neurocrine.com. Such copy **must be received by fax or by email no later than 4:00 p.m. Pacific Daylight Time on the Expiration Date and you must also send the original by courier or other express delivery service** at the address listed above.

To make changes to your election: You may submit another version of this Election Form at any time prior to 4:00 p.m. Pacific Daylight Time on the Expiration Date (or a later Expiration Date if the Company extends the Offer). If you are changing a previous election, you will need to update your selection of Eligible Option grants below, fill out all other required information and sign and date a new copy of this Election Form. If your new Election Form is received by the Company on or prior to the Expiration Date and is properly completed and signed, it will supersede and replace in full any previously submitted Election Form(s). You will be bound by your last properly submitted Election Form received by 4:00 p.m. Pacific Daylight Time on **Monday, September 25, 2006** (or a later Expiration Date if the Company extends the Offer).

My Election :

1. I have received and carefully read the Offer to Exchange Certain Outstanding Options to Purchase Common Stock Under the 2003 Incentive Stock Plan, as Amended, and Amend Certain Outstanding Options to Purchase Common Stock Under the 1992 Incentive Stock Plan and 2001 Stock Option Plan, as Amended (the "Offer"), including the Summary Term Sheet in question and answer format, dated August 25, 2006, sent to the employees of the Company and active consultants who hold Eligible Options to purchase common stock of the Company that have exercise prices equal to or greater than \$20.00 per share. Terms not explicitly defined in this Election Form will have the same definitions as used in the Offer.

2. Pursuant to the terms of the Offer, I elect to have one or more Eligible Option grants held by me, as specified below, cancelled in exchange for a right to receive new options or reduced in number and amended, as indicated, in accordance with the specified exchange formula described in the Offer. I fully understand and acknowledge that I am accepting all of the terms of the Offer. I hereby agree that, unless I revoke my election on or before 4:00 p.m. Pacific Daylight Time on **September 25, 2006** (or a later Expiration Date if the Company extends the Offer), my election will be irrevocable and, if accepted by the Company, (i) the surrendered Eligible Options from the 2003 Incentive Stock Plan, as amended, will be cancelled in their entirety on the Expiration Date and I will have the right to receive new options, to be granted approximately one business day following the Expiration Date (the "Replacement Grant Date") and (ii) the surrendered Eligible Options from the 1992 Incentive Stock Plan and 2001 Stock Option Plan, as amended, will be cancelled to the extent of one-half the number of shares subject to such options and I will have the right to receive amended options for the remaining shares subject to the surrendered option on the Replacement Grant Date. I understand that the right to receive new or amended options is conditioned on my continuous employment or service as an active consultant under a consulting contract with the Company through the Replacement Grant Date. I understand that should I terminate from employment or fail to maintain an active consulting contract with the Company for any reason following my election to participate in the Offer and prior to the Replacement Grant Date, I will not receive new options or amended options. If I terminate or if my consulting contract terminates on or after the Expiration Date, I will not receive new options or amended options and will forfeit and will not be permitted to exercise my old Eligible Options.

3. I acknowledge that: (A) I will have no right to exercise all or any part of the Eligible Options I elect to exchange or amend after I submit this Election Form (unless I submit a change to the election on another properly completed Election Form prior to the Expiration Date) and such Eligible Options I elect to exchange or amend here will be cancelled to the extent described above as of the Expiration Date; (B) the Offer is a discretionary program established by the Company and may be suspended, modified or terminated

by the Company at any time, as provided in the Offer; (C) the new options to be granted pursuant to the Offer and the amended options are discretionary in nature and such options are not subject to any contractual or other right to receive future equity or cash compensation, payments, awards or benefits; (D) all new options will be nonqualified stock options under the U.S. Internal Revenue Code, regardless of the tax status of the Eligible Options exchanged, and will be granted pursuant to the 2003 Incentive Stock Plan; (E) the new options and amended options, pursuant to the Offer, will be completely unvested on the Replacement Grant Date, regardless of the vesting schedule of my Eligible Options, and will vest in annual installments over a period of three (3) years; and (F) vesting of new options and amended options is contingent upon my continuous employment with the Company or continued service as a consultant through the applicable vesting dates.

4. I represent that I have full power and authority to execute and deliver this Election Form, and that the consent of no other party is required. I agree that the Company has made no representations or warranties to me regarding the Offer or the future pricing of the Company’s common stock and my participation in the Offer is at my own discretion. I agree that the Company shall not be liable for any costs, taxes, losses or damages I may incur through my election to participate in the Offer.

5. If I am an employee, I further acknowledge and agree that this Offer will not and does not change or modify any terms of my employment with the Company, and neither the ability to participate in the Offer nor actual participation in the Offer shall be construed as a right to continued employment with the Company or additional severance payments in the event of termination of my service.

**** Election Form Information** (please check the appropriate box)

- This is my initial Election Form.
- This is a change to my previous Election Form. I understand this Election Form supersedes any prior Election Form(s) I may have submitted. Date on which previous Election Form submitted: _____

**** Options Information**

Option Grant Number	Option Grant Type	Option Exercise Price	Option Grant Date	Number of Options Outstanding	Exchange or Amend	Do Not Exchange Or Amend
					0	0
					0	0
					0	0
					0	0
					0	0
					0	0

Data Privacy

To administer this Offer, we must collect, use and transfer certain information regarding you and your Options, and may have to disclose that information to third parties who are assisting us with this Offer. By submitting this Election Form, you consent to such collection, use and transfer of your personal data by us and third parties assisting us with this Offer, but only for the purpose of administering your participation in this Offer. By submitting this Election Form, you also acknowledge and agree that: (i) the data will be held only as long as necessary to administer and implement this Offer and as legally required; (ii) you can request from us a list of the parties that may receive your data; (iii) you can request additional information about how the data is stored and processed; and (iv) you can request that the data be amended if it is incorrect. You may, at any time, withdraw this data privacy consent in writing by contacting Shelagh Jones or send an e-mail to sjones@neurocrine.com **You understand that if you withdraw your data privacy consent, however, you will not be able to participate in this Offer.**

Although we intend to send you a confirmation of receipt of this Election Form, any confirmation of receipt of this Election Form sent to you will merely be a notification that we have received your Election Form and does not mean that we have accepted the Eligible Option grants you selected for exchange or amendment. We will be deemed to have accepted your Eligible Option grants for exchange or amendment at the time we give notice to you that your Eligible Options have been cancelled. Eligible Options accepted for exchange or amendment will be cancelled on the first business day following the Expiration Date.

If you need assistance completing this Election Form, please call Shelagh Jones or send an e-mail to sjones@neurocrine.com.

**** Acknowledgement**

- o I acknowledge that my participation in the Offer, and my election indicated above, are voluntary. I further acknowledge that, based on the information I have received (e.g., the Offer, Summary Term Sheet, and this Election Form), I understand the Offer. I also acknowledge that I will be unable to change my election after the Expiration Date.

**Employee Signature: _____

**Date: _____, 2006

**Employee Name: _____

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the 2001 Stock Option Plan, (the "Plan") shall have the same defined meanings in this Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

NAME
ADDRESS
CITY, STATE ZIP

As part of the Company's Performance Options Policy you have been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option

Agreement, as follows:

Date of Grant:

Vesting Commencement Date

Exercise Price per Share:

Total Number of Shares Granted:

Total Exercise Price:

Type of Option:

NQ Nonstatutory Stock Option

Term/Expiration Date:

Vesting Schedule:

This Option may be exercised, in whole or in part, in accordance with the following schedule:

One forty-eighth (1/48) of the Shares subject to the Option shall vest each month beginning one month after the Vesting Commencement Date, and 1/48 of the Shares subject to the Option shall vest each month thereafter, subject to the Optionee continuing to be an Employee or Consultant on such dates.

Termination Period:

This Option may be exercised for ninety (90) days (or such other period of time not exceeding six (6) months, as is determined by the Board) after Optionee's Continuous Status as an Employee or Consultant terminates. Upon the death or Disability of the Optionee, this Option may be exercised for six (6) months after Optionee's Continuous Status as an Employee or Consultant. In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. The Plan Administrator of the Company hereby grants to the Optionee named in the Notice of Grant attached as Part I of this Agreement (the "Optionee") an option (the "Option") to purchase the number of Shares, as set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price"), subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 13(b) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code. However, if this Option is intended to be an Incentive Stock Option, to the extent that it exceeds the \$100,000 rule of Code Section 422(d) it shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice, in the form attached as Exhibit A (the "Exercise Notice"), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be completed by the Optionee and delivered to the President, the Chief Financial Officer or Secretary of the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Exercise Price.

No Shares shall be issued pursuant to the exercise of this Option unless such issuance and exercise complies with Applicable Laws. Assuming such compliance, for income tax purposes the Exercised Shares shall be considered transferred to the Optionee on the date the Option is exercised with respect to such Exercised Shares.

3. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash; or

(b) check; or

(c) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan; or

(d) surrender of other Shares which (i) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares; or

(e) with the Administrator's consent, delivery of Optionee's promissory note (the "Note") in the form attached hereto as Exhibit C, in the amount of the aggregate Exercise Price of the Exercised Shares together with the execution and delivery by the Optionee of the Security Agreement attached hereto as Exhibit B. The Note shall bear interest at the "applicable federal rate" prescribed under the Code and its regulations at time of purchase, and shall be secured by a pledge of the Shares purchased by the Note pursuant to the Security Agreement.

4. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by the

Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

5. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

6. Tax Consequences. Some of the federal tax consequences relating to this Option, as of the date of this Option, are set forth below. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. THE OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercising the Option.

(i) Nonstatutory Stock Option. The Optionee may incur regular federal income tax liability upon exercise of a NSO. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Exercised Shares on the date of exercise over their aggregate Exercise Price. If the Optionee is an Employee or a former Employee, the Company will be required to withhold from his or her compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(ii) Incentive Stock Option. If this Option qualifies as an ISO, the Optionee will have no regular federal income tax liability upon its exercise, although the excess, if any, of the Fair Market Value of the Exercised Shares on the date of exercise over their aggregate Exercise Price will be treated as an adjustment to alternative minimum taxable income for federal tax purposes and may subject the Optionee to alternative minimum tax in the year of exercise. In the event that the Optionee ceases to be an Employee but continues to provide services to the Company, any Incentive Stock Option of the Optionee that remains unexercised shall cease to qualify as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option on the date three (3) months and one (1) day following such change of status.

(b) Disposition of Shares.

(i) NSO. If the Optionee holds NSO Shares for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes (holding the Shares for more than eighteen (18) months may lower the long-term capital gains rate).

(ii) ISO. If the Optionee holds ISO Shares for at least one year after exercise and two years after the grant date, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes. If the Optionee disposes of ISO Shares within one year after exercise or two years after the grant date, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the lesser of (A) the difference between the Fair Market Value of the Shares acquired on the date of exercise and the aggregate Exercise Price, or (B) the difference between the sale price of such Shares and the aggregate Exercise Price. Any additional gain will be taxed as capital gain, short-term or long-term depending on the period that the ISO Shares were held.

(c) Notice of Disqualifying Disposition of ISO Shares. If the Optionee sells or otherwise disposes of any of the Shares acquired pursuant to an ISO on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, the Optionee shall immediately notify the Company in writing of such disposition. The Optionee agrees that he or she may be subject to income tax withholding by the Company on the compensation

income recognized from such early disposition of ISO Shares by payment in cash or out of the current earnings paid to the Optionee.

7. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

8. NO GUARANTEE OF CONTINUED SERVICE. OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE OR CONSULTANT AT THE WILL OF THE COMPANY (AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED AN OPTION OR PURCHASING SHARES HEREUNDER).

OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S RELATIONSHIP AS AN EMPLOYEE OR CONSULTANT AT ANY TIME, WITH OR WITHOUT CAUSE.

By your signature and the signature of the Company's representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Option Agreement. Optionee has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement and fully understands all provisions of the Plan and Option Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Option Agreement. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE:

NEUROCRINE BIOSCIENCES, INC.

Signature

Signature

Date

Date

Name:
NAME
ADDRESS
CITY, STATE ZIP

CONSENT OF SPOUSE

The undersigned spouse of Optionee has read and hereby approves the terms and conditions of the Plan and this Option Agreement. In consideration of the Company's granting his or her spouse the right to purchase Shares as set forth in the Plan and this Option Agreement, the undersigned hereby agrees to be irrevocably bound by the terms and conditions of the Plan and this Option Agreement and further agrees that any community property interest shall be similarly bound. The undersigned hereby appoints the undersigned's spouse as attorney-in-fact for the undersigned with respect to any amendment or exercise of rights under the Plan or this Option Agreement.

Spouse of Optionee

EXHIBIT A

NEUROCRINE BIOSCIENCES, INC.

2001 Stock Option Plan

EXERCISE NOTICE

Neurocrine Biosciences, Inc.
10555 Science Center Drive
San Diego, CA 92121

Attention: Secretary

1. Exercise of Option. Effective as of today, _____, 20____, the undersigned (“Purchaser”) hereby elects to purchase _____ shares (the “Shares”) of the Common Stock of Neurocrine Biosciences, Inc. (the “Company”) under and pursuant to the Amended 1992 Incentive Stock Plan (the “Plan”) and the Stock Option Agreement dated _____, 20____ (the “Option Agreement”). The purchase price for the Shares shall be \$ _____, as required by the Option Agreement.

2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price for the Shares.

3. Representations of Purchaser. Purchaser acknowledges that Purchaser has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Shareholder. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 11 of the Plan.

5. Tax Consultation. Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser’s purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

6. Entire Agreement; Governing Law. The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Purchaser with respect to the subject matter hereof, and may not be modified adversely to the Purchaser’s interest except by means of a writing signed by the Company and Purchaser. This agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

Submitted by:
PURCHASER:

Accepted by:

NEUROCRINE BIOSCIENCES, INC.

Signature

Print Name

Neurocrine Biosciences, Inc.
10555 Science Center Drive
San Diego, CA 92121

Date Received

Its

EXHIBIT B

SECURITY AGREEMENT

This Security Agreement is made as of _____, 19__ between Neurocrine Biosciences, Inc., a Delaware corporation, a (“Pledgee”), and _____ (“Pledgor”).

Recitals

Pursuant to Pledgor’s election to purchase Shares under the Option Agreement dated _____ (the “Option”), between Pledgor and Pledgee under Pledgee’s Amended 1992 Incentive Stock Plan, and Pledgor’s election under the terms of the Option to pay for such shares with his promissory note (the “Note”), Pledgor has purchased _____ shares of Pledgee’s Common Stock (the “Shares”) at a price of \$_____ per share, for a total purchase price of \$_____. The Note and the obligations thereunder are as set forth in Exhibit C to the Option.

NOW, THEREFORE, it is agreed as follows:

1. Creation and Description of Security Interest. In consideration of the transfer of the Shares to Pledgor under the Option Agreement, Pledgor, pursuant to the California Commercial Code, hereby pledges all of such Shares (herein sometimes referred to as the “Collateral”) represented by certificate number _____, duly endorsed in blank or with executed stock powers, and herewith delivers said certificate to the Secretary of Pledgee (“Pledgeholder”), who shall hold said certificate subject to the terms and conditions of this Security Agreement.

The pledged stock (together with an executed blank stock assignment for use in transferring all or a portion of the Shares to Pledgee if, as and when required pursuant to this Security Agreement) shall be held by the Pledgeholder as security for the repayment of the Note, and any extensions or renewals thereof, to be executed by Pledgor pursuant to the terms of the Option, and the Pledge-holder shall not encumber or dispose of such Shares except in accordance with the provisions of this Security Agreement.

2. Pledgor’s Representations and Covenants. To induce Pledgee to enter into this Security Agreement, Pledgor represents and covenants to Pledgee, its successors and assigns, as follows:

a. Payment of Indebtedness. Pledgor will pay the principal sum of the Note secured hereby, together with interest thereon, at the time and in the manner provided in the Note.

b. Encumbrances. The Shares are free of all other encumbrances, defenses and liens, and Pledgor will not further encumber the Shares without the prior written consent of Pledgee.

c. Margin Regulations. In the event that Pledgee’s Common Stock is now or later becomes margin-listed by the Federal Reserve Board and Pledgee is classified as a “lender” within the meaning of the regulations under Part 207 of Title 12 of the Code of Federal Regulations (“Regulation G”), Pledgor agrees to cooperate with Pledgee in making any amendments to the Note or providing any additional collateral as may be necessary to comply with such regulations.

3. Voting Rights. During the term of this pledge and so long as all payments of principal and interest are made as they become due under the terms of the Note, Pledgor shall have the right to vote all of the Shares pledged hereunder.

4. Stock Adjustments. In the event that during the term of the pledge any stock dividend, reclassification, readjustment or other changes are declared or made in the capital structure of Pledgee, all new, substituted and additional shares or other securities issued by reason of any such change shall be delivered to and held by the Pledgee under the terms of this Security Agreement in the same manner as the Shares originally pledged hereunder. In the event of substitution of such securities, Pledgor, Pledgee and Pledgeholder shall cooperate and execute such documents as are reasonable so as to provide for the substitution of such Collateral and, upon such substitution, references to "Shares" in this Security Agreement shall include the substituted shares of capital stock of Pledgor as a result thereof.

5. Options and Rights. In the event that, during the term of this pledge, subscription Options or other rights or options shall be issued in connection with the pledged Shares, such rights, Options and options shall be the property of Pledgor and, if exercised by Pledgor, all new stock or other securities so acquired by Pledgor as it relates to the pledged Shares then held by Pledgeholder shall be immediately delivered to Pledgeholder, to be held under the terms of this Security Agreement in the same manner as the Shares pledged.

6. Default. Pledgor shall be deemed to be in default of the Note and of this Security Agreement in the event:

a. Payment of principal or interest on the Note shall be delinquent for a period of 10 days or more; or

b. Pledgor fails to perform any of the covenants set forth in the Option or contained in this Security Agreement for a period of 10 days after written notice thereof from Pledgee.

In the case of an event of Default, as set forth above, Pledgee shall have the right to accelerate payment of the Note upon notice to Pledgor, and Pledgee shall thereafter be entitled to pursue its remedies under the California Commercial Code.

7. Release of Collateral. Subject to any applicable contrary rules under Regulation G, there shall be released from this pledge a portion of the Shares held by Pledgeholder here-under upon payments of the principal of the Note. The number of the pledged Shares which shall be released shall be that number of full Shares which bears the same proportion to the initial number of Shares pledged hereunder as the payment of principal bears to the initial full principal amount of Note.

8. Withdrawal or Substitution of Collateral. Pledgor shall not sell, withdraw, pledge, substitute or otherwise dispose of all or any part of the Collateral without the prior written consent of Pledgee.

9. Term. The within pledge of Shares shall continue until the payment of all indebtedness secured hereby, at which time the remaining pledged stock shall be promptly delivered to Pledgor, subject to the provisions for prior release of a portion of the Collateral as provided in paragraph 7 above.

10. Insolvency. Pledgor agrees that if a bankruptcy or insolvency proceeding is instituted by or against it, or if a receiver is appointed for the property of Pledgor, or if Pledgor makes an assignment for the benefit of creditors, the entire amount unpaid on the Note shall become immediately due and payable, and Pledgee may proceed as provided in the case of default.

11. Pledgeholder Liability. In the absence of willful or gross negligence, Pledgeholder shall not be liable to any party for any of his acts, or omissions to act, as Pledgeholder.

12. Invalidation of Particular Provisions. Pledgor and Pledgee agree that the enforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

13. Successors or Assigns. Pledgor and Pledgee agree that all of the terms of this Security Agreement shall be binding on their respective successors and assigns, and that the term "Pledgor" and the term "Pledgee" as used herein shall be deemed to include, for all purposes, the respective designees, successors, assigns, heirs, executors and administrators.

14. Governing Law. This Security Agreement shall be interpreted and governed under the internal substantive laws, but not the choice of law rules, of California.

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

"PLEDGOR"

Signature

Print Name

"PLEDGEE"

NeurocrineBiosciences, Inc.,
a Delaware corporation

Signature

Print Name

Title

"PLEDGEHOLDER"

Secretary of
Neurocrine Biosciences, Inc.

EXHIBIT C

NOTE

\$ _____

San Diego, California

_____ - ____, 19__

FOR VALUE RECEIVED, _____ promises to pay to Neurocrine Biosciences, Inc., a Delaware corporation (the "Company"), or order, the principal sum of _____ (\$ _____), together with interest on the unpaid principal hereof from the date hereof at the rate of _____ percent (___%) per annum, compounded semiannually.

Principal and interest shall be due and payable on _____, 19___. Payment of principal and interest shall be made in lawful money of the United States of America.

The undersigned may at any time prepay all or any portion of the principal or interest owing hereunder.

This Note is subject to the terms of the Option, dated as of _____. This Note is secured in part by a pledge of the Company's Common Stock under the terms of a Security Agreement of even date herewith and is subject to all the provisions thereof.

The holder of this Note shall have full recourse against the undersigned, and shall not be required to proceed against the collateral securing this Note in the event of default.

In the event the undersigned shall cease to be an employee, director or consultant of the Company for any reason, this Note shall, at the option of the Company, be accelerated, and the whole unpaid balance on this Note of principal and accrued interest shall be immediately due and payable.

Should any action be instituted for the collection of this Note, the reasonable costs and attorneys' fees therein of the holder shall be paid by the undersigned.

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the 2003 Stock Option Plan, (the "Plan") shall have the same defined meanings in this Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

NAME
ADDRESS
CITY, STATE ZIP

As part of the Company's Performance Options Policy you have been granted an option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant:

Vesting Commencement Date

Exercise Price per Share:

Total Number of Shares Granted:

Total Exercise Price:

Type of Option:

ISO Incentive Stock Option

NQ Nonstatutory Stock Option

Term/Expiration Date:

Vesting Schedule:

This Option may be exercised, in whole or in part, in accordance with the following schedule:

One forty-eighth (1/48) of the Shares subject to the Option shall vest each month beginning one month after the Vesting Commencement Date, and 1/48 of the Shares subject to the Option shall vest each month thereafter, subject to the Optionee continuing to be an Employee or Consultant on such dates.

Termination Period:

This Option may be exercised for ninety (90) days (or such other period of time not exceeding six (6) months, as is determined by the Board) after Optionee's Continuous Status as an Employee or Consultant terminates. Upon the death or Disability of the Optionee, this Option may be exercised

for six (6) months after Optionee's Continuous Status as an Employee or Consultant. In no event shall this Option be exercised later than the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. The Plan Administrator of the Company hereby grants to the Optionee named in the Notice of Grant attached as Part I of this Agreement (the "Optionee") an option (the "Option") to purchase the number of Shares, as set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price"), subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 13(b) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code. However, if this Option is intended to be an Incentive Stock Option, to the extent that it exceeds the \$100,000 rule of Code Section 422(d) it shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice, in the form attached as Exhibit A (the "Exercise Notice"), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be completed by the Optionee and delivered to the President, the Chief Financial Officer or Secretary of the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Exercise Price.

No Shares shall be issued pursuant to the exercise of this Option unless such issuance and exercise complies with Applicable Laws. Assuming such compliance, for income tax purposes the Exercised Shares shall be considered transferred to the Optionee on the date the Option is exercised with respect to such Exercised Shares.

3. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash; or

(b) check; or

(c) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan; or

(d) surrender of other Shares which (i) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares; or

(e) with the Administrator's consent, delivery of Optionee's promissory note (the "Note") in the form attached hereto as Exhibit C, in the amount of the aggregate Exercise Price of the Exercised Shares together with the execution and delivery by the Optionee of the Security Agreement attached hereto as Exhibit B. The Note shall bear interest at the "applicable federal rate" prescribed under the Code and its regulations at time of purchase, and shall be secured by a pledge of the Shares purchased by the Note pursuant to the Security Agreement.

4. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by the Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

5. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

6. Tax Consequences. Some of the federal tax consequences relating to this Option, as of the date of this Option, are set forth below. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. THE OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercising the Option.

(i) Nonstatutory Stock Option. The Optionee may incur regular federal income tax liability upon exercise of a NSO. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Exercised Shares on the date of exercise over their aggregate Exercise Price. If the Optionee is an Employee or a former Employee, the Company will be required to withhold from his or her compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise.

(ii) Incentive Stock Option. If this Option qualifies as an ISO, the Optionee will have no regular federal income tax liability upon its exercise, although the excess, if any, of the Fair Market Value of the Exercised Shares on the date of exercise over their aggregate Exercise Price will be treated as an adjustment to alternative minimum taxable income for federal tax purposes and may subject the Optionee to alternative minimum tax in the year of exercise. In the event that the Optionee ceases to be an Employee but continues to provide services to the Company, any Incentive Stock Option of the Optionee that remains unexercised shall cease to qualify as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option on the date three (3) months and one (1) day following such change of status.

(b) Disposition of Shares.

(i) NSO. If the Optionee holds NSO Shares for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes (holding the Shares for more than eighteen (18) months may lower the long-term capital gains rate).

(ii) ISO. If the Optionee holds ISO Shares for at least one year after exercise and two years after the grant date, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes. If the Optionee disposes of ISO Shares within one year after exercise or two years after the grant date, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the lesser of (A) the difference between the Fair Market Value of the Shares acquired on the date of exercise and the aggregate Exercise Price, or (B) the difference between the sale price of such Shares and the aggregate Exercise Price. Any additional gain will be taxed as capital gain, short-term or long-term depending on the period that the ISO Shares were held.

(c) Notice of Disqualifying Disposition of ISO Shares. If the Optionee sells or otherwise disposes of any of the Shares acquired pursuant to an ISO on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, the Optionee shall immediately notify the Company in writing of such disposition. The Optionee agrees that he or she may be subject to income tax withholding by the Company on the compensation income recognized from such early disposition of ISO Shares by payment in cash or out of the current earnings paid to the Optionee.

7. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to the Optionee's interest except by means of a writing signed by the Company and Optionee. This agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

8. NO GUARANTEE OF CONTINUED SERVICE. OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS AN EMPLOYEE OR CONSULTANT AT THE WILL OF THE COMPANY (AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED AN OPTION OR PURCHASING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S RELATIONSHIP AS AN EMPLOYEE OR CONSULTANT AT ANY TIME, WITH OR WITHOUT CAUSE.

By your signature and the signature of the Company's representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Option Agreement. Optionee has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement and fully understands all provisions of the Plan and Option Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Option Agreement. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE:

NEUROCRINE BIOSCIENCES, INC.

Signatures

Date

Date

Name:
NAME
ADDRESS
CITY, STATE ZIP

CONSENT OF SPOUSE

The undersigned spouse of Optionee has read and hereby approves the terms and conditions of the Plan and this Option Agreement. In consideration of the Company's granting his or her spouse the right to purchase Shares as set forth in the Plan and this Option Agreement, the undersigned hereby agrees to be irrevocably bound by the terms and conditions of the Plan and this Option Agreement and further agrees that any community property interest shall be similarly bound. The undersigned hereby appoints the undersigned's spouse as attorney-in-fact for the undersigned with respect to any amendment or exercise of rights under the Plan or this Option Agreement.

Spouse of Optionee

EXHIBIT A

NEUROCRINE BIOSCIENCES, INC.

2003 STOCK OPTION PLAN

EXERCISE NOTICE

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

Attention: Secretary

1. Exercise of Option. Effective as of today, _____, 20____, the undersigned (“Purchaser”) hereby elects to purchase _____ shares (the “Shares”) of the Common Stock of Neurocrine Biosciences, Inc. (the “Company”) under and pursuant to the 2003 Stock Option Plan (the “Plan”) and the Stock Option Agreement dated _____, 20____ (the “Option Agreement”). The purchase price for the Shares shall be \$_____, as required by the Option Agreement.

2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price for the Shares.

3. Representations of Purchaser. Purchaser acknowledges that Purchaser has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Shareholder. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 11 of the Plan.

5. Tax Consultation. Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser’s purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

6. Entire Agreement; Governing Law. The Plan and Option Agreement are incorporated herein by reference. This Agreement, the Plan and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Purchaser with respect to the subject matter hereof, and may not be modified adversely to the Purchaser’s

interest except by means of a writing signed by the Company and Purchaser. This agreement is governed by the internal substantive laws, but not the choice of law rules, of California.

Submitted by:

Accepted by:

PURCHASER:
NEUROCRINE BIOSCIENCES, INC.

Signature

By

Print Name

Its

Address:

Address:

Neurocrine Biosciences, Inc.

12790 El Camino Real

San Diego, CA 92130

Date Received

EXHIBIT B

SECURITY AGREEMENT

This Security Agreement is made as of _____, 20__ between Neurocrine Biosciences, Inc., a Delaware corporation, a (“Pledgee”), and _____ (“Pledgor”).

Recitals

Pursuant to Pledgor’s election to purchase Shares under the Option Agreement dated _____ (the “Option”), between Pledgor and Pledgee under Pledgee’s 2003 Stock Option Plan, and Pledgor’s election under the terms of the Option to pay for such shares with his promissory note (the “Note”), Pledgor has purchased _____ shares of Pledgee’s Common Stock (the “Shares”) at a price of \$_____ per share, for a total purchase price of \$_____. The Note and the obligations thereunder are as set forth in Exhibit C to the Option.

NOW, THEREFORE, it is agreed as follows:

1. Creation and Description of Security Interest. In consideration of the transfer of the Shares to Pledgor under the Option Agreement, Pledgor, pursuant to the California Commercial Code, hereby pledges all of such Shares (herein sometimes referred to as the “Collateral”) represented by certificate number ____, duly endorsed in blank or with executed stock powers, and herewith delivers said certificate to the Secretary of Pledgee (“Pledgeholder”), who shall hold said certificate subject to the terms and conditions of this Security Agreement.

The pledged stock (together with an executed blank stock assignment for use in transferring all or a portion of the Shares to Pledgee if, as and when required pursuant to this Security Agreement) shall be held by the Pledgeholder as security for the repayment of the Note, and any extensions or renewals thereof, to be executed by Pledgor pursuant to the terms of the Option, and the Pledge-holder shall not encumber or dispose of such Shares except in accordance with the provisions of this Security Agreement.

2. Pledgor’s Representations and Covenants. To induce Pledgee to enter into this Security Agreement, Pledgor represents and covenants to Pledgee, its successors and assigns, as follows:

a. Payment of Indebtedness. Pledgor will pay the principal sum of the Note secured hereby, together with interest thereon, at the time and in the manner provided in the Note.

b. Encumbrances. The Shares are free of all other encumbrances, defenses and liens, and Pledgor will not further encumber the Shares without the prior written consent of Pledgee.

c. Margin Regulations. In the event that Pledgee’s Common Stock is now or later becomes margin-listed by the Federal Reserve Board and Pledgee is classified as a “lender” within the meaning of the regulations under Part 207 of Title 12 of the Code of Federal Regulations (“Regulation G”), Pledgor agrees to cooperate with Pledgee in making any amendments to the Note or providing any additional collateral as may be necessary to comply with such regulations.

3. Voting Rights. During the term of this pledge and so long as all payments of principal and interest are made as they become due under the terms of the Note, Pledgor shall have the right to vote all of the Shares pledged hereunder.

4. Stock Adjustments. In the event that during the term of the pledge any stock dividend, reclassification, readjustment or other changes are declared or made in the capital structure of Pledgee, all new, substituted and additional shares or other securities issued by reason of any such change shall be delivered to and held by the Pledgee under the terms of this Security Agreement in the same manner as the Shares originally pledged hereunder. In the event of substitution of such securities, Pledgor, Pledgee and Pledgeholder shall cooperate and execute such documents as are reasonable so as to provide for the substitution of such Collateral and, upon such substitution, references to "Shares" in this Security Agreement shall include the substituted shares of capital stock of Pledgor as a result thereof.

5. Options and Rights. In the event that, during the term of this pledge, subscription Options or other rights or options shall be issued in connection with the pledged Shares, such rights, Options and options shall be the property of Pledgor and, if exercised by Pledgor, all new stock or other securities so acquired by Pledgor as it relates to the pledged Shares then held by Pledgeholder shall be immediately delivered to Pledgeholder, to be held under the terms of this Security Agreement in the same manner as the Shares pledged.

6. Default. Pledgor shall be deemed to be in default of the Note and of this Security Agreement in the event:

a. Payment of principal or interest on the Note shall be delinquent for a period of 10 days or more; or

b. Pledgor fails to perform any of the covenants set forth in the Option or contained in this Security Agreement for a period of 10 days after written notice thereof from Pledgee.

In the case of an event of Default, as set forth above, Pledgee shall have the right to accelerate payment of the Note upon notice to Pledgor, and Pledgee shall thereafter be entitled to pursue its remedies under the California Commercial Code.

7. Release of Collateral. Subject to any applicable contrary rules under Regulation G, there shall be released from this pledge a portion of the Shares held by Pledgeholder here-under upon payments of the principal of the Note. The number of the pledged Shares which shall be released shall be that number of full Shares which bears the same proportion to the initial number of Shares pledged hereunder as the payment of principal bears to the initial full principal amount of Note.

8. Withdrawal or Substitution of Collateral. Pledgor shall not sell, withdraw, pledge, substitute or otherwise dispose of all or any part of the Collateral without the prior written consent of Pledgee.

9. Term. The within pledge of Shares shall continue until the payment of all indebtedness secured hereby, at which time the remaining pledged stock shall be promptly delivered to Pledgor, subject to the provisions for prior release of a portion of the Collateral as provided in paragraph 7 above.

10. Insolvency. Pledgor agrees that if a bankruptcy or insolvency proceeding is instituted by or against it, or if a receiver is appointed for the property of Pledgor, or if Pledgor makes an assignment for the benefit of creditors, the entire amount unpaid on the Note shall become immediately due and payable, and Pledgee may proceed as provided in the case of default.

11. Pledgeholder Liability. In the absence of willful or gross negligence, Pledgeholder shall not be liable to any party for any of his acts, or omissions to act, as Pledgeholder.

12. Invalidity of Particular Provisions. Pledgor and Pledgee agree that the enforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

13. Successors or Assigns. Pledgor and Pledgee agree that all of the terms of this Security Agreement shall be binding on their respective successors and assigns, and that the term "Pledgor" and the term "Pledgee" as used herein shall be deemed to include, for all purposes, the respective designees, successors, assigns, heirs, executors and administrators.

14. Governing Law. This Security Agreement shall be interpreted and governed under the internal substantive laws, but not the choice of law rules, of California.

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

"PLEDGOR"

Signature

Print Name

Address:

“PLEDGEE” NeurocrineBiosciences, Inc.,

a Delaware corporation

Signature

Print Name

Title

“PLEDGEHOLDER”

Secretary of

Neurocrine Biosciences, Inc.



EXHIBIT C

NOTE

\$ _____ San Diego, California

_____ - ____, 19 ____

FOR VALUE RECEIVED, _____ promises to pay to Neurocrine Biosciences, Inc., a Delaware corporation (the "Company"), or order, the principal sum of _____ (\$ _____), together with interest on the unpaid principal hereof from the date hereof at the rate of _____ percent (____%) per annum, compounded semiannually.

Principal and interest shall be due and payable on _____, 20____. Payment of principal and interest shall be made in lawful money of the United States of America.

The undersigned may at any time prepay all or any portion of the principal or interest owing hereunder.

This Note is subject to the terms of the Option, dated as of _____. This Note is secured in part by a pledge of the Company's Common Stock under the terms of a Security Agreement of even date herewith and is subject to all the provisions thereof.

The holder of this Note shall have full recourse against the undersigned, and shall not be required to proceed against the collateral securing this Note in the event of default.

In the event the undersigned shall cease to be an employee, director or consultant of the Company for any reason, this Note shall, at the option of the Company, be accelerated, and the whole unpaid balance on this Note of principal and accrued interest shall be immediately due and payable.

Should any action be instituted for the collection of this Note, the reasonable costs and attorneys' fees therein of the holder shall be paid by the undersigned.
