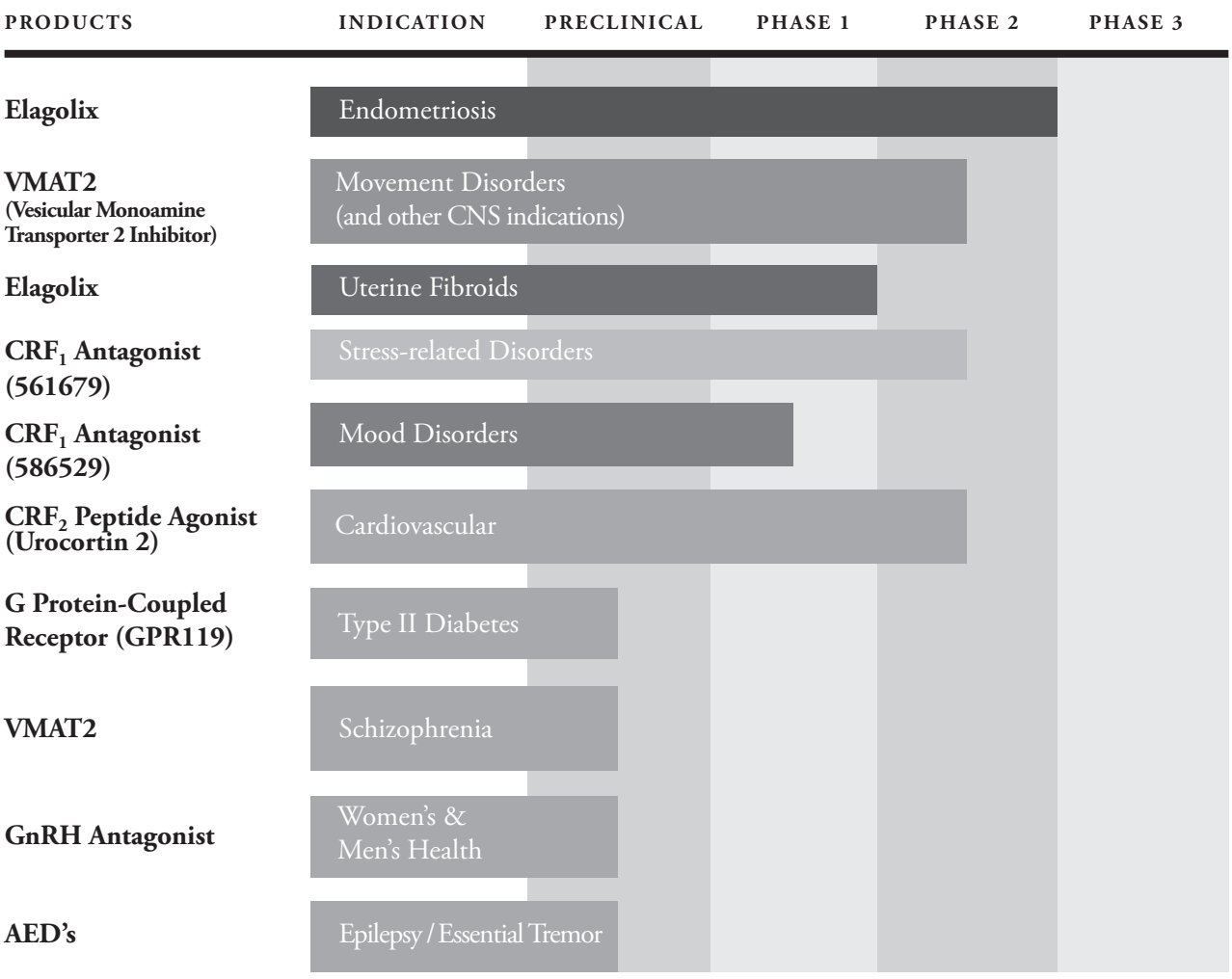
Neurocrine BIOSCIENCES

2010 ANNUAL REPORT

Working as a team, Neurocrine's R&D and clinical development groups possess the skills and experience to identify, select and optimize new compounds, to screen for therapeutic development, and to advance these compounds efficiently through clinical trials.

Neurocrine's research and development efforts are focused on neurological and endocrine diseases and disorders.



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

Dear Shareholders,

This past year has been transformational for Neurocrine, a year of both challenge and reward for employees and shareholders alike. The efforts around three years of reorganizing and refocusing the Company started to yield results in 2010. We had several successful clinical trials with our elagolix and VMAT2 programs, we entered into two significant new worldwide collaborations with Abbott Pharmaceuticals and Boehringer Ingelheim and we ended the year in a very strong financial position with over $135 million in cash and receivables. All of this work was reflected in a one-year appreciation in stock price of approximately 180%. The success we experienced in 2010 has provided a platform to propel Neurocrine into our next dynamic phase, where we intend to further deliver on our innovative research and development.

Elagolix, our orally active Gonadotropin-Releasing Hormone (GnRH) antagonist compound for the treatment of endometriosis, completed a Phase IIb clinical trial, the Daisy Petal Study in May of 2010. In this study we utilized two new daily scales developed in collaboration with the FDA to evaluate dysmenorrhea and non-menstrual pain. The Daisy Petal Study, with approximately 130 women, showed a significant reduction in pain compared to placebo across all pain scales utilized in the trial. The results of this trial were also consistent with the conclusions reached from all of our previous Phase II trials; women on elagolix receive significant pain relief from their endometriosis symptoms.

Based on the outstanding results of the Daisy Petal Study we completed a worldwide corporate partnership with Abbott Pharmaceuticals for our entire GnRH franchise. Abbott paid Neurocrine $75 million as an upfront amount. They also agreed to pay approximately $530 million for the achievement of certain development, regulatory and commercial milestones. Abbott funds all future costs related to the development of elagolix and other GnRH compounds, and makes royalty payments on any future product sales.

We chose to partner with Abbott for three reasons: First, they shared the same enthusiasm and vision for elagolix and endometriosis. Second, their thorough experience with the GnRH receptor through their Lupron franchise. Third, their commitment to developing elagolix simultaneously for endometriosis and uterine fibroids, another important women's health disorder

Together with Abbott we held our end of Phase II meeting with the FDA for the endometriosis program in March of 2011. Following this meeting with the FDA we initiated further activities to start both the Phase III program in endometriosis as well as the Phase II program in uterine fibroids in the second half of 2011.

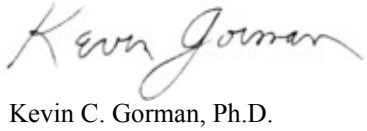
Vesicular Monoamine Transporter 2 (VMAT2) is a protein concentrated in the brain that is essential for the transmission of nerve impulses between neurons. During 2009 and 2010, we completed two Phase I studies in Canada. In these single and multi-dose Phase I trials, our VMAT2 inhibitor (NBI-98854) displayed the desired safety and pharmacokinetic properties. Based on these Phase I studies, in late 2010 we advanced NBI-98854 into a Phase IIa clinical study in Canada in patients with tardive dyskinesia. This Phase IIa study read out in April 2011 and showed that over a twelve day dosing period, our compound provided a 41% reduction in tardive dyskinesia symptoms. Based on the success of this Phase IIa trial, we have initiated the process to open an Investigational New Drug Application (IND) in the United States for NBI-98854. Upon completion of the IND process, we will initiate a Phase IIb study in subjects with tardive dyskinesia. While this program is still young, it holds much promise and may be useful in treating a number of different movement disorders such as Tourette's syndrome, Huntington's chorea, and adult tics.

In two Phase IIa clinical trials, we have shown that our urocortin 2 peptide has positive hemodynamic effects in congestive heart failure patients. Our 50 patient Phase IIb trial currently being conducted by our collaborators at the Christchurch Cardioendocrine Research Center at the Christchurch School of Medicine and Health Sciences in New Zealand has almost completed enrollment. We are on track to report the clinical data in late summer of 2011. We have found this naturally occurring peptide to be very potent, yet well tolerated, in both healthy volunteers and patients. Additionally, we are working with another academic collaborator at the Centre for Cardiovascular Sciences at the University of Edinburgh where nine studies are being conducted in both healthy volunteers and patients with congestive heart failure.

Neurocrine has invested much time, effort and money in building a unique and proprietary research platform that has been very productive for over a decade. This platform was further validated in 2010 when Boehringer Ingleheim entered into a collaboration with us to discover small molecule agonists to a receptor potentially involved in glucose regulation, GPR119. We received an upfront payment of $10 million from Boehringer Ingelheim and within eight months have delivered several different series of compounds to them. We look forward to continuing this collaboration and moving these compounds into the clinic to treat Type 2 diabetes.

While we are quite proud of our results in 2010, we realize that our work has only just begun. We will continue to aggressively move our compounds both out of research and through the clinic in 2011 while remaining vigilant on our expenses. I want to thank our shareholders for their continued trust and encouragement, our employees and their families for their tireless efforts, and our collaborators for their support as we look forward to a prosperous year ahead.

Regards,



Kevin C. Gorman, Ph.D.
President and Chief Executive Officer

NEUROCRINE BIOSCIENCES, INC.
12780 El Camino Real
San Diego, CA 92130

Notice of Annual Meeting of Stockholders

To Be Held on May 25, 2011

TO THE STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2011 Annual Meeting of Stockholders of Neurocrine Biosciences, Inc., a Delaware corporation (the "Company"), will be held on May 25, 2011, at 10:30 a.m. local time, at the Company's corporate headquarters located at 12780 El Camino Real, San Diego, California 92130, for the following purposes as more fully described in the Proxy Statement accompanying this Notice:

1. The election of the three nominees for Class III Director named herein to the Board of Directors to serve for a term of three years;
2. An advisory vote on the compensation paid to the Company's named executive officers;
3. An advisory vote on the frequency of advisory voting on the compensation paid to the Company's named executive officers;
4. The approval of the Company's 2011 Equity Incentive Plan;
5. The consideration of a stockholder proposal to declassify the Board of Directors;
6. The ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011; and
7. To transact such other business as may properly come before the Annual Meeting or any continuation, adjournment or postponement thereof.

Only stockholders of record at the close of business on April 1, 2011 are entitled to receive notice of and to vote at the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. However, to assure your representation at the Annual Meeting, you are urged to mark, sign, date and return the enclosed proxy card as promptly as possible in the postage prepaid envelope, or vote by telephone or internet (instructions have been provided on your proxy card). Stockholders attending the Annual Meeting may vote in person even if they have returned a proxy.

By Order of the Board of Directors,

Margaret Valeur-Jensen, Ph.D., J.D.
Corporate Secretary

San Diego, California
April 21, 2011

Important Notice Regarding the Availability of Proxy Materials for the Stockholders' Meeting to be Held on May 25, 2011 at 10:30 a.m. Local Time at 12780 El Camino Real, San Diego, California 92130.

The proxy statement and annual report to stockholders are available at www.proxyvote.com. Please have the control number on your proxy card available.

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TABLE OF CONTENTS

NEUROCRINE BIOSCIENCES, INC.

12780 El Camino Real
San Diego, California 92130

PROXY STATEMENT

The enclosed Proxy is solicited on behalf of Neurocrine Biosciences, Inc., a Delaware corporation (the "Company" or "Neurocrine"), for use at its 2011 Annual Meeting of Stockholders to be held on May 25, 2011 beginning at 10:30 a.m., local time, or at any continuations, postponements or adjournments thereof for the purposes set forth in this Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Company's corporate headquarters, located at 12780 El Camino Real, San Diego, California 92130. The Company's phone number is (858) 617-7600.

This proxy statement is being first mailed on or about April 21, 2011 to all stockholders entitled to vote at the Annual Meeting.

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will act upon the matters outlined in the Notice of Annual Meeting of Stockholders on the cover page of this proxy statement, including the election of the three nominees for Director named herein, an advisory vote on the compensation paid to the Company's named executive officers, an advisory vote on the frequency of advisory voting on the compensation paid to the Company's named executive officers, approval of the Company's 2011 Equity Incentive Plan, consideration of a stockholder proposal to declassify the Board of Directors, and ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011. In addition, management will report on the performance of the Company and respond to questions from stockholders.

Who can attend the Annual Meeting?

All stockholders of record at the close of business on April 1, 2011 (the "Record Date"), or their duly appointed proxies, may attend the Annual Meeting. If you attend, please note that you may be asked to present valid picture identification, such as a driver's license or passport. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

Please also note that if you hold your shares in "street name" (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the Annual Meeting.

Who is entitled to vote at the Annual Meeting?

Stockholders of record at the close of business on the Record Date are entitled to receive notice of and to participate in the Annual Meeting. At the close of business on the Record Date, 55,191,086 shares of the Company's common stock, $0.001 par value per share, were issued and outstanding. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the Annual Meeting, or any postponements or adjournments of the Annual Meeting.

Each outstanding share of the Company's common stock will be entitled to one vote on each proposal considered at the Annual Meeting.

What constitutes a quorum? What are broker non-votes? What are advisory votes?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the aggregate voting power of the common stock outstanding on the Record Date will constitute a quorum, permitting the Company to conduct its business at the Annual Meeting. As of the Record Date, 55,191,086 shares of common stock, representing the same number of votes, were outstanding. Thus, the presence of the holders of common stock representing at least 27,595,544 shares will be required to establish a quorum. The presence of a quorum will be determined by the Inspector of Elections (the "Inspector").

Proxies received but marked as abstentions, as well as "broker non-votes," will be included in the calculation of the number of shares considered to be present at the Annual Meeting. Broker non-votes occur when a holder of shares in "street name" does not give instructions to the broker or nominee holding the shares as to how to vote on "non-routine" matters. Under the rules and interpretations of the New York Stock Exchange (the "NYSE"), "non-routine" matters are matters that may substantively affect the rights or privileges of stockholders, such as mergers, stockholder proposals and elections of directors, even if not contested. In addition, as required by Section 957 of the recently adopted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, advisory votes on executive compensation and on the frequency of advisory votes on executive compensation are non-routine matters for which brokers do not have discretionary authority to vote shares held by account holders. Only ratification of our independent registered public accounting firm under Proposal Six is considered a routine matter.

The votes on Proposals Two and Three are advisory. Neither the approval nor the disapproval of Proposal Two or the outcome of the vote on Proposal Three will be binding on the Company or the Board of Directors and neither will create or imply any change to the fiduciary duties of the Board of Directors. However, the Company and the Board of Directors will consider the results of the advisory votes on Proposal Two and Proposal Three in making future decisions about compensation of the Company's named executive officers and frequency of future advisory votes on the compensation paid to the Company's named executive officers.

How do I vote?

If you complete and properly sign the accompanying proxy card and return it to the Company, it will be voted as you direct. If you are a registered stockholder (that is, if you hold your stock in certificate form and attend the Annual Meeting), you may deliver your completed proxy card in person. "Street name" stockholders who wish to vote at the Annual Meeting will need to obtain a proxy form from the institution that holds their shares.

The cost of solicitation of proxies will be borne by the Company. The Company will reimburse expenses incurred by brokerage firms and other persons representing beneficial owners of shares in forwarding solicitation material to beneficial owners. To assist in soliciting proxies (votes), the Company may retain a professional proxy solicitation firm, at an approximate cost of $10,000. Proxies also may be solicited by certain of the Company's Directors, officers and regular employees, without additional compensation, personally, by telephone or by other appropriate means.

Can I vote by telephone or electronically?

If you are a registered stockholder you may vote by telephone, or electronically through the Internet, by following the instructions included with your proxy card. If your shares are held in "street name," please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically. The deadline for voting by telephone or electronically is 11:59 p.m., Eastern Time, on May 24, 2011.

Can I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with the Corporate Secretary of the Company either a notice of revocation or a duly executed proxy bearing a later date. Your proxy will also be revoked if you attend the Annual Meeting and vote in person. Attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

What are the Board of Director's recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board of Director's recommendation is set forth together with the description of each item in this proxy statement. In summary, the Board of Directors recommends a vote:

- *for* election of the three nominees for Director named herein (see Proposal One);
- *for* the compensation paid to the Company's named executive officers (see Proposal Two);
- *for* annual advisory voting on the compensation paid to the Company's named executive officers (see Proposal Three);
- *for* approval of the Company's 2011 Equity Incentive Plan (see Proposal Four);
- *against* the stockholder proposal to declassify the Board of Directors (see Proposal Five);
- *for* ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011 (see Proposal Six).

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

What vote is required to approve each item?

Election of Directors. The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of Directors. A properly executed proxy marked "WITHHOLD AUTHORITY" with respect to the election of one or more Directors will not be voted with respect to the Director or Directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Other Items. For each item, other than Proposal Three, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. For Proposal Three, the frequency receiving votes of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be considered the frequency preferred by the shareholders. A properly executed proxy marked "ABSTAIN" with respect to any such matter will not be voted, although it will be counted for purposes of determining the number of shares represented in person or by proxy at the Annual Meeting. Accordingly, an abstention will have the effect of a negative vote. If you hold your shares in "street name" through a broker or other nominee, your broker or nominee will not be permitted to exercise voting discretion with respect to each of the matters to be acted upon, other than Proposal Six. Thus, if you do not give your broker or nominee specific instructions, your shares will not be voted on and will not be counted. Shares represented by such "broker non-votes" will, however, be counted in determining whether there is a quorum.

Who counts the votes?

Votes cast by proxy or in person at the Annual Meeting will be tabulated by the Inspector.

What proxy materials are available on the Internet?

The proxy statement and annual report to stockholders are available on the Internet at www.proxyvote.com. Please have the control number on your proxy card available.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an amended Form 8-K to publish the final results.

STOCK OWNERSHIP

Who are the principal stockholders, and how much stock does management own?

The following table sets forth the beneficial ownership of the Company's common stock as of March 15, 2011 by (i) each of the executive officers named in the table under the heading "Summary Compensation Table," (ii) each current Director, (iii) all current Directors and executive officers as a group and (iv) all persons known to the Company to be the beneficial owners of more than 5% of the Company's common stock. The table is based upon information supplied by our executive officers, Directors and principal stockholders and a review of Schedules 13D and 13G, if any, filed with the Securities and Exchange Commission (the "SEC"). A total of 55,108,144 shares of the Company's common stock were issued and outstanding as of March 15, 2011.

Name and Address of Beneficial Owner (1)	Number of Shares of Common Stock Owned (2)	Number of Shares of Common Stock Acquirable Within 60 Days (3)	Total Number of Shares of Common Stock Beneficially Owned (4)	Percent Ownership
FMR LLC (5) 82 Devonshire Street, Boston, MA 02109	7,635,229	—	7,635,229	13.9%
Venrock Healthcare Capital Partners, LP (6) 30 Rockefeller Plaza, Suite 5508, New York, NY 10112	4,784,689	—	4,784,689	8.7%
Biotechnology Value Fund Group (7) 900 North Michigan Avenue, Suite 1100, Chicago, IL 60611	3,499,765	—	3,499,765	6.4%
BlackRock, Inc. (8) 40 East 52nd Street, New York, NY 10022	3,093,603	—	3,093,603	5.6%
Kevin C. Gorman, Ph.D.	177,202	279,667	456,869	*
Timothy P. Coughlin	96,124	197,667	293,791	*
Margaret Valeur-Jensen, Ph.D., J.D.	118,256	215,729	333,985	*
Christopher F. O'Brien, M.D.	94,794	169,167	263,961	*
Dimitri E. Grigoriadis, Ph.D.	75,433	102,174	177,607	*
Haig P. Bozigian, Ph.D.	76,954	101,792	178,746	*
Gary A. Lyons	272,495	241,243	513,738	*
Corinne H. Nevinny	—	67,744	67,744	*
W. Thomas Mitchell	1,900	87,744	89,644	*
Joseph A. Mollica, Ph.D.	—	118,326	118,326	*
Richard F. Pops	—	91,744	91,744	*
Stephen A. Sherwin, M.D.	—	91,744	91,744	*
William H. Rastetter, Ph.D.	—	25,000	25,000	*
Wylie W. Vale, Ph.D.	231,372	91,744	323,116	*
All current executive officers and Directors as a group (14 persons)	1,144,530	1,881,485	3,026,015	5.3%

* Represents beneficial ownership of less than one percent (1%) of the outstanding shares of the Company's common stock as of March 15, 2011.

(1) The address of each beneficial owner named is c/o Neurocrine Biosciences, Inc., 12780 El Camino Real, San Diego, CA 92130, unless otherwise indicated.

(2) Represents shares of common stock owned, excluding shares of common stock subject to stock options that are listed under the heading "Number of Shares of Common Stock Acquirable Within 60 Days," by the named parties as of March 15, 2011.

(3) Shares of common stock subject to stock options currently exercisable or exercisable within 60 days of March 15, 2011, regardless of exercise price, are deemed to be outstanding for computing the percentage ownership of the person holding such options and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage of any other person.

(4) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as indicated by footnote, and subject to community

property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

(5) Based on Amendment No. 1 to Schedule 13G filed by FMR LLC ("FMR") on February 14, 2011, reporting ownership as of December 31, 2010. According to such filing, FMR beneficially owns 7,635,229 shares of common stock and sole voting power as to 1,249,094 shares of common stock. Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the common stock held by FMR. The interest of one person, Puritan Fund, an investment company registered under the Investment Company Act of 1940, as amended, amounted to 3,961,499 or 7.221% of the total outstanding common stock at December 31, 2010.

(6) Based on Schedule 13G filed by Venrock Healthcare Capital Partners, L.P. ("Venrock") and Venrock Co-Investment Holdings, LLC ("Venrock LLC") and VHCP Management, LLC ("VHCP") on January 5, 2010, reporting ownership as of December 22, 2009. According to such filing, Venrock beneficially owned 4,044,789 shares of common stock, Venrock LLC beneficially owned 739,900 shares of common stock and VHCP beneficially owned 4,784,689 shares of common stock.

(7) Based on Amendment No. 6 to Schedule 13G filed by Biotechnology Value Fund, L.P. ("BVF"), Biotechnology Value Fund II, L.P. ("BVF2"), BVF Investments, L.L.C. ("BVLLC"), Investment 10, L.L.C. ("ILL10"), BVF Partners L.P. ("Partners") and BVF Inc. ("BVF Inc.") on February 11, 2011, reporting ownership as of December 31, 2010. According to such filing, BVF beneficially owned 793,965 shares of common stock, BVF2 beneficially owned 540,500 shares of common stock, BVLLC beneficially owned 1,911,600 shares of common stock and ILL10 beneficially owned 253,700 shares of common stock. Beneficial ownership by Partners and BVF Inc. includes 3,499,765 shares of common stock. Pursuant to the operating agreement of BVLLC, Partners is authorized, among other things, to invest the funds of Samana Capital, L.P., the majority member of BVLLC, in shares of the common stock beneficially owned by BVLLC and to vote and exercise dispositive power over those shares of the common stock. Partners and BVF Inc. share voting and dispositive power over shares of the common stock beneficially owned by BVF, BVF2, BVLLC and those owned by ILL10, on whose behalf Partners acts as an investment manager, and accordingly, Partners and BVF Inc. have beneficial ownership of all of the shares of the common stock owned by such parties. Mark N. Lampert, as a Director and officer of BVF Inc., may be deemed to beneficially own the 3,499,765 shares of common stock beneficially owned by BVF Inc.

(8) Based on Amendment No. 1 to Schedule 13G filed by BlackRock, Inc. ("BlackRock") on February 7, 2011, reporting ownership as of December 31, 2010. Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of shares of the common stock held by BlackRock. No one person's interest in the common stock held by BlackRock is more than five percent of our total outstanding common stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's officers and Directors, and persons who beneficially own 10% or greater of a registered class of the Company's equity securities, to file reports of ownership on Form 3 and reports of changes in ownership on Form 4 or Form 5 with the SEC. Such officers, Directors and 10% or greater stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received by it, and written representations from certain reporting persons, the Company believes that its officers, Directors and 10% or greater stockholders complied with all Section 16(a) filing requirements applicable to them during the fiscal year ended December 31, 2010.

BOARD OF DIRECTORS AND COMMITTEES

General

The Company's Bylaws provide that the Board of Directors will be comprised of nine Directors. The Company's Certificate of Incorporation provides that the Board of Directors is divided into three classes. There are currently three Directors in Class I (W. Thomas Mitchell, Joseph A. Mollica, Ph.D. and Wylie W. Vale, Ph.D.), three Directors in Class II (Corinne H. Nevinny, Richard F. Pops and Stephen A. Sherwin, M.D.), and three Directors in Class III (Kevin C. Gorman, Ph.D., Gary A. Lyons and William H. Rastetter, Ph.D.). With the exception of Kevin C. Gorman, Ph.D., who is the President and Chief Executive Officer of Neurocrine, all current members of the Board of Directors meet the definition of "independent director" under the Nasdaq Stock Market qualification standards.

The Directors in Class I hold office until the 2012 Annual Meeting of Stockholders, the Directors in Class II hold office until the 2013 Annual Meeting of Stockholders and the Directors in Class III hold office until the 2011 Annual Meeting of Stockholders (or, in each case, until their earlier resignation, removal from office, or death). After each such election, the Directors in each such case will then serve in succeeding terms of three years and until a successor is duly elected and qualified. Officers of the Company serve at the discretion of the Board of Directors. There are no family relationships among the Company's Directors and executive officers.

The term of office for Directors Kevin C. Gorman, Ph.D., Gary A. Lyons and William H. Rastetter, Ph.D., will expire at the 2011 Annual Meeting. At the 2011 Annual Meeting, the stockholders will elect three Class III Directors for a term of three years.

On February 21, 2011, the Board of Directors elected William H. Rastetter, Ph.D. as Chairman of the Board of Directors effective upon the 2011 Annual Meeting of Stockholders.

Director Biographies

Kevin C. Gorman, Ph.D. has been employed with the Company since 1993. He was appointed President and Chief Executive Officer in January 2008 after having served as Executive Vice President and Chief Operating Officer since September 2006 and prior to that, as Executive Vice President and Chief Business Officer and Senior Vice President of Business Development. He has served on the Board of Directors since January 2008. From 1990 until 1993, Dr. Gorman was a principal of Avalon Medical Partners, L.P. where he was responsible for the early stage founding of the Company and several other biotechnology companies such as Onyx Pharmaceuticals, Inc., Metra Biosystems, Inc., Idun Pharmaceuticals, Inc. and ARIAD Pharmaceuticals, Inc. Dr. Gorman received his Ph.D. in immunology and M.B.A. in Finance from the University of California, Los Angeles and did further post-doctoral training at The Rockefeller University.

Gary A. Lyons has served as a Director of the Company since joining Neurocrine in February 1993. Mr. Lyons served as the President and Chief Executive Officer of the Company from February 1993 through January 2008. Prior to joining the Company, Mr. Lyons held a number of senior management positions at Genentech, Inc., including Vice President of Business Development and Vice President of Sales. Mr. Lyons currently serves on the Boards of Directors for Rigel Pharmaceuticals, Inc., a biotechnology company focused on developing drugs for the treatment of inflammatory/autoimmune and metabolic diseases, Vical Incorporated, a biotechnology company focused on the prevention and treatment of serious or life-threatening diseases, Poinard Pharmaceuticals, Inc., a biopharmaceutical company focused on the development and commercialization of oncology products, and KaloBios Pharmaceuticals, Inc., a company developing patient targeted, first in-class monoclonal antibodies. Mr. Lyons was previously a Director of PDL BioPharma, Inc. and Facet Biotech Corporation. Mr. Lyons holds a B.S. in marine biology from the University of New Hampshire and an M.B.A. from Northwestern University's J.L. Kellogg Graduate School of Management.

W. Thomas Mitchell has served on Neurocrine's Board of Directors since November 2002. He is the former Chairman of the Board and Chief Executive Officer of Genencor International, a biotechnology company. Under

his guidance, Genencor's revenues grew from under $30 million to over $325 million. In addition, he successfully managed the acquisition and integration of three major businesses to build the global enterprise that is now Genencor. An industry leader, Mr. Mitchell has participated in a number of important policy initiatives including the 1999 federal executive order that created the national bioenergy initiative. He also served as a member of the Governor's Council on Biotechnology in California, which was responsible for helping to improve the state's competitiveness in the mid-1990's. Mr. Mitchell previously served on the Board of Directors of DJO, Inc., a medical device company, where he was a member of the audit committee. He also served on the Advisory Boards of the Chemical Engineering School at Cornell University and the University of Iowa's School of Engineering. Mr. Mitchell received his B.S. in chemical engineering from Drexel University. He also completed the Executive Development Program at the University of Michigan.

Joseph A. Mollica, Ph.D. has served as a Director of the Company since June 1997 and became Chairman of the Board in April 1998. From 2004 to 2008, Dr. Mollica served as the Chairman of the Board of Pharmacopeia Drug Discovery, Inc., a biopharmaceutical company focused on drug discovery and development. From 1994 to 2004, Dr. Mollica served as the Chairman of the Board of Directors, President and Chief Executive Officer of Accelrys, Inc., the former parent of Pharmacopeia Drug Discovery. From 1987 to December 1993, Dr. Mollica served as Vice President, Medical Products of DuPont Company and then as President and CEO of DuPont Merck Pharmaceutical Company from 1991 to 1993. At Ciba-Geigy Ltd., where he was employed from 1966 to 1986, he served in a variety of positions of increasing responsibility, rising to Senior Vice President of Ciba-Geigy's Pharmaceutical Division. Dr. Mollica is currently the Chairman of the Board of Celator Pharmaceuticals, Inc., an oncology focused biotechnology company, and was previously a Director of Cytogen Corporation, Redpoint Bio Corporation and Genencor International. He received his B.S. from the University of Rhode Island, his M.S. and Ph.D. from the University of Wisconsin and his Sc.D.h.c. from the University of Rhode Island.

Corinne H. Nevinny has served on the Board of Directors since June 2004. Previously, Ms. Nevinny held various positions at Edwards Lifesciences, Inc., the global leader in the science of heart valves and hemodynamic monitoring. She served as Corporate Vice President and the General Manager of the Cardiac Surgery Systems and Vascular business units, was responsible for Edwards' global operations and served as Chief Financial Officer and Treasurer. Before joining Edwards in 2003, Ms. Nevinny was Vice President, Chief Financial Officer of Tularik, Inc., a company involved in the discovery and development of drugs based on gene regulation, which was sold to Amgen, Inc. in 2004. Prior to joining Tularik, she was Executive Director-Health Care Group at Warburg Dillon Read LLC, an investment bank. Ms. Nevinny is a Director of Onyx Pharmaceuticals, Inc., a biopharmaceutical company focused on the treatment of cancer. Ms. Nevinny received her undergraduate degree in industrial engineering from Stanford University and her Master's degree in business administration from Harvard Business School.

Richard F. Pops has served on the Board of Directors since April 1998. Mr. Pops is Chairman, Chief Executive Officer and President of Alkermes, Inc. He joined Alkermes as Chief Executive Officer in February 1991. Under his leadership, Alkermes has grown from a privately held research based company with 25 employees to a fully integrated publicly traded pharmaceutical company with more than 500 employees. In addition to Alkermes, he currently serves on the Board of Directors of: Acceleron Pharma, Inc., a biotechnology company focused on musculoskeletal and metabolic therapeutics; Epizyme Corporation, a biotechnology company focused on epigenetics; the Biotechnology Industry Organization; the New England Healthcare Institute; Pharmaceutical Research and Manufacturers of America (PhRMA) and Harvard Medical School Board of Fellows. Mr. Pops was previously a Director of CombinatoRx, Incorporated. He received a B.A. in economics from Stanford University in 1983.

William H. Rastetter, Ph.D. has served on the Board of Directors since February 2010. He has been a partner in the venture capital firm, Venrock, since 2006. Concurrently, he serves as the Chairman of the Board of Directors of Receptos, Inc. a privately held company in the Venrock portfolio. Dr. Rastetter has been a Director on the board of Illumina, Inc. since November 1999 and non-executive chairman since January 2005. He was Executive Chairman of Biogen Idec, Inc. from 2003 to 2005. Earlier, he served as Chairman and Chief Executive

Officer of IDEC Pharmaceuticals Corporation until its merger with Biogen in 2003; he joined IDEC Corporation as its Chief Executive Officer at the company's founding in 1986. From 1984 to 1986, Dr. Rastetter was Director of Corporate Ventures at Genentech, where from 1982 to 1984 he held scientific positions. He held a series of faculty positions including Associate Professor at the Massachusetts Institute of Technology ("MIT") from 1975 to 1982. Dr. Rastetter has a Bachelor of Science degree in chemistry from MIT, and received Master of Art and doctorate degrees in chemistry from Harvard University.

Stephen A. Sherwin, M.D. has served on the Board of Directors since April 1999. Dr. Sherwin is currently Chairman of the Board of Ceregene, Inc., a company which he co-founded in 2001, which is developing gene therapies for neurodegenerative diseases. Dr. Sherwin previously served as Chief Executive Officer of Cell Genesys, Inc., from the beginning of company operations in 1990, and also served as Chairman of the Board beginning in 1994, until Cell Genesys merged with BioSante Pharmaceuticals, Inc. in 2009. He was also a co-founder and Chairman of the Board of Abgenix, Inc., an antibody company which was acquired by Amgen, Inc. in 2006. From 1983 to 1990, Dr. Sherwin held various positions at Genentech, Inc., most recently as Vice President of Clinical Research. Prior to 1983, he was on the staff of the National Cancer Institute. Dr. Sherwin also currently serves as a Director of Biogen Idec, Inc., a company developing and commercializing products for neurology and immunology, BioSante Pharmaceuticals, a company developing topical hormonal therapies for female sexual disorders and Rigel Pharmaceuticals, Inc., a biotechnology company developing therapies for inflammatory autoimmune and metabolic diseases. In addition, Dr. Sherwin has been a member of the Board of Directors of the Biotechnology Industry Organization since 2002 and was elected Chairman of the Board in 2009. Dr. Sherwin holds a B.A. in biology summa cum laude from Yale University and an M.D. from Harvard Medical School and is board-certified in internal medicine and medical oncology.

Wylie W. Vale, Ph.D. has served as a Director of the Company since September 1992. Dr. Vale is one of the Company's academic co-founders and was previously the Chief Scientific Advisor and a member of the Company's Founding Board of Scientific and Medical Advisors. He is The Helen McLoraine Professor of Molecular Neurobiology at The Salk Institute for Biological Studies and is the Senior Investigator and Head of The Clayton Foundation Laboratories for Peptide Biology at The Salk Institute, where he is a former member of the Board of Trustees and former Chairman of the Faculty. He is also an Adjunct Professor of Medicine at the University of California, San Diego. In addition, Dr. Vale is recognized for his work on the molecular, pharmacological and biomedical characterization of neuroendocrine peptides, growth factors and their receptors. In recognition of his discoveries, he has received numerous awards and he is a member of the American Academy of Arts and Sciences, the Institute of Medicine and the National Academy of Sciences. Dr. Vale is a co-founder and member of the Board of Directors of Acceleron Pharma, Inc., a biotechnology company focused on musculoskeletal and metabolic therapeutics. He is a past president of both the American Endocrine Society and the International Society of Endocrinology. Dr. Vale received a B.A. in biology from Rice University and a Ph.D. in physiology and biochemistry from the Baylor College of Medicine.

CORPORATE GOVERNANCE

General

We have long believed that good corporate governance is important to ensure that Neurocrine is managed for the long-term benefit of its shareholders. We periodically review our corporate governance policies and practices. The Board of Directors has adopted Corporate Governance Guidelines which describe our corporate governance practices and address corporate governance issues such as Board composition, responsibilities and Director qualifications. These guidelines are available at www.neurocrine.com.

What is the Board's leadership structure?

It is the Company's policy to separate the roles of Chief Executive Officer and Chairman of the Board. This separation recognizes the independent roles of the Board of Directors, Chairman of the Board and Chief Executive Officer. The Board of Directors sets Company strategy and provides oversight and accountability for

the Chief Executive Officer and Company management. The Chairman of the Board presides over the Board of Directors and provides guidance to the Chief Executive Officer. The Chief Executive Officer sets Company goals and provides leadership and day to day oversight in furtherance of those goals. The Company believes that separation of the Board of Directors and Company leadership preserves the independence of these roles and maximizes the Board's performance.

Are the members of the Board independent?

The Board of Directors annually reviews the independence of each of the Directors. With the exception of Kevin C. Gorman, Ph.D., who is the President and Chief Executive Officer of Neurocrine, all current members of the Board of Directors meet the definition of "independent director" under the Nasdaq Stock Market qualification standards. William H. Rastetter, Ph.D. is a partner in Venrock, a venture capital firm. In December 2009, certain investment funds affiliated with Venrock acquired approximately 4.8 million shares of the Company's common stock in a privately negotiated transaction for aggregate gross proceeds of approximately $10.0 million. Venrock has implemented an internal disclosure screen designed to prevent the transmission of information related to the Company between Dr. Rastetter and other Venrock personnel, and Dr. Rastetter does not exercise any voting or dispositive power over the Company shares held by Venrock. As a result, the Board of Directors determined Dr. Rastetter to be "independent" within the meaning of the Nasdaq Stock Market qualification standards.

How often did the Board meet during fiscal 2010?

The Board of Directors held a total of eight meetings during 2010. During 2010, the Board of Directors had an Audit Committee, a Compensation Committee and a Nominating/Corporate Governance Committee. Charters for each of these committees have been established and approved by the Board of Directors and copies of the charters for each of the committees have been posted on the Company's website at *www.neurocrine.com.* During 2010, no Director attended fewer than 75% of the aggregate of the total meetings of the Board of Directors and no Director attended fewer than 75% of the total number of meetings held by all committees of the Board of Directors on which such Director served.

What are the various committees of the Board and which Directors are on those committees?

The Company's Audit Committee is comprised entirely of Directors who meet the independence requirements set forth in Nasdaq Stock Market Rule 5605(c)(2)(A). Information regarding the functions performed by the committee, its membership, and the number of meetings held during the fiscal year is set forth in the "Report of the Audit Committee," included in this annual proxy statement. The members of the Audit Committee included Corinne H. Nevinny, Richard F. Pops and Stephen A. Sherwin, M.D. The Board of Directors has determined that Corinne H. Nevinny, Richard F. Pops and Stephen A. Sherwin, M.D. are "audit committee financial experts" within the meaning of item 407(d)(5) of SEC Regulation S-K.

The Company's Compensation Committee includes Directors W. Thomas Mitchell, Richard F. Pops and Wylie W. Vale, Ph.D. This committee met six times during 2010. The Compensation Committee reviews and recommends to the Board of Directors the compensation of executive officers and other employees of the Company. Under its charter, the Compensation Committee may form, and delegate authority to, subcommittees as appropriate. Each of the current members of the Compensation Committee is an "independent director" as defined by Nasdaq Stock Market Rule 5605(a)(2).

The Company also has a Nominating/Corporate Governance Committee currently comprised of W. Thomas Mitchell, Joseph A. Mollica, Ph.D., and William H. Rastetter, Ph.D., all of whom are "independent directors" as defined by Nasdaq Stock Market Rule 5605(a)(2). The Nominating/Corporate Governance Committee is responsible for developing and implementing policies and practices relating to corporate governance, including administration of the Company's Code of Business Conduct and Ethics which is available on the Company's website at *www.neurocrine.com.* The functions of this committee also include consideration of the composition

of the Board and recommendation of individuals for election as Directors of the Company. The Nominating/Corporate Governance Committee will consider nominees recommended by stockholders, provided such nominations are made pursuant to the Company's Bylaws and applicable law. The committee met three times during 2010. The committee met in early 2011 to recommend that the Board of Directors nominate Kevin C. Gorman, Ph.D., Gary A. Lyons and William H. Rastetter, Ph.D. for re-election as Class III Directors for the upcoming three-year term.

What is our Director nomination process?

In selecting non-incumbent candidates and reviewing the qualifications of incumbent candidates for the Board of Directors, the Nominating/Corporate Governance Committee considers the Company's corporate governance principles, which include the following:

Directors should possess the highest ethics, integrity and values, and be committed to representing the long-term interest of the stockholders. They also must have experience they can draw upon to help direct the business strategies of the Company together with sound judgment. They must be actively engaged in the pursuit of information relevant to the Company's business and must constructively engage their fellow Board members and management in dialogue and the decision-making process.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board of Directors for an extended period of time. Directors should notify the Chairman of the Board and Chairman of the Nominating/Corporate Governance Committee in the event of any significant change in their employment responsibilities or affiliations. Director nominees should meet the Director Qualification requirements set forth in the Company's Corporate Governance Guidelines.

In evaluating Director nominees, the Nominating/Corporate Governance Committee considers the following factors: personal and professional integrity, ethics and values including any potential conflicts of interest; experience in corporate management, such as serving as an officer or former officer of a publicly held company; experience as a board member of another publicly held company; and additionally, for nominees seeking re-election, meeting attendance and participation and compliance with Company policies.

It is the Company's policy to have a diversity of skills, professional experience, education, associations, achievements, training, points of view and individual qualities and attributes represented on the Board of Directors. The Nominating/Corporate Governance Committee considers the diversity of the Board of Directors when evaluating candidates for election or re-election to the Board of Directors.

The Nominating/Corporate Governance Committee's goal is to assemble a Board of Directors that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience. In doing so, the Nominating/Corporate Governance Committee also considers candidates with appropriate non-business backgrounds.

In addition to the foregoing, the Nominating/Corporate Governance Committee Charter and Corporate Governance Guidelines set forth minimum criteria for Director nominees. The Nominating/Corporate Governance Committee may also consider such other facts as it may deem are in the best interests of the Company and its stockholders. The Nominating/Corporate Governance Committee does, however, believe that at least one, and preferably several members of the Board of Directors, meet the criteria for an "audit committee financial expert" as defined by SEC rules.

The following paragraphs provide information as of the date of this proxy statement about the specific experience, qualifications, attributes and skills of each nominee and current member of the Board of Directors that led the Board to conclude that such person should serve as a Director. In addition to the information below regarding each Board member, we also believe that all of our Directors have a reputation for honesty, integrity and highest ethical standards. They each have demonstrated business acumen, an ability to exercise sound judgment and a commitment to serve the Company.

Class I Directors Continuing Until 2012 Annual Meeting

The continued service of ***W. Thomas Mitchell*** on the Company's Board of Directors is based on his proven ability to build companies on a global scale. Under Mr. Mitchell's leadership, Genencor International substantially increased its revenues and through acquisition and integration of businesses grew on an international scale. In addition to his strategic company experience, Mr. Mitchell brings experience in public policy initiatives and finance to the Company's Board of Directors.

The continued service of ***Joseph A. Mollica, Ph.D.*** on the Company's Board of Directors is based on his years of experience in the pharmaceutical industry including his wide range of leadership experience, roles and responsibilities with companies such as Pharmacopeia Drug Discovery, Inc., Accelrys, Dupont Company, Dupont Merck Pharmaceutical Company and Ciba-Geigy and his service on a number of life science company Boards. Dr. Mollica contributes a significant history and depth of experience in the biopharmaceutical industry to the Board of Directors.

The continued service of ***Wylie W. Vale, Ph.D.*** on the Company's Board of Directors is based on Dr. Vale's contributions as a scientific advisor and co-founder of the Company. As The Helen McLoraine Professor of Molecular Neurobiology at The Salk Institute for Biological Studies, Senior Investigator and Head of The Clayton Foundation for Peptide Biology, Adjunct Professor of Medicine at the University of California San Diego and member of the prestigious National Academy of Sciences and the Institute of Medicine, Dr. Vale's scientific accomplishments are significant and widely recognized and he contributes this scientific knowledge and experience to the Board of Directors.

Class II Directors Continuing Until 2013 Annual Meeting

The continued service of ***Corinne H. Nevinny*** on the Company's Board of Directors is based on her global expertise as a prior President for Global Operations of Edward Lifesciences, Inc., her financial background as a prior Chief Financial Officer for Edwards Lifesciences and Tularik, Inc. and her capital markets experience as Executive Director—Health Care Group at Warburg Dillon Read LLC. Her combination of financial, global and capital markets experience has in the past, and will in the future, help guide the Company's financial and capital strategies.

The continued service of ***Richard F. Pops*** on the Company's Board of Directors is based on his leadership experience and track record for growing companies, his strength in business strategy and his financial acumen and capital markets experience. In addition, Mr. Pops is recognized for his service to the biopharmaceutical industry as a member of the Boards of the Biotechnology Industry Organization, Pharmaceutical Research and Manufacturers of America, New England Healthcare Institute and Harvard Medical School Board of Fellows. His breadth and range of industry experience from operations and strategy is a significant contribution to the Board of Directors.

The continued service of ***Stephen A. Sherwin, M.D.*** on the Company's Board of Directors is based on his experience and credentials in the biotechnology industry as the former Chief Executive Officer of Cell Genesys, Inc., the co-founder of Abgenix, Inc. and both the chairman and cofounder of Ceregene, Inc., and his positions at Genentech, Inc. and the National Cancer Institute. Dr. Sherwin also currently serves as Chairman of the Biotechnology Industry Organization. In addition to his biotechnology credentials, Dr. Sherwin's medical expertise in internal medicine and medical oncology provides a unique contribution to the Board of Directors.

Class III Directors Nominated for Re-election 2011 Annual Meeting

The nomination of ***Kevin C. Gorman, Ph.D.*** for election to the Company's Board of Directors is based on the fact that as President and Chief Executive Officer of the Company, Dr. Gorman has extensive knowledge of our product candidates, our employees and the industry in which we operate. Dr. Gorman has also demonstrated exceptional leadership skills, sound business judgment and a strong commitment to the Company.

The nomination of ***Gary A. Lyons*** for election to the Company's Board of Directors is based on Mr. Lyons' extensive business development experience and, as the Company's former Chief Executive Officer, his in-depth understanding of the Company's product candidates, management and culture. With this history with the Company and management, Mr. Lyons brings a unique perspective and point of view to the Company's Board of Directors.

The nomination of ***William H. Rastetter, Ph.D.*** for election to the Board of Directors is based on Dr. Rastetter's scientific and technical expertise combined with his business experience in leading rapidly growing companies in the life science industry. The Company's continued growth is dependent on scientific and technical advances, and the Board of Directors believes that Dr. Rastetter offers both strategic and technical insight into the risks and opportunities associated with our business. In addition, Dr. Rastetter's board and executive leadership experience at other life science companies provides valuable strategic and governance insight to the Board of Directors as a whole.

Identification and Evaluation of Nominees for Director

The Nominating/Corporate Governance Committee identifies nominees for Director by first evaluating the current members of the Board of Directors willing to continue in service. Current members with qualifications and skills that are consistent with the Nominating/Corporate Governance Committee's criteria for Board of Directors service and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If any member of the Board of Directors does not wish to continue in service, or if the Board of Directors decides not to re-nominate a member for re-election, the Nominating/Corporate Governance Committee identifies the desired skills and experience of a new nominee in light of the criteria above. The Nominating/Corporate Governance Committee generally polls the Board of Directors and members of management for their recommendations and may also seek input from third-party search firms. The Nominating/Corporate Governance Committee may also seek input from industry experts or analysts. The Nominating/Corporate Governance Committee reviews the qualifications, experience and background of the candidates. Final candidates are then interviewed by the Company's independent Directors and executive management. In making its determinations, the Nominating/Corporate Governance Committee evaluates each individual in the context of the Company's Board of Directors as a whole, with the objective of assembling a group that can best perpetuate the success of the Company and represent stockholder interests through the exercise of sound judgment. After review and deliberation of all feedback and data, the Nominating/Corporate Governance Committee makes its recommendation to the Board of Directors.

We have not received Director candidate recommendations from the Company's stockholders and do not have a formal policy regarding consideration of such recommendations. However, any recommendations received from stockholders will be evaluated in the same manner that potential nominees suggested by members of our Board of Directors, management or other parties are evaluated. Accordingly, our Board of Directors believes a formal policy regarding consideration of such recommendations is unnecessary.

What is our process for stockholder communications with the Board of Directors?

Stockholders of the Company wishing to communicate with the Company's Board of Directors or an individual Director may send a written communication to the Board of Directors or such Director c/o Neurocrine Biosciences, Inc., 12780 El Camino Real, San Diego, CA 92130, Attn: Corporate Secretary. Each communication must set forth:

- the name and address of the Company stockholder on whose behalf the communication is sent; and
- the number of Company shares that are owned beneficially by such stockholder as of the date of the communication.

Each stockholder communication will be reviewed by the Company's Corporate Secretary to determine whether it is appropriate for presentation to the Board or such Director. Examples of inappropriate communications include advertisements, solicitations or hostile communications.

Communications determined by the Corporate Secretary to be appropriate for presentation to the Board or such Director will be submitted to the Board or such Director on a periodic basis.

What is the Board's role in risk oversight?

While the Board of Directors has ultimate oversight responsibility for the risk management process, it has delegated portions of this responsibility to various committees. The Board of Directors and committees oversee risk throughout the business with focus on financial risk, legal/compliance risk and strategic risk. The Audit Committee focuses on financial risk and internal controls and receives an annual financial risk assessment from the Company's independent registered public accounting firm. The Nominating/Corporate Governance Committee and Audit Committee each focus on legal/compliance risk with the Nominating/Corporate Governance Committee taking the lead on the governance and management process and the Audit Committee taking the lead on SEC reporting and compliance. The Compensation Committee addresses compensation policies and practices as they relate to risk management practices and risk-taking incentives. The participation of the full Board of Directors in setting the Company's business strategy incorporates assessment of strategic risk for the Company overall.

How do the Company's compensation policies and practices relate to risk management practices and risk-taking incentives?

During 2010, the Compensation Committee in conjunction with the Board of Directors initiated an assessment of how the Company's compensation policies and practices relate to risk management practices and risk-taking incentives. As part of the process, the Compensation Committee engaged the services of an external compensation consulting firm to conduct an independent risk assessment. Based on this assessment, the Compensation Committee concluded that the Company's compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

What is our policy regarding Board member attendance at the Company's Annual Meeting?

The Company does not have a formal policy regarding attendance by members of the Board of Directors at the Annual Meeting. Directors Kevin C. Gorman, Ph.D. and Joseph A. Mollica, Ph.D. attended the 2010 Annual Meeting of Stockholders.

REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this Report by reference therein.

The Audit Committee is currently comprised of Directors Corinne H. Nevinny, Richard F. Pops, and Stephen A. Sherwin, M.D. All current committee members satisfy the definition of "independent director" as established in the Nasdaq Stock Market qualification requirements. The Audit Committee met four times during the year ended December 31, 2010.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the Company's financial statements and the reporting process, including the Company's systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2010, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee also has reviewed and discussed the Company's audited financial statements as of and for the year ended December 31, 2010 with the Company's independent registered public accounting firm, who are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, as well as their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee under Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board (United States) (the "PCAOB") in Rule 3200T. The independent registered public accounting firm also is responsible for performing an independent audit of the Company's internal control over financial reporting in accordance with the auditing standards of the PCAOB. In addition, the Audit Committee has discussed the independent registered public accounting firm's independence from management and the Company, including the matters in the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB and considered the compatibility of non-audit services with the auditors' independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for their audits. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, for filing with the Securities and Exchange Commission. The Audit Committee and the Board of Directors are also seeking stockholder ratification of the selection of the Company's independent registered public accounting firm for the year ending December 31, 2011.

Respectfully submitted by:
AUDIT COMMITTEE

Corinne H. Nevinny
Richard F. Pops
Stephen A. Sherwin, M.D.

Audit and non-audit fees

The aggregate fees billed to the Company by Ernst & Young LLP, the Company's independent registered public accounting firm, for the indicated services for each of the last two fiscal years were as follows:

	2010	2009
Audit fees (1)	$404,357	$327,916
Audit related fees (2)	—	—
Tax fees (3)	91,797	—
All other fees (4)	—	—
Total	$496,154	$327,916

(1) Audit fees consist of fees for professional services performed by Ernst & Young LLP for the integrated audit of the Company's annual financial statements and internal control over financial reporting and review of financial statements included in the Company's 10-Q filings, review of registration statements on Form S-3 and Form S-8, and services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) Audit related fees consist of fees for assurance and related services performed by Ernst & Young LLP that are reasonably related to the performance of the audit or review of the Company's financial statements.

(3) Tax fees consist of fees for professional services performed by Ernst & Young LLP with respect to tax compliance, tax advice and tax planning. For 2010, these fees included $27,000 for tax preparation services, $30,000 for services related to Section 382 studies for net operating loss utilization and $34,797 for consulting services related to the 48D tax credit (biotech tax grant).

(4) All other fees consist of fees for other permissible work performed by Ernst & Young LLP that does not meet with the above category descriptions.

The Audit Committee has considered whether the provision of non-audit services is compatible with maintaining the independence of Ernst & Young LLP, and has concluded that the provision of such services is compatible with maintaining the independence of that firm. All of the services rendered by Ernst & Young LLP were pre-approved by the Audit Committee in accordance with the Audit Committee pre-approval policy described below.

Audit Committee policy regarding pre-approval of audit and permissible non-audit services of our independent registered public accounting firm

The Company's Audit Committee has established a policy that all audit and permissible non-audit services provided by the Company's independent registered public accounting firm will be pre-approved by the Audit Committee. These services may include audit services, audit-related services, tax services and other services. The Audit Committee considers whether the provision of each non-audit service is compatible with maintaining the independence of the Company's registered public accounting firm. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Company's independent registered public accounting firm and management are required to periodically (at least quarterly) report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

PROPOSAL ONE: ELECTION OF DIRECTORS

The Company's Bylaws provide that the Board of Directors will be comprised of nine Directors. The Company's Certificate of Incorporation provides that the Board of Directors is divided into three classes. There are currently three Directors in Class I (W. Thomas Mitchell, Joseph A. Mollica, Ph.D. and Wylie W. Vale, Ph.D.), three Directors in Class II (Corinne H. Nevinny, Richard F. Pops and Stephen A. Sherwin, M.D.), and three Directors in Class III (Kevin C. Gorman, Ph.D., Gary A. Lyons and William H. Rastetter, Ph.D.) With the exception of Kevin C. Gorman, Ph.D., who is the President and Chief Executive Officer of Neurocrine, all current members of the Board of Directors meet the definition of "independent director" under the Nasdaq Stock Market qualification standards.

The Directors in Class I hold office until the 2012 Annual Meeting of Stockholders, the Directors in Class II hold office until the 2013 Annual Meeting of Stockholders and the Directors in Class III hold office until the 2011 Annual Meeting of Stockholders (or, in each case, until their earlier resignation, removal from office, or death). After each such election, the Directors in each such case will then serve in succeeding terms of three years and until a successor is duly elected and qualified. Officers of the Company serve at the discretion of the Board of Directors. There are no family relationships among the Company's Directors and executive officers.

The term of office for Directors Kevin C. Gorman, Ph.D., Gary A. Lyons and William H. Rastetter, Ph.D. will expire at the 2011 Annual Meeting. At the 2011 Annual Meeting, the stockholders will elect three Class III Directors for a term of three years.

Nominees for Election at the Annual Meeting

All of the nominees (Kevin C. Gorman, Ph.D., Gary A. Lyons and William H. Rastetter, Ph.D.) are currently Class III Directors of the Company. All of the nominees were previously elected to the Board of Directors by the Company's stockholders. Information about the nominees is set forth below:

Name of Director	Age	Position in the Company	Director Since
Kevin C. Gorman, Ph.D.	53	President, Chief Executive Officer and Director	2008
Gary A. Lyons	60	Director	1993
William H. Rastetter, Ph.D. (1)	63	Director	2010

(1) Member of the Nominating/Corporate Governance Committee.

Who are the remaining Directors that are not up for election this year?

The Class I and II Directors will remain in office after the 2011 Annual Meeting. The names and certain other current information about the Directors whose terms of office continue after the Annual Meeting are set forth below:

Name of Director	Age	Position in the Company	Director Since
Corinne H. Nevinny (1)	51	Director	2004
Joseph A. Mollica, Ph.D. (3)	70	Director	1997
W. Thomas Mitchell (2)(3)	65	Director	2002
Richard F. Pops (1)(2)	49	Director	1998
Stephen A. Sherwin, M.D. (1)	62	Director	1999
Wylie W. Vale, Ph.D. (2)	69	Director	1992

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating/Corporate Governance Committee.

Vote Required

The nominees receiving the highest number of affirmative votes of the shares present in person or represented by proxy at the 2011 Annual Meeting and entitled to vote on the election of Directors will be elected to the Board of Directors.

Votes withheld from any Director are counted for purposes of determining the presence or absence of a quorum, but have no other legal effect under Delaware law.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's Class III nominees named above. If any of the Company's nominees is unable or declines to serve as a Director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the present Board of Directors to fill the vacancy. It is not expected that any of the Company's nominees will be unable or will decline to serve as a Director. **The Board of Directors unanimously recommends that stockholders vote "FOR" the Class III nominees named above.**

PROPOSAL TWO: ADVISORY VOTE ON COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS

General

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and newly adopted Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as a matter of good corporate governance, stockholders are being asked to approve, on an advisory basis, the compensation paid to the Company's named executive officers as set forth in the Compensation Discussion and Analysis, Summary Compensation Table and related notes and narrative set forth herein. This vote is not intended to address any specific compensation item, but rather the overall compensation of the Company's named executive officers and the philosophy, policies and practices described in this proxy statement.

Summary of the Company's Executive Compensation Philosophy

As discussed below in the Compensation Discussion and Analysis, we believe we have adopted a compensation philosophy that provides strong alignment between executive pay and performance based on strategic goals designed to provide both near term and long-term growth in stockholder value. The Compensation Committee bases its executive compensation decisions on a number of objectives which include aligning management incentives with interests of stockholders, providing competitive compensation, appropriately balancing compensation risk in the context of the Company's business strategy and meeting evolving compensation governance standards. We believe this philosophy has been borne out by the following operational and financial achievements we made in our 2010 fiscal year amid extremely challenging market and economic conditions:

- a worldwide collaboration with Abbott International Luxembourg S.à r.l. to develop and commercialize elagolix and all next-generation GnRH antagonists for women's and men's health indications;
- a worldwide collaboration with Boehringer Ingelheim International GmbH to research and develop small molecule GPR119 agonists for the treatment of Type II diabetes and other indications;
- successful completion of the elagolix Daisy Petal Study;
- completion of a multiple, repeated dose Phase I study with our VMAT2 inhibitor in healthy male volunteers that showed our VMAT2 inhibitor to be generally safe and well tolerated and initiation of a Phase IIa dose exploration study in patients with tardive dyskinesia;
- initiation of a series of nine urocortin 2 studies at the Centre for Cardiovascular Sciences at The University of Edinburgh to be conducted in both healthy volunteers and patients with stable congestive heart failure;
- obtaining $1 million in Federal tax grants for biotechnology research programs;
- reducing our general and administrative expenses through cost mitigation measures such as our sublease of an unused portion of our campus thereby reducing our rental costs;
- receiving net proceeds of approximately $21.4 million from our public offering of shares of common stock; and
- appreciation in the value of our common stock during the year from $2.77 on January 4, 2010 to $7.64 on December 31, 2010, an increase of 176%.

We are pleased with these accomplishments and believe our compensation philosophy has been effective in motivating our named executive officers to achieve superior performance and success for the Company and its stockholders.

Vote Required

The 'say-on-pay' vote is advisory and therefore not binding on the Company, the Compensation Committee or the Board of Directors. However, we value the opinions of our stockholders and will review and consider the

outcome of this advisory vote when making future compensation decisions for our named executive officers and will evaluate whether any actions are necessary to address the stockholders' concerns. Approval of this advisory vote requires the affirmative vote of the majority of shares represented in person or by proxy and entitled to vote on the item. **The Board of Directors unanimously recommends voting "FOR" approval of the Company's named executive officer compensation.**

PROPOSAL THREE: ADVISORY VOTE ON THE FREQUENCY OF VOTING ON THE COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS

General

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and recently adopted Section 14A of the Exchange Act, stockholders will vote on whether advisory votes on Company's compensation paid to named executive officers should occur every year, every two years or every three years. Stockholders will be allowed to specify one of four choices for this proposal on the proxy card: one-year, two-years, three-years or abstain. Stockholders are not voting to approve or disapprove the recommendation of the Board of Directors.

Recommendation of the Board of Directors

After considering the benefits and consequences of each alternative, we recommend that our stockholders select a frequency of one year or annual vote. An annual vote provides a consistent and clear communication channel for shareholders to voice their opinion on the Company's executive pay program.

Vote Required

The advisory vote on the frequency of future advisory votes on executive compensation is nonbinding on the Company or the Board of Directors. The frequency receiving the votes of the holders of a majority of shares represented in person or by proxy and entitled to vote on the item will be considered the frequency preferred by the shareholders. Although nonbinding, the Board of Directors will consider the voting results when making future decisions regarding frequency of advisory votes on executive compensation. **The Board of Directors unanimously recommends voting for conducting future advisory votes on named executive officer compensation on a "ONE YEAR" basis.**

PROPOSAL FOUR: APPROVAL OF THE COMPANY'S 2011 EQUITY INCENTIVE PLAN

General

The Company's stockholders are being asked to approve the adoption of the 2011 Equity Incentive Plan of Neurocrine Biosciences, Inc. (the "2011 Plan"); pursuant to which 5,500,000 shares of Company common stock will be available for issuance. The adoption of the 2011 Plan will allow the Company to provide its employees, consultants and Directors with a proprietary interest in the Company pursuant to awards granted under the 2011 Plan. The 2011 Plan is the successor to our 2003 Incentive Stock Plan, 2001 Stock Option Plan, 1997 Incentive Stock Plan, 1996 Director Stock Option Plan and 1992 Incentive Stock Plan (together the "Prior Plans"). All of the Prior Plans, with the exception of our 2003 Incentive Stock Plan, have previously terminated in accordance with their terms.

All outstanding stock awards granted under the Prior Plans will continue to be subject to the terms and conditions as set forth in the agreements evidencing such stock awards and the terms of the Prior Plans. If this Proposal Four is approved by stockholders at the Annual Meeting, no further awards will be granted under the Company's 2003 Stock Incentive Plan following the date of the Annual Meeting. However, on the date of the Annual Meeting, 125,000 shares will be automatically granted under the Company's 2003 Incentive Stock Plan to our non-employee Directors.

The 2011 Plan was adopted by the Board of Directors on February 21, 2011, subject to stockholder approval. The 2011 Plan that is the subject of this proposal is attached to this proxy statement as Appendix A.

The 2011 Plan provides for the grant of options that qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), nonstatutory stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights, performance stock awards and other forms of equity compensation, together referred to as stock awards.

The 2011 Plan authorizes the grant to our employees of incentive stock options. Our employees, Directors and consultants are eligible to receive grants of all other forms of stock awards under the 2011 Plan. As of the Record Date, there were approximately 80 employees, consultants, and Directors eligible to receive grants under the 2011 Plan.

Vote Required

At the Annual Meeting, the stockholders are being asked to approve the 2011 Plan. The affirmative vote of the holders of a majority of the shares casting their votes at the Annual Meeting will be required to approve the 2011 Plan. **The Board of Directors recommends voting "FOR" the approval of the 2011 Equity Incentive Plan.**

Summary of the 2011 Equity Incentive Plan

The essential features of the 2011 Plan are summarized below. This summary does not purport to be complete and is subject to, and qualified by reference to, all provisions of the 2011 Plan.

Purpose. The purpose of the 2011 Plan is to enable the Company to attract and retain the best available personnel, to provide additional incentives to the employees, Directors and consultants of the Company and to promote the success of the Company's business.

Administration. Our Board of Directors has the authority to administer the 2011 Plan. Our Board of Directors also has the authority to delegate some or all of the administration of the 2011 Plan (except the Non-Discretionary Grant Program) to a committee or committees composed of one or more members of the Board of

Directors or Company officers (the Board of Directors or any such committee, the "Administrator"). The 2011 Plan may be administered by different committees with respect to different groups of employees and consultants. The Administrator may make any determinations deemed necessary or advisable for the 2011 Plan. The Administrator, in its discretion, selects the employees, Directors and consultants to whom stock awards may be granted, the time or times at which such awards shall be granted, the number of shares subject to each such grant, and other terms of the stock awards. All decisions, determinations and interpretations of the Administrator shall be final and binding on all holders.

Eligibility. Incentive stock options may be granted only to our employees. Nonstatutory stock options, restricted stock awards, restricted stock unit awards, and stock bonus awards may be granted under the 2011 Plan to our employees, Directors and consultants. Participation in the non-discretionary grant program is limited to our non-employee Directors (see "Non-Discretionary Grant Program" below). As of March 15, 2011, we had approximately 80 employees and Directors who will become eligible to participate in the 2011 Plan upon its adoption.

Stock Subject to the 2011 Plan

The maximum number of shares of common stock available for issuance under the 2011 Plan is 5,500,000 shares. The maximum number of shares of common stock that may be issued pursuant to the grant of any "full value stock award" or restricted stock, restricted stock units, and other stock awards, but not including stock options or stock appreciation rights, is 50% of the total number of shares of common stock issuable under the 2011 Plan.

Shares may be issued in connection with a merger or acquisition as permitted by the rules of the applicable national securities exchange, and such issuance shall not reduce the number of shares available for issuance under the 2011 Plan. If a stock award granted under the 2011 Plan expires or otherwise terminates without being exercised in full, or if any shares of common stock issued pursuant to a stock award are forfeited to or repurchased by us, including, but not limited to, any repurchase or forfeiture caused by the failure to meet a contingency or condition required for the vesting of such shares, then the shares of common stock not issued under such stock award, or forfeited to or repurchased by us, shall revert to and again become available for issuance under the 2011 Plan.

If any shares subject to a stock award are not delivered to a participant because such shares are withheld for the payment of taxes or the stock award is exercised through a reduction of shares subject to the stock award (i.e., "net exercised"), or an appreciation distribution in respect of a stock appreciation right is paid in shares of common stock, the number of shares that are not delivered will not again become available for issuance under the 2011 Plan. If the exercise price of any stock award is satisfied by tendering shares of common stock held by the participant, then the number of shares so tendered will not become available for issuance under the 2011 Plan.

The aggregate maximum number of shares of common stock that may be issued under the 2011 Plan pursuant to the exercise of incentive stock options is 5,500,000 shares.

Stock Award Limitations. Section 162(m) of the Code places limits on the deductibility for federal income tax purposes of compensation paid to certain executive officers of the Company. In order to preserve the Company's ability to deduct the compensation income associated with stock awards granted to such persons, the 2011 Plan provides that no employee may be granted, in any fiscal year of the Company, awards covering more than 250,000 shares of common stock. Notwithstanding this limit, however, in connection with an employee's initial employment, he or she may be granted awards covering up to an additional 250,000 shares of common stock.

Minimum Vesting. Generally, no full value stock award that vests on the basis of the participant's continuous service with the Company shall vest at a rate that is any more rapid than ratably over a three year period, and no full value stock award that vests based on the satisfaction of performance goals shall have a performance period of less than twelve months.

Limited Exception to Minimum Vesting Restrictions. Up to five percent (5%) of the total number of shares of common stock available for issuance under the 2011 Plan may in the aggregate be issued as awards of restricted stock, restricted stock units, stock bonuses, or a combination thereof, that are not subject to the minimum vesting requirements set forth in the 2011 Plan.

Stock Subject to the 2011 Plan. Except for adjustments upon changes in capitalization or merger, the aggregate number of shares of common stock with respect to which awards of restricted stock, restricted stock units, stock bonuses or a combination thereof shall be made under the 2011 Plan shall not exceed 50% of the aggregate number of shares of common stock available under the 2011 Plan.

Terms and Conditions of Options and Stock Appreciation Rights

Options and stock appreciation rights may be granted under the 2011 Plan pursuant to stock option agreements and stock appreciation right agreements. The following is a description of the permissible terms of options and stock appreciation rights under the 2011 Plan. Individual grants may be more restrictive as to any or all of the permissible terms described below.

Exercise Price. The Administrator determines the exercise price of options and strike price of stock appreciation rights at the time the options or stock appreciation rights are granted as set forth in the applicable stock award agreement. The exercise price of a stock option and strike price of a stock appreciation right may not be less than 100% of the fair market value of the common stock on the date such award is granted. In the case of an incentive stock option granted to an optionee who owns more than 10% of all classes of stock of the Company or any parent or subsidiary of the Company, the exercise price may not be less than 110% of the fair market value of the common stock on the date such option is granted. The fair market value of the common stock is generally determined with reference to the closing sale price for the common stock on the date the option or stock appreciation right is granted. As of the record date, April 1, 2011, the closing sale price for our common stock was $7.52 per share.

Stock Appreciation Rights. Each stock appreciation right is denominated in shares of common stock equivalents. Upon exercise of a stock appreciation right, we will pay the participant an amount equal to the excess of (i) the aggregate fair market value of our common stock on the date of exercise over (ii) the strike price determined by the Administrator on the date of grant. The appreciation distribution upon exercise of a stock appreciation right will be paid in shares of our common stock, in cash, any combination of the two or any other form of consideration determined by the Administrator.

Repricing; Cancellation and Re-Grant of Stock Awards. Under the 2011 Plan, the Administrator does not have the authority to reprice any outstanding stock awards by reducing the exercise price of the stock award or to cancel any outstanding stock awards in exchange for cash or other stock awards without obtaining the approval of our stockholders within 12 months prior to the repricing or cancellation and re-grant event.

Exercise; Form of Consideration. The Administrator determines when options and stock appreciation rights become exercisable as set forth in the applicable stock award agreement. The means of payment for shares issued upon exercise of an option is specified in each option agreement. The 2011 Plan permits payment to be made to the extent permitted under applicable laws by cash, check, other shares of common stock of the Company (with some restrictions), net exercise, cashless exercise, any other form of consideration permitted by applicable law, or any combination thereof.

Term. The Administrator determines the term of options and stock appreciation rights granted under the 2011 Plan as set forth in the applicable stock award agreement. The term of options and stock appreciation rights granted under the 2011 Plan may be no more than 10 years from the date of grant. In the case of an incentive stock option granted to an optionee who owns more than 10% of all classes of stock of the Company or any parent or subsidiary of the Company, the term of the option may be no more than five years from the date of grant. No option or stock appreciation right may be exercised after the expiration of its term.

Termination of Continuous Service. Options and stock appreciation rights granted under the 2011 Plan generally terminate three months after termination of the participant's service unless (i) such termination is due to the participant's disability, in which case the stock award may, but need not, provide that it may be exercised (to the extent the stock award was exercisable at the time of the termination of service) at any time within 12 months of such termination; (ii) the participant dies before the participant's service has terminated, or within the period specified in the stock award agreement after termination of such service, in which case the stock award may, but need not, provide that it may be exercised (to the extent the stock award was exercisable at the time of the participant's death) within 18 months of the participant's death by the person or persons to whom the rights to exercise such stock award pass by will or by the laws of descent and distribution; (iii) the stock award by its terms specifically provides otherwise, or (iv) the termination is for cause. Except as provided otherwise in a participant's stock award agreement, upon termination of a participant's service for cause, the stock award shall immediately terminate and may not thereafter be exercised. A participant may designate a beneficiary who may exercise the stock award following the participant's death. Individual grants by their terms may provide for exercise within a longer or shorter period of time following termination of service. In no event, however, may an option or stock appreciation right be exercised beyond the expiration of its maximum term.

The option or stock appreciation right term generally is extended in the event that exercise of the stock award within the foregoing periods is prohibited. A participant's stock award agreement may provide that if the exercise of the stock award following the termination of the participant's service would be prohibited because the issuance of stock would violate the registration requirements under the Securities Act of 1933, then the stock award will terminate on the earlier of (i) the expiration of the term of the stock award or (ii) three months after the termination of the participant's service during which the exercise of the stock award would not be in violation of such registration requirements.

Other Provisions. The stock option agreement may contain other terms, provisions and conditions not inconsistent with the 2011 Plan as may be determined by the Administrator.

Terms of Restricted Stock Awards and Restricted Stock Unit Awards

Restricted stock awards and restricted stock unit awards may be granted under the 2011 Plan pursuant to restricted stock award and restricted stock unit award agreements. The following is a description of the permissible terms of restricted stock awards and restricted stock unit awards under the 2011 Plan. Individual grants may be more restrictive as to any or all of the permissible terms described below.

Consideration. The Administrator may grant restricted stock awards and restricted stock unit awards in consideration for past services rendered to the Company or in exchange for any other form of legal consideration acceptable to the Administrator.

Vesting. Shares of stock issued under a restricted stock award agreement may, but need not, be subject to forfeiture to the Company in accordance with a vesting schedule as determined by the Administrator. Stock unit awards vest and are issued at the rate specified in the restricted stock unit award agreement as determined by the Administrator. However, at the time of grant, the Administrator may impose additional restrictions or conditions that delay the delivery of stock to be issued in respect of the restricted stock unit award after vesting.

Termination of Service. Unless the Administrator determines otherwise, the restricted stock purchase agreement shall give the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment or consulting relationship with the Company for any reason (including death and disability). The purchase price for any issued shares repurchased by the Company shall be the original price paid by the purchaser, if any. The repurchase option lapses at a rate determined by the Administrator. Except as otherwise provided in the applicable award agreement, restricted stock units that have not vested will be automatically forfeited upon the participant's termination of service.

***Dividend Equivalents*.** Dividend equivalent rights may be credited with respect to shares covered by a restricted stock unit award. However, we do not anticipate paying cash dividends on our common stock for the foreseeable future.

Terms of Performance Awards

The 2011 Plan allows the Administrator to issue performance stock awards. Performance stock awards may be granted, vest or be exercised based upon the attainment during a certain period of time of certain performance goals. All of our employees, consultants and Directors are eligible to receive performance stock awards under the 2011 Plan. The length of any performance period, the performance goals to be achieved during the performance period and the measure of whether and to what degree such performance goals have been attained shall be determined by the Administrator. The maximum amount to be granted to any individual in any calendar year attributable to such performance stock awards may not exceed 250,000 shares of our common stock. Notwithstanding this limit, however, in connection with an employee's initial employment, he or she may be granted stock awards covering up to an additional 250,000 shares of common stock.

In granting a performance stock award, the Administrator will set a period of time, or a performance period, over which the attainment of one or more goals, or performance goals, will be measured for the purpose of determining whether the stock award recipient has a vested right in or to such performance stock award. With respect to stock awards that are intended to qualify as performance based compensation for purposes of Section 162(m) of the Code, within the time period prescribed by Section 162(m) of the Code (typically before the 90th day of a performance period), the Administrator will establish the performance goals, based upon one or more pre-established criteria, or performance criteria, enumerated in the 2011 Plan and described below. As soon as administratively practicable following the end of the performance period, the Administrator will certify (in writing) whether the performance goals have been satisfied.

Performance goals under the 2011 Plan shall be established by the Administrator, based on one or more of the following performance criteria: (i) earnings (including earnings per share and net earnings); (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) total stockholder return; (v) return on equity or average stockholder's equity; (vi) return on assets, investment, or capital employed; (vii) stock price; (viii) margin (including gross margin); (ix) income (before or after taxes); (x) operating income; (xi) operating income after taxes; (xii) pre-tax profit; (xiii) operating cash flow; (xiv) sales or revenue targets; (xv) increases in revenue or product revenue; (xvi) expenses and cost reduction goals; (xvii) improvement in or attainment of working capital levels; (xviii) economic value added (or an equivalent metric); (xix) market share; (xx) cash flow; (xxi) cash flow per share; (xxii) share price performance; (xxiii) debt reduction; (xxiv) implementation or completion of projects or processes; (xxv) customer satisfaction; (xxvi) stockholders' equity; (xxvii) capital expenditures; (xxviii) debt levels; (xxix) operating profit or net operating profit; (xxx) workforce diversity; (xxxi) growth of net income or operating income; (xxxii) billings; (xxxiii) funds from operations; and (xxxiv) to the extent that an award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Administrator.

The Administrator is authorized to determine whether, when calculating the attainment of performance goals for a performance period: (i) to exclude restructuring and/or other nonrecurring charges; (ii) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated net sales and operating earnings; (iii) to exclude the effects of changes to generally accepted accounting standards required by the Financial Accounting Standards Board; (iv) to exclude the effects of any statutory adjustments to corporate tax rates; and (v) to exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles. In addition, the Administrator retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of performance goals.

Non-Discretionary Grant Program

The non-discretionary grant program under the 2011 Plan provides for the grant of stock options to non-employee Directors over their period of service on the Board of Directors. These stock options will be granted as follows:

Initial Option Grant. Each new non-employee Director will, at the time of his or her initial election or appointment to the Board of Directors, receive an option to purchase a number of shares of the Company's common stock determined by the Board of Directors (the "initial option grant"). The initial option grant shall vest monthly with respect to 1/36th of the shares over the three year period following the date of grant, subject to the Director's continuous service through the applicable vesting dates, so that the initial option grant will be fully vested on the third anniversary of the date of grant

Annual Option Grant. On each annual meeting commencing in 2012, each continuing non-employee Director will automatically be granted a stock option to purchase a number of shares of our common stock determined by the Board of Directors (the "annual option grant"). The annual option grant shall vest monthly with respect to 1/12th of the shares over the one year period following the date of grant, subject to the Director's continuous service through the applicable vesting dates, so that the annual option grant will be fully vested on the first anniversary of the date of grant

General Terms. The exercise price of each option granted under the non-discretionary grant program is 100% of the fair market value of the common stock subject to the option on the date of grant. The maximum term of options granted under the non-discretionary grant program is ten years. All other terms of each option granted under the non-discretionary grant program shall be consistent with the terms of the 2011 Plan.

Corporate Transaction. Each option granted under the non-discretionary grant program shall automatically fully accelerate vesting upon a corporate transaction, subject to the non-employee Director's continuous service through the date of the corporate transaction.

Terms of Other Stock Awards

The Administrator may grant other stock awards that are valued in whole or in part by reference to our common stock. Subject to the provisions of the 2011 Plan, the Administrator has the authority to determine the persons to whom, and the dates on which, such other stock awards will be granted, the number of shares of common stock (or cash equivalents) to be subject to each award, and other terms and conditions of such awards.

General Provisions

Tax Withholding. To the extent provided by the terms of any stock award agreement, a participant may satisfy any federal, state or local tax withholding obligation relating to such stock award by a cash payment, by authorizing the Company to withhold a portion of the stock otherwise issuable to the participant, by withholding from any amounts otherwise payable to the participant, by a combination of these means, or by such other method as set forth in the stock award agreement.

Transferability. Stock awards may not be sold, pledged, transferred, or disposed of in any manner other than by will or by the laws of descent and distribution, pursuant to a domestic relations order, or with respect to stock awards other than options or stock appreciation rights, with the Administrator's consent, and may be exercised, during the lifetime of the holder, only by the holder or such transferees as have been transferred a stock award with the Administrator's consent. If the Administrator makes a stock award transferable, such stock award shall contain such additional terms and conditions as the Administrator deems appropriate and such award will not otherwise be transferred for consideration.

Adjustments Upon Changes in Capitalization. In the event any change is made to the outstanding shares of the Company's common stock without the receipt of consideration (whether through a stock split or other

specified change in our capital structure), the Administrator shall appropriately adjust the number and kind of shares of stock (or other securities or property) subject to the 2011 Plan, the maximum number and/or class of securities for which any one person may be granted stock awards per calendar year, the number and kind of shares of stock (or other securities or property) subject to any stock award outstanding under the 2011 Plan, and the exercise or purchase price of any such outstanding stock award.

Effect of Certain Corporate Events. In the event of a dissolution or liquidation of the Company, all outstanding stock awards under the 2011 Plan shall terminate immediately prior to such dissolution or liquidation. The 2011 Plan further provides that, in the event of a sale, or other disposition of all or substantially all of the Company's assets or specified types of mergers or consolidations (each, a "corporate transaction"), any surviving or acquiring corporation shall either assume stock awards outstanding under the 2011 Plan or substitute similar stock awards for those outstanding under the 2011 Plan. If any surviving corporation declines to assume stock awards outstanding under the 2011 Plan or to substitute similar stock awards, then, with respect to participants whose service with the Company has not terminated prior to the time of such corporate transaction, the vesting and the time during which such stock awards may be exercised will be accelerated in full, and all outstanding stock awards will terminate if the participant does not exercise such stock awards at or prior to the corporate transaction. With respect to any stock awards that are held by other participants that terminated service with the Company prior to the corporate transaction, the vesting and exercisability provisions of such stock awards will not be accelerated and such stock awards will terminate if not exercised prior to the corporate transaction.

Amendment and Termination of the 2011 Plan. The Board may amend, alter, suspend or terminate the 2011 Plan, or any part thereof, at any time and for any reason. Unless sooner terminated, the 2011 Plan will terminate on February 20, 2021. However, the 2011 Plan requires stockholder approval for any amendment to the 2011 Plan to the extent necessary to comply with applicable laws, rules and regulations. No action by the Board of Directors or stockholders may alter or impair any award previously granted under the 2011 Plan without the consent of the holder.

Federal Income Tax Consequences

Incentive Stock Options. An optionee who is granted an incentive stock option does not recognize taxable income at the time the option is granted or upon its exercise, although the exercise is an adjustment item for alternative minimum tax purposes and may subject the optionee to the alternative minimum tax. Upon a disposition of the shares more than two years after grant of the option and one year after exercise of the option, any gain or loss is treated as long-term capital gain or loss. If these holding periods are not satisfied, the optionee recognizes ordinary income at the time of disposition equal to the difference between the exercise price and the lesser of (i) the excess of the stock's fair market value on the date of exercise over the exercise price, or (ii) the participant's actual gain, if any, on the purchase and sale. Any gain or loss recognized on such a premature disposition of the shares in excess of the amount treated as ordinary income is treated as long-term or short-term capital gain or loss, depending on the holding period. A different rule for measuring ordinary income upon such a premature disposition may apply if the optionee is also an officer, Director or 10% stockholder of the Company. Unless limited by Section 162(m) of the Code, the Company is entitled to a deduction in the same amount as the ordinary income recognized by the optionee.

Nonstatutory Stock Options. An optionee does not recognize any taxable income at the time he or she is granted a nonstatutory stock option. Upon exercise, the optionee recognizes taxable income generally measured by the excess of the then fair market value of the shares over the exercise price. Any taxable income recognized in connection with an option exercise by an employee of the Company is subject to tax withholding by the Company. Unless limited by Section 162(m) of the Code, the Company is entitled to a deduction in the same amount as the ordinary income recognized by the optionee. Upon a disposition of such shares by the optionee, any difference between the sale price and the optionee's exercise price, to the extent not recognized as taxable income as provided above, is treated as long-term or short-term capital gain or loss, depending on the holding period.

Stock Appreciation Rights. No taxable income is realized upon the receipt of a stock appreciation right. Upon exercise of the stock appreciation right, the fair market value of the shares (or cash in lieu of shares) received is recognized as ordinary income to the participant in the year of such exercise. Generally, with respect to employees, we are required to withhold from the payment made on exercise of the stock appreciation right or from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, Section 162(m) of the Code and the satisfaction of a reporting obligation, we will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the participant.

Restricted Stock Awards. For federal income tax purposes, if an individual is granted a restricted stock award, the recipient generally will recognize taxable ordinary income equal to the excess of the common stock's fair market value over the purchase price, if any. However, to the extent the common stock is subject to certain types of restrictions, such as a repurchase right in favor of the Company, the taxable event will be delayed until the vesting restrictions lapse unless the recipient makes a valid election under Section 83(b) of the Code. If the recipient makes a valid election under Section 83(b) of the Code with respect to restricted stock, the recipient generally will recognize ordinary income at the date of acquisition of the restricted stock in an amount equal to the difference, if any, between the fair market value of the shares at that date over the purchase price for the restricted stock. If, however, a valid Section 83(b) election is not made by the recipient, the recipient will generally recognize ordinary income when the restrictions on the shares of restricted stock lapse, in an amount equal to the difference between the fair market value of the shares at the date such restrictions lapse over the purchase price for the restricted stock. With respect to employees, the Company is generally required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Generally, the Company will be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation) to a business expense deduction equal to the taxable ordinary income realized by the recipient. Upon disposition of the common stock, the recipient will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such common stock, if any, plus any amount recognized as ordinary income upon acquisition (or the lapse of restrictions) of the common stock. Such gain or loss will be long-term or short-term depending on how long the common stock was held. Slightly different rules may apply to recipients who are subject to Section 16(b) of the Exchange Act.

Restricted Stock Unit Awards. No taxable income is recognized upon receipt of a restricted stock unit award. The participant will recognize ordinary income in the year in which the shares subject to that unit are actually issued to the participant in an amount equal to the fair market value of the shares on the date of issuance. The participant and the Company will be required to satisfy certain tax withholding requirements applicable to such income. Subject to the requirement of reasonableness, Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the participant at the time the shares are issued. In general, the deduction will be allowed for the taxable year in which such ordinary income is recognized by the participant.

Potential Limitation on Company Deductions. Section 162(m) of the Code denies a deduction to any publicly held corporation for compensation paid to certain "covered employees" in a taxable year to the extent that compensation exceeds $1 million for a covered employee. It is possible that compensation attributable to awards granted in the future under the 2011 Plan, when combined with all other types of compensation received by a covered employee from the Company, may cause this limitation to be exceeded in any particular year. Certain kinds of compensation, including qualified "performance-based compensation," are disregarded for purposes of the deduction limitation. In accordance with Treasury regulations issued under Section 162(m) of the Code, compensation attributable to stock options will qualify as performance-based compensation, provided that: (1) the stock award plan contains a per-employee limitation on the number of shares for which awards may be granted during a specified period; (2) the per-employee limitation is approved by the stockholders; (3) the stock award is granted by a compensation committee comprised solely of "outside Directors"; and (4) the exercise price of the stock award is no less than the fair market value of the stock on the date of grant.

Restricted stock awards, restricted stock unit awards and other stock awards may qualify as performance-based compensation under the Treasury regulations only if: (1) the stock award is granted by a compensation committee comprised solely of "outside directors"; (2) the stock award is earned (typically through vesting) only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain; (3) the compensation committee certifies in writing prior to the earning of the stock award that the performance goal has been satisfied; and (4) prior to the earning of the stock award, stockholders have approved the material terms of the stock award (including the class of employees eligible for such stock award, the business criteria on which the performance goal is based, and the maximum amount (or formula used to calculate the amount) payable upon attainment of the performance goal).

The 2011 Plan has been designed to permit the compensation committee to grant stock options, restricted stock awards, restricted stock units and other stock awards and performance cash awards which will qualify as "performance-based compensation."

The foregoing is only a summary of the effect of federal income taxation upon optionees, holders of restricted stock awards or stock bonus awards and the Company with respect to the grant and exercise of stock awards under the 2011 Plan. It does not purport to be complete, and does not discuss the tax consequences of the employee's or consultant's death or the provisions of the income tax laws of any municipality, state or foreign country in which the employee or consultant may reside.

Plan Benefits

As of April 1, 2011, no stock awards have been granted under the 2011 Plan for which stockholder approval is sought under this Proposal Four.

EQUITY COMPENSATION PLANS

The following table sets forth information regarding all of the Company's equity compensation plans as of December 31, 2010:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column a) (c)
Equity compensation plans approved by security holders (1)	3,923,756	$10.54	364,175
Equity compensation plans not approved by security holders (2)	122,859	$32.90	—
Total	4,046,615	$11.22	364,175

(1) Number of shares remaining available for future issuance under equity compensation plans as of December 31, 2010 are from the Company's 2003 Incentive Stock Plan, as amended (the "2003 Plan"). During the first three months of 2011, the Company issued an additional 10,000 options to newly-hired employees. The shares available for issuance under the 2003 Plan may be issued in the form of option awards, restricted stock awards, restricted stock unit awards or stock bonus awards subject to limitations set forth in the 2003 Plan. In addition to the above, the Company had 286,671 restricted stock units outstanding as of December 31, 2010, all of which vested and were issued as shares by March 31, 2011.

(2) Consists of shares of common stock issuable under the Company's 2001 Stock Option Plan, as amended, under which no further awards will be made, and an employment commencement nonstatutory stock option award.

PROPOSAL FIVE: STOCKHOLDER PROPOSAL TO DECLASSIFY THE BOARD OF DIRECTORS

General

The Comptroller of the City of New York is the custodian and a trustee of the New York City Employees Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund and the New York City Fire Department Pension Fund and the custodian of the New York City Board of Education Retirement System. The address of such stockholders is: The City of New York, Office of the Comptroller, 1 Centre Street, New York, NY 10007-2341.

The stockholders identified above own an aggregate of 166,152 shares of our common stock and have submitted the following proposal for consideration in this proxy statement. We are not responsible for any of the contents of the language of the stockholder proposal, which is included below in italics and between quotation marks. The Board of Directors unanimously opposes this stockholder proposal for the reasons stated in the "Statement in Opposition of the Stockholder Proposal to Declassify the Board of Directors," which follows the stockholder proposal.

"REPEAL CLASSIFIED BOARD

Submitted by John C. Liu, Comptroller, City of New York, on behalf of the Boards of Trustees of the New York City Pension Funds

BE IT RESOLVED*, that the stockholders of* ***Neurocrine Biosciences, Inc.*** *request that the Board of Directors take the necessary steps to declassify the Board of Directors and establish annual elections of directors, whereby directors would be elected annually and not by classes. This policy would take effect immediately, and be applicable to the re-election of any incumbent director whose term, under the current classified system, subsequently expires.*

SUPPORTING STATEMENT

We believe that the ability to elect directors is the single most important use of the shareholder franchise. Accordingly, directors should be accountable to shareholders on an annual basis. The election of directors by classes, in our opinion, minimizes accountability and precludes the full exercise of the rights of shareholders to approve or disapprove annually the performance of a director or directors.

In addition, since only a fraction of the Board of Directors is elected annually, we believe that classified boards could frustrate, to the detriment of long-term shareholder interest, the efforts of a bidder to acquire control or a challenger to engage successfully in a proxy contest.

We urge your support for the proposal to repeal the classified board and establish that all directors be elected annually."

STATEMENT IN OPPOSITION OF THE STOCKHOLDER PROPOSAL TO DECLASSIFY THE BOARD OF DIRECTORS

Our Certificate of Incorporation currently provides for a "classified board," which is divided into three classes. The members of each class are elected to serve staggered three-year terms. The current classified board structure has been in place since our initial public offering in 1996. This same non-binding stockholder proposal was submitted at our 2007, 2008, 2009 and 2010 Annual Meetings of Stockholders. At those meetings, the proposal received approximately 54%, 68%, 68% and 65%, respectively, of the votes cast on the proposal (including abstentions) and was therefore approved, but the affirmative votes represented less than half of our outstanding shares as of the record date for each of those meetings. As described below, the vote that would be necessary to actually repeal the classified board provisions of our Certificate of Incorporation would be the affirmative vote of the holders of a majority of our outstanding common stock - a threshold beyond the affirmative votes cast in favor of the proposal at the 2007, 2008, 2009 and 2010 Annual Meetings. Moreover, we continue to believe that our classified board structure offers important advantages and continues to be in the best interests of the Company and our stockholders.

Continuity and Stability. We believe that a classified board enhances continuity and stability in our management and policies since a majority of the Directors at any given time will have had prior experience and familiarity with our business. This continuity and stability fosters a greater focus on long-term strategic planning and other areas of oversight, thereby enhancing our value to stockholders. We believe that the long-term perspective resulting from board continuity and stability is particularly important for a company such as ours that is engaged in the research and development of pharmaceutical products, given the significant time, money and effort that is required to successfully develop and commercialize such products, the fundamentally unpredictable nature of drug development, and the inherent volatility in stock prices for biotechnology and pharmaceutical companies. Moreover, this continuity helps us attract and retain qualified individuals willing to commit the time and dedication necessary to understand the Company, our operations and our competitive environment—and who we believe are therefore better positioned to make decisions that benefit our stockholders.

Protection Against Hostile Bidders. In the event of an unfriendly or unsolicited effort to take over or restructure the Company, the classified board structure facilitates our ability to obtain the best outcome for stockholders by giving us time to negotiate with the entity seeking to gain control of the Company and to consider alternative methods of maximizing stockholder value. If a corporation has a classified board and a hostile bidder stages and wins a proxy contest at the corporation's annual meeting, the bidder can replace one-third of the existing Directors at that meeting, meaning that the bidder would need to stage and win a second proxy contest at the next annual meeting to gain control of the board. In contrast, if the corporation's board was declassified, a hostile bidder could at the first annual meeting replace a majority of the Directors with Directors who are friendly to the bidder. Declassification of the Board would eliminate these benefits and therefore provide us with less time to evaluate a takeover proposal, negotiate the best result for all stockholders and consider alternatives. We believe that this protection against unfriendly or unsolicited takeover efforts is particularly important because we do not have a stockholder rights plan, also known as a "poison pill", currently in place.

Accountability to Stockholders. In the opinion of the Board of Directors, Directors of a classified board are just as accountable to stockholders as those on an annually elected board. Since one-third of our Directors stand for election each year, stockholders have the opportunity annually to vote against, or withhold their votes from, those Directors as a way of expressing any dissatisfaction with the board or management. Moreover, the entire Board of Directors can be replaced in the course of three annual meetings, all held within approximately two years. Our Directors believe that they are no less attentive to stockholder concerns as a result of having been elected to three-year terms, and that they are equally accountable to the stockholders in years when they do not face re-election. The Board is committed to the highest quality of corporate governance and has adopted Corporate Governance Guidelines that, among other things, focus on the independence of our Directors and the effective performance and functioning of the Board.

Effect of the Stockholder Proposal. Approval of the stockholder proposal requires the affirmative vote of the holders of a majority of the shares represented in person or by proxy at the meeting. However, approval of the proposal would not automatically eliminate the classified board, as it is a non-binding proposal requesting that the board take the necessary steps to declassify the board. A formal amendment repealing the classified board provisions of our Certificate of Incorporation would need to be approved by the board and submitted to our stockholders at a subsequent meeting, and it would require approval by the affirmative vote of the holders of a majority of our outstanding common stock. As indicated above, the affirmative votes cast in favor of the stockholder proposal to declassify the Board of Directors at the 2007, 2008, 2009 and 2010 Annual Meetings represented less than half of our outstanding shares as of the record date for those meetings.

Vote Required

The affirmative vote of the holders of a majority of the shares represented in person or by proxy at the Annual Meeting will be required to approve the stockholder proposal to declassify the Board of Directors. **The Board of Directors unanimously recommends voting "AGAINST" the stockholder proposal to declassify the Board of Directors.**

PROPOSAL SIX: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General

The Audit Committee has selected Ernst & Young LLP to audit the financial statements of the Company for the current fiscal year ending December 31, 2011. Ernst & Young LLP has audited the Company's financial statements since 1992. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions.

Stockholders are not required to ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm. However, the Audit Committee is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in their discretion may direct the selection of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

Vote Required

The affirmative vote of the holders of a majority of the shares represented in person or by proxy at the Annual Meeting will be required to approve and ratify the Audit Committee's selection of Ernst & Young LLP. **The Board of Directors unanimously recommends voting "FOR" approval and ratification of such selection.** In the event of a negative vote on such ratification, the Audit Committee will reconsider its selection.

EXECUTIVE OFFICERS

As of the Record Date, the executive officers of the Company were as follows:

Name	Age	Position
Kevin C. Gorman, Ph.D.	53	President, Chief Executive Officer and Director
Timothy P. Coughlin	44	Vice President and Chief Financial Officer
Margaret E. Valeur-Jensen, Ph.D., J.D.	54	Executive Vice President, General Counsel and Corporate Secretary
Christopher F. O'Brien, M.D.	54	Senior Vice President and Chief Medical Officer
Haig P. Bozigian, Ph.D.	53	Senior Vice President of Pharmaceutical and Preclinical Development
Dimitri E. Grigoriadis, Ph.D.	53	Vice President of Research

See above for biographical information concerning Kevin C. Gorman, Ph.D.

Timothy P. Coughlin was appointed Vice President and Chief Financial Officer in September 2006 after having served as Vice President, Controller. He is responsible for Accounting, Finance, Information Technology, Operations and Investor Relations. Prior to joining Neurocrine in 2002, he was with CHI, a nationwide integrated healthcare delivery system where he served as Vice President, Financial Services. Mr. Coughlin also served as a Senior Manager in the Health Sciences practice of Ernst & Young LLP, and its predecessors, from 1989 to 1999. Mr. Coughlin holds a Bachelor's degree in Accounting from Temple University and a Master's degree in International Business from San Diego State University. Mr. Coughlin is a certified public accountant in both California and Pennsylvania.

Margaret E. Valeur-Jensen, Ph.D., J.D. became Executive Vice President, General Counsel and Corporate Secretary of the Company in February 2005 after having served as Senior Vice President, General Counsel and Corporate Secretary since January 2000. She joined the Company as Vice President, General Counsel and Secretary in October 1998. She is responsible for all corporate and patent law practices at the Company, Quality Assurance, and serves as Corporate Secretary. From 1995 to 1998, Dr. Valeur-Jensen served as Associate General Counsel, Licensing and Business Law of Amgen, Inc. From 1991 to 1995, she served first as Corporate Counsel and later as Senior Counsel, Licensing for Amgen. Prior to joining Amgen, Dr. Valeur-Jensen practiced law at Davis, Polk & Wardell LLP. She earned a J.D. degree from Stanford University, a Ph.D. in biochemistry and molecular biology from Syracuse University, and was a Post-Doctoral Fellow at Massachusetts General Hospital and Harvard Medical School.

Christopher F. O'Brien, M.D. became Chief Medical Officer in January 2007 after having served as Senior Vice President of Clinical Development since 2005. He is responsible for Clinical Operations, Regulatory Affairs, Drug Safety, Biostatistics and Data Management. Prior to joining Neurocrine, he was Chief Medical Officer at Prestwick Pharmaceuticals, Inc. from 2003 to 2005 and Senior Vice President of Global Medical Affairs at Elan Pharmaceuticals, Inc. from 2000 to 2003. Dr. O'Brien is currently on the Board of Directors of Verifax Corporation, a biometrics company focused on developing a dynamic signature verification system. Dr. O'Brien is a Board Certified Neurologist and obtained his undergraduate degree in Neuroscience from Boston University, his medical degree and residency training from the University of Minnesota and fellowship training from the University of Rochester School of Medicine. In addition, Dr. O'Brien holds an appointment as Associate Professor (voluntary) in the Neuroscience Department at the University of California, San Diego.

Haig P. Bozigian, Ph.D. was appointed Senior Vice President of Pharmaceutical and Preclinical Development in December 2006 after having served as Vice President of Preclinical Development. He is responsible for all pre-clinical, chemical and pharmaceutical development. Dr. Bozigian joined Neurocrine in 1997. With extensive expertise in CNS related new product development, Dr. Bozigian has participated in research and development for more than 20 years. Prior to joining Neurocrine, Dr. Bozigian served as Director of

Pharmaceutical Development at Procyte Corporation, Associate Director of Pharmacokinetics and Drug Metabolism at Sphinx Pharmaceuticals Corporation and as a Clinical Pharmacokineticist at GlaxoSmithKline. Dr. Bozigian earned his B.S. in Microbiology from the University of Massachusetts, his M.S. in Pharmacodynamics and Toxicology from the University of Nebraska Medical Center, and earned his Ph.D. in Pharmaceutical Sciences from the University of Arizona.

Dimitri E. Grigoriadis, Ph.D., became Vice President of Research in January 2007 and oversees all research functions including drug discovery, biology and chemistry. Dr. Grigoriadis joined Neurocrine in 1993, established the Pharmacology and drug screening groups and was most recently a Neurocrine Fellow and Vice President of Discovery Biology. Prior to joining Neurocrine, he was a Senior Scientist in the Neuroscience group at the DuPont Pharmaceutical Company from 1990 to 1993. Dr. Grigoriadis received his B.Sc. from the University of Guelph in Ontario, Canada, and his M.Sc. and Ph.D. in Pharmacology from the University of Toronto, Ontario, Canada. He conducted his postdoctoral research at the National Institute on Drug Abuse from 1987 to 1990.

COMPENSATION DISCUSSION AND ANALYSIS

Overview and Role of the Compensation Committee

The Compensation Committee (the "Committee") reviews and recommends to the Board of Directors for approval the Company's executive compensation policies.

The specific roles of the Committee include:

- reviewing and, if necessary, revising the compensation philosophy of the Company;
- reviewing and approving corporate goals and objectives relating to the compensation of the Company's executive officers, and evaluating the performance of the Company's executive officers in light of the Company's goals and objectives;
- reviewing and approving all employment agreements and compensation for all executive officers and guidelines for salaries, merit salary increases, bonus payments, stock based grants and performance based stock grants for all other employees of the Company;
- reviewing and approving all promotions to executive officer positions and all new hires of executive officers;
- managing and reviewing equity incentive, employee pension and benefit plans;
- managing and reviewing the grant of perquisite benefits;
- managing and reviewing executive officer and Director indemnification and insurance matters; and
- overseeing the preparation of, and approving, this section of the Company's annual proxy statement.

Compensation Philosophy and Objectives

The Committee's philosophy in establishing the Company's compensation policy for executive officers and other employees is to:

- create a structure designed to attract and retain highly skilled individuals by establishing salaries, benefits, and incentive compensation which compare favorably with those for similar positions in other biotechnology and pharmaceutical companies of similar size and/or market capitalization; and
- align compensation plans to both short-term and long-term goals and objectives of the Company.

In light of the Company's philosophy, the Committee attempts to provide a mix of compensation between base salary and cash bonuses such that approximately 30% to 40% of the executive officer's total cash

compensation is at risk and that non-cash compensation is structured to provide a reward for corporate and individual performance. The Committee believes that this approach provides an appropriate incentive for executive officers to attain the Company's long-term strategic and performance goals, and also retains and motivates key executive officers.

Role of Peer Group, Compensation Surveys and Consultants

In order to evaluate the Company's competitive position in the industry related to executive compensation, the Committee has historically reviewed and analyzed the compensation packages, including base salary levels, cash bonus awards and equity awards, offered by other biotechnology and pharmaceutical companies within a designated peer group.

As a result of a decrease in the Company's market capitalization in 2009 through early 2010, as well as significant changes to the market capitalization of many of the companies in the peer group established by the Committee for 2010, the Committee believed that the 2009 peer group of companies no longer represented an appropriate peer group for the Company for 2010. Accordingly, the Committee worked with compensation consultants to establish a new peer group to be used in setting 2010 compensation levels. The 2010 peer group was selected based on a variety of factors including business scope, market capitalization, stage of development, location and/or competition for talent, and for 2010 consisted of: Acadia Pharmaceuticals, Inc., Affymax, Inc., Alexza Pharmaceuticals, Inc., Amicus Therapeutics, Inc., Anadys Pharmaceuticals, Inc., Arena Pharmaceuticals, Inc., Ariad Pharmaceuticals, Inc., ArQule, Inc., CombinatoRx, Inc., Cytokinetics Incorporated, Cytori Therapeutics, Inc., Discovery Laboratories Inc., Dynavax Technologies, Infinity Pharmaceuticals, Inc., Osiris Therapeutics, Inc., Peregrine Pharmaceuticals, Inc., Rigel Pharmaceuticals, Inc., Santarus, Inc., Sunesis Pharmaceuticals, Inc., Trubion Pharmaceuticals, Inc. and Vical Incorporated. In 2011, as a result of a significant increase in the Company's market capitalization, the Committee working with compensation consultants adjusted the 2011 peer group to consist of: Affymax, Inc., Alnylam Pharmaceuticals, Inc., Arena Pharmaceuticals, Inc., Ariad Pharmaceuticals, Inc., ArQule, Inc., Corcept Therapeutics, Inc., Cytokinetics Incorporated, Cytori Therapeutics, Inc., Dynavax Technologies, Geron Corp., Infinity Pharmaceuticals, Inc., Lexicon Pharmaceuticals, Inc., Novavax, Inc., NPS Pharmaceuticals, Inc., Optimer Pharmaceuticals, Inc., Osiris Therapeutics, Inc., Rigel Pharmaceuticals, Inc., Sangamo Biosciences, Inc., Santarus, Inc., Targacept, Inc., Vical Incorporated and Xenoport, Inc. Additionally, in 2009 and prior years, the Company evaluated data from the Radford Global Life Sciences Survey in addition to the peer group.

Compensation Consultant

The Committee used the services of Remedy Compensation Consulting (the "Compensation Consultant") as a third party compensation consultant for establishing 2010 and 2011 compensation levels. The Compensation Consultant worked closely with the Committee in re-defining the peer groups for 2010 and 2011. The Compensation Consultant was engaged directly by the Committee, and its contract and related services are at the sole discretion of the Committee.

Role of Executive Officers in Compensation Decisions

The Committee makes all final decisions regarding compensation for all executive officers (other than compensation for the President and Chief Executive Officer, which is decided by independent members of the Board of Directors), including determining equity awards. The President and Chief Executive Officer annually reviews the performance of each executive officer (other than himself). The Committee reviews competitive market data for base salary, cash bonuses and equity awards. In addition, the Committee, together with the President and Chief Executive Officer, consults with the Compensation Consultant in establishing compensation levels. From this review, conclusions and recommendations, including proposed base salary adjustments and annual equity award amounts, are presented to the Committee for its consideration and approval. The Committee, in its sole discretion, can accept, modify or reject any of the recommendations.

Components of Compensation

The Company's compensation for executive officers consists of five components: base salary, cash bonuses, equity awards, retirement benefits as provided under the Company's 401(k) plan, and severance agreements and other benefits. Due to the importance of the role, higher level of responsibility and enhanced stockholder accountability, the President and Chief Executive Officer typically receives a greater total compensation package, including equity awards. The Company uses the peer group established by the Committee as a guideline for base salaries, cash bonuses and equity award components of compensation. Generally, the guideline for each of these three components is the range between the 50th and 75th percentile of the actual benefits for all executive officers in an appropriately comparable position as reflected by the applicable peer group compensation. Using significant discretion, the Committee considers each executive's performance, contribution to goals, responsibilities, experience and qualifications when determining the appropriate compensation level for each executive within the guideline percentiles. In turn, these same components, when added together, are also within these same guideline percentiles for compensation levels as compared to the peer group compensation. There is no direct correlation between how amounts paid for one component affect amounts paid under another component. Each of the five components of the Company's executive officer compensation is described below.

Base Salary

The base salary component of compensation is designed to compensate executive officers competitively at levels necessary to attract and retain qualified executives in the pharmaceutical and biotechnology industry. The guidelines for base salary guidelines are between the 50th and 75th percentiles of the applicable peer group, enabling the Company to attract, motivate, reward and retain highly skilled executives. As a general matter, the base salary for each executive officer is initially established through negotiation at the time the officer is hired, taking into account such officer's qualifications, experience, prior salary, and competitive salary information. Year-to-year adjustments to each executive officer's base salary are based upon personal performance for the year, changes in the general level of base salaries of persons in comparable positions within the industry, and the average merit salary increase for such year for all employees of the Company established by the Committee, as well as other factors the Committee judges to be pertinent during an assessment period. In making base salary decisions, the Committee exercises its judgment to determine the appropriate weight to be given to each of these factors.

Cash Bonuses

The Committee's philosophy in establishing the Company's cash bonus compensation strategy for executive officers and other employees is to provide a mix of compensation between base salary and total cash compensation such that approximately 30% to 40% of the total target cash compensation is at risk for executives each year. The cash bonus guidelines are between the 50th and 75th percentiles of eligible bonuses reflected by the applicable peer groups enabling the Company to attract, motivate, reward and retain highly skilled executives for short-term performance. This supports the achievement of annual Company goals and objectives by basing a portion of compensation on a pay-for-performance basis.

To promote a pay-for-performance environment, the Company maintains a discretionary performance-based annual bonus program for its executive officers. Bonus payments are linked to the attainment of overall corporate goals established by the Board of Directors and individual performance for each executive officer. The Board of Directors establishes the target and maximum potential amount of each officer's bonus payment annually, based upon the recommendation of the Committee. Normally an appropriate weight is given to each of the various goals used to calculate the amount of each executive officer's bonus payment as determined by the Committee in its sole discretion.

In January 2010, the Board approved the Company's performance goals for 2010. The President and Chief Executive Officer's eligible bonus was 60% of base salary for 2010. All other executive officers' eligible bonus at target was 50% of their respective base salaries and maximum bonus payouts (which was the same as in 2009) as

both the target and maximum levels were substantially similar to the applicable peer group data. The performance goals for 2010 related to the Company's lead development programs which comprised mainly GnRH, VMAT2, and urocortin 2, earlier stage research and development programs and general administrative activities. Some of the specific 2010 goals were as follows: a partnership for the GnRH program; the continuation of various GnRH and VMAT2 program clinical and pre-clinical development studies; the continuation of various pre-clinical development studies for our earlier stage research and development programs as well as preparation for clinical studies and various research and drug discovery goals; and for general administrative activities, including maintaining the Company's projected cash burn. The Committee did not assign weightings to any goals individually or by functional area for 2010.

In general, achievement of the Company's goals determines the initial bonus pool for the Company, which is then allocated to the executive officers based on the individual performance of each executive officer during the year. As in previous years, the 2010 executive bonuses were discretionary and there were no formulaic calculations for determining the actual amount of the bonus for each executive. Accordingly, the Board or the Committee may, in its sole discretion, eliminate any individual bonus or reduce or increase the amount of compensation payable with respect to any individual bonus. An executive officer must be an employee of the Company on the date of payment to qualify for a bonus. Any executive officer who leaves the employment of the Company, voluntarily or involuntarily, prior to the payment, is ineligible for any bonus. An employee who becomes an executive officer during the fiscal year may be eligible for a pro-rated bonus at the option of the Committee, provided the executive has been employed a minimum of three months during the calendar year. No clawback provisions have been adopted by the Company at this time. The Committee believes that the performance goals established for bonuses do not encourage excessive risk taking or have potential for encouraging behavior that may impact the Company negatively in future years.

For 2010, executive officers were eligible for the following bonuses as a percentage of annualized base salary:

Executive Officer	Minimum Payout	Target Percentage	Maximum Payout
President and Chief Executive Officer	0%	60%	120%
All Other Executive Officers	0%	50%	100%

In reviewing performance for 2010, the Committee determined that all of the corporate goals had been met. Goals for GnRH included obtaining a partnership which was reached in June 2010. Other clinical goals were also achieved including advancement of a VMAT2 inhibitor into clinical development in patients with tardive dyskinesia. The early stage research and development program goals were completed, including various pre-clinical development studies, preparation for clinical studies and advancement of drug candidates in the research and drug discovery areas. Additionally, the Company's general administrative goal of maintaining the projected cash burn was also achieved.

In February 2011, the Board approved the Company's performance goals for 2011 along with eligible bonus percentages for executive officers. The performance goals for 2011 include goals for lead development programs, research, regulatory and general administrative activities. GnRH program goals focus on Phase III activities. Early stage research and development program goals include various pre-clinical development studies, preparation for clinical studies and various research and drug discovery goals. VMAT2 goals include initiating a Phase IIb trial and other pre-clinical activities. General administrative goals include financial and budgetary related goals. The Committee assigned relative weightings to the goals by functional area (but not individually) for 2011.

Equity Awards

The Committee provides the Company's executive officers with long-term incentive compensation through grants of stock options, restricted stock units ("RSUs") and/or stock bonuses under the Company's equity

compensation plans. These equity-based programs provide the Company's executive officers with the opportunity to purchase and maintain an equity interest in the Company and to share in the appreciation of the value of the Company's common stock. The Committee believes that these grants directly motivate an executive to maximize long-term stockholder value and create an effective tool for incentivizing and retaining those executives who are most responsible for influencing stockholder value by further aligning our executive's interests with those of our stockholders by increasing the reward to our executives when our stock price increases. The grants also utilize vesting periods that encourage key executives to continue in the employ of the Company. The Committee considers each grant subjectively, considering factors such as the individual performance of the executive officer, the anticipated contribution of the executive officer to the attainment of the Company's long-term strategic performance goals, and to retain and motivate key executives. The equity awards for each year are set between the 50th and 75th percentiles of the actual benefits reflected by applicable peer group to enable the Company to attract, motivate, and retain highly skilled executives. Long-term incentives granted in prior years are also taken into consideration, but do not play a significant role in current year determinations.

It has been our practice to make equity-based awards to our executives on an annual basis. Annual stock option awards typically vest over three years and have a seven year term. Additionally, all stock option awards are priced based upon the closing price of the Company's common stock on the date of grant, which is also the approval date, by the Committee or Board of Directors. RSU awards typically vest over three years. The Committee typically reviews Company and executive performance during the first quarter of each year to determine the amount and types of awards to be granted. Prior year actual gains from the exercise of vested equity grants are not considered in the determination of current year compensation. The Company does not maintain any equity ownership guidelines for its executive officers.

Retirement Benefits

The terms of the Company's 401k Savings Plan (the "401k Plan") provide for executive officer and broad-based employee participation. Under the 401k Plan, all Company employees were formerly eligible to receive basic matching contributions from the Company that vest three years from date of hire and monthly thereafter. The Company's basic matching contribution for the 401k Plan was suspended in April 2009 and reinstated effective January 1, 2011. The Company made no discretionary contributions to the 401k Plan in 2010.

Deferred Compensation Plan

The Company previously offered a Nonqualified Deferred Compensation Plan (the "NQDC Plan") for employees at the Vice President level or above, inclusive of members of the Board of Directors. In April 2009, the Board of Directors determined that the ongoing administrative expense of maintaining the NQDC Plan outweighed the benefit of continuing to sponsor the plan and provided for immediate termination of the plan and accelerated payout of all accounts in accordance with the terms of the NQDC Plan. In accordance with the terms of the NQDC Plan, all deferrals that predated the enactment of Section 409A of the Internal Revenue Code ("Section 409A") were paid to participants within sixty days following the termination of the NQDC Plan. All deferrals that postdated Section 409A were, in accordance with Treasury Regulations and the Internal Revenue Code, required to be paid no earlier than twelve months and no later than twenty-four months after termination of the NQDC Plan and accordingly were paid to participants in lump sums in 2010.

Severance Agreements and Other Benefits

Executive officers are eligible to participate in the Company's employee benefit plans on the same terms as all other full-time employees. These plans include medical, dental and life insurance. In addition to the benefits available to all employees, we provide our executive officers with certain additional benefits that we believe reflect market standards and are reasonable and necessary to attract and/or retain each of our executive officers and, in the case of the tax planning services described below, allow the executive officers to realize the full benefit of the other elements of compensation we provide. Executive officers are also provided with one annual

physical examination. Executive officers are eligible for four weeks of vacation from date of hire through ten years of employment, and five weeks of vacation per year thereafter. Additionally, all executive officers, as well as all other full-time employees, are eligible to receive a one-time additional two week vacation benefit after ten years of service. In certain cases, the Company may provide relocation expense reimbursement and related tax gross-up benefits, and tax preparation and planning services, to the executive officers.

In addition, executive officers are eligible to receive severance benefits in connection with terminations of employment due to death, disability, or termination without cause or constructive termination (including following a change-in-control) as set forth below and more fully described in *Potential Payments upon Termination or Change-in-Control*. The Committee believes that the executive severance arrangements reflect current market standards and severance benefits competitive with those provided by our peer group. The Committee believes that in order to continue to retain the services of our key executive officers, it is important to provide them with some income and benefit protection against an involuntary termination of employment.

Compensation components for executive officers in the event of death include partial stock award acceleration, prorata bonus payment, payments for accrued base salary, any accrued vacation and any accrued benefits under any plans of the Company in which the executive officer is a participant and any appropriate business expenses incurred by the executive officer. In the event of death, there is no base salary continuation.

Compensation components for executive officers in the event of a qualifying long-term disability include partial stock award acceleration, prorata bonus payment, limited base salary continuation, payments for accrued base salary, limited Company-paid health insurance benefits, and any accrued vacation and any accrued benefits under any plans of the Company in which the executive officer is a participant.

Compensation components for executive officers in the event of termination by the Company without cause or termination by the executive officer due to constructive termination include payments for accrued base salary, cash compensation payments, partial stock award acceleration, limited Company-paid health insurance benefits, and any accrued vacation and any accrued benefits under any plans of the Company in which the executive officer is a participant. Eligibility for these benefits under either situation requires a signed release agreement by the executive officer.

Compensation components for executive officers in the event of a termination by the Company without cause or termination by the executive officer due to constructive termination following a change-in-control include payments for accrued base salary, a cash compensation payment, cash compensation for the value of all outstanding stock awards, limited Company-paid health insurance benefits, and any accrued vacation and any accrued benefits under any plans of the Company in which the executive officer is a participant. The change-in-control benefits also contain certain tax gross-up provisions. Eligibility for these benefits requires a signed release agreement by the executive officer.

The Committee believes that in order to continue to retain the services of our key executive officers and focus their efforts on stockholder interests when considering strategic alternatives, it is important to provide them with enhanced income and benefit protection against loss of employment in connection with a change-in-control of our company and thereby align the interests of our stockholders and our executive officers. However, we do not provide for such benefits solely in the event of a change-in-control because we believe that our executives are materially harmed only if a change in control results in our executives' involuntary loss of employment, reduced responsibilities, reduced compensation, or other adverse change in the nature of the employment relationship.

Chief Executive Officer Compensation

On January 1, 2010, Dr. Gorman's annualized base salary was $440,000. Dr. Gorman's base salary was slightly below the median for the 2010 peer group. As a result of successful goal achievement in 2010, the Committee recommended, and the Board of Directors approved in January 2011, that Dr. Gorman's base salary for 2011, be increased to $510,000. Dr. Gorman was also awarded a cash bonus of $290,400. In 2010, Dr. Gorman was awarded 185,000 stock options.

Other Executive Officer Compensation

The compensation of all other executive officers is reviewed annually as discussed above.

Base Salary

The named executive officers' annualized base salaries for 2010 were as follows: $300,000 for Mr. Coughlin, $395,000 for Dr. Valeur-Jensen, $375,000 for Dr. O'Brien, and $285,000 for each of Dr. Grigoriadis and Dr. Bozigian. Due to the unmet goal of obtaining a partnership for our GnRH program, the general downturn in the economy, competitiveness of the Company's overall compensation and desire of the Company to conserve capital, base salaries for 2009 and 2010 remained at 2008 levels.

Effective January 1, 2011, the executive officers' annualized base salaries became as follows: $375,000 for Mr. Coughlin, $395,000 for Dr. Valeur-Jensen, $420,000 for Dr. O'Brien, and $303,000 for each of Dr. Grigoriadis and Dr. Bozigian. Mr. Coughlin's annualized base salary was determined through a combination of individual performance, success in the role of Chief Financial Officer and his prior annualized base salary being below the Company's guideline range against its identified peer group. Dr. Valeur-Jensen's annualized base salary was determined through a combination of individual performance and her prior annualized base salary being near the top of the Company's guideline range. Dr. O'Brien's annualized base salary was determined through a combination of individual performance, additional responsibilities in regulatory affairs and his prior annualized base salary being in the mid-range of the Company's guideline range. Both Dr. Bozigian and Dr. Grigoriadis' annualized base salaries were determined through a combination of individual performance and their prior annualized base salaries being at or below the Company's guideline range.

Cash Bonuses and Equity Awards

In August 2010, the Board approved immediate discretionary bonus to executive officers as a result of completion of two significant corporate collaborations in June 2010. In addition to this goal achievement, the Board of Directors also considered that base salaries had been unchanged since 2008 and no bonuses had been paid for 2009 or 2010. The immediate discretionary bonus amounts approved for the Company's executive officers were based on 40% of each named executive officer's bonus eligibility. The individual amounts approved by the Board of Directors were as follows: Kevin Gorman, Ph.D., President and Chief Executive Officer, $105,600; Timothy Coughlin, Vice President and Chief Financial Officer, $60,000; Margaret Valeur-Jensen, Ph.D., J.D., Executive Vice President, General Counsel and Corporate Secretary, $79,000; Christopher O'Brien, M.D., Senior Vice President and Chief Medical Officer, $75,000; Haig Bozigian, Ph.D., Senior Vice President, Pharmaceutical and Preclinical Development, $57,000; and Dimitri Grigoriadis, Ph.D., Vice President of Research, $57,000

On January 13, 2011, the Board of Directors and the Committee approved bonus payouts for 2010 goal achievement. Bonus payouts approved by the Board of Directors and the Committee for payment to the Company's executive officers were based on 100% to 120% goal achievement based on individual performance and overall compensation against the peer group. The individual amounts approved by the Board of Directors were: Kevin Gorman, Ph.D., President and Chief Executive Officer, $290,400; Timothy Coughlin, Vice President and Chief Financial Officer, $180,000; Margaret Valeur-Jensen, Ph.D., J.D., Executive Vice President, General Counsel and Corporate Secretary, $197,500; Christopher O'Brien, M.D., Senior Vice President and Chief Medical Officer, $225,000; Haig Bozigian, Ph.D., Senior Vice President, Pharmaceutical and Preclinical Development, $156,750; and Dimitri Grigoriadis, Ph.D., Vice President of Research, $156,750.

On May 11, 2010, the Board of Directors approved stock option awards to the executive officers under the 2003 Equity Incentive Plan. The stock option awards were determined based on individual performance and contribution to long-term strategic and performance goals and as well as retention and motivation of the named executive officers. The individual grants of stock options to executive officers were: Kevin Gorman, Ph.D., President and Chief Executive Officer, 185,000 stock options; Timothy Coughlin, Vice President and Chief Financial Officer, 170,000 stock options; Margaret Valeur-Jensen, Ph.D., J.D., Executive Vice President, General

Counsel and Corporate Secretary, 150,000 stock options; Christopher O'Brien, M.D., Senior Vice President and Chief Medical Officer, 170,000 stock options; Haig Bozigian, Ph.D., Senior Vice President, Pharmaceutical and Preclinical Development, 150,000; and Dimitri Grigoriadis, Ph.D., Vice President of Research, 150,000 stock options.

Deferred Compensation Plan

The NQDC Plan was terminated in April 2009 and payouts to participants who are Named Executive Officers were as described in the "Nonqualified Deferred Compensation Table" below.

Tax Considerations

Internal Revenue Code Section 162(m)

The Committee considers the potential impact under Internal Revenue Code Section 162(m) whereby we can only deduct up to $1.0 million of the compensation we pay to named executive officers each taxable year unless such compensation is "performance-based compensation" within the meaning of the Internal Revenue Code. The Committee has determined that any gain related to the exercise of a stock option granted under any of our stockholder-approved stock option plans with an exercise price at least equal to the fair value of our common stock on the date of grant qualifies under the Internal Revenue Code as performance-based compensation and therefore is not subject to the $1.0 million limitation.

However, deductibility is not the sole factor used by the Committee in ascertaining appropriate levels or manner of compensation and corporate objectives may not necessarily align with the requirements for full deductibility under Section 162(m). Accordingly, we may enter into executive compensation arrangements under which payments are not deductible under Section 162(m).

Internal Revenue Code Section 409A

Section 409A governs deferred compensation arrangements. The Committee reviewed our deferred compensation programs with the assistance of our counsel and determined that the programs are compliant with Section 409A.

COMPENSATION COMMITTEE REPORT

The following Report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this Report by reference therein.

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Respectfully submitted by:
COMPENSATION COMMITTEE

Richard F. Pops
W. Thomas Mitchell
Wylie W. Vale, Ph.D.

Compensation Committee interlocks and insider participation

During 2010, the Compensation Committee consisted of W. Thomas Mitchell, Richard F. Pops, and Wylie W. Vale, Ph.D. No interlocking relationship exists between any current member of the Compensation Committee and any member of any other company's Board of Directors or compensation committee.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Summary Compensation Table The following table sets forth the compensation paid by the Company for the fiscal years ended December 31, 2008, 2009 and 2010 to the executive officers named below (the "Named Executive Officers"). Bonus amounts for 2008 were earned under a retention program. There were no performance based bonus awards for 2008 or 2009.

Summary Compensation Table

Name and Title (1)	Year	Salary (2)	Bonus (2)	Option Awards (3)	Stock Awards (4)	All Other (5)	Total Compensation
Kevin C. Gorman, Ph.D.	2008	$440,000(6)	$240,000(6)	$131,850	$640,000	$ 30,471	$1,482,321
President and Chief	2009	$440,000	$ —	$ —	$ —	$ 34,583	$ 474,583
Executive Officer	2010	$440,000	$396,000	$325,600	$ —	$ 31,604	$1,193,204
Timothy P. Coughlin	2008	$300,000	$137,500	$ 87,900	$512,000	$ 22,853	$1,060,253
Vice President and	2009	$300,000	$ —	$ —	$ —	$ 25,045	$ 325,045
Chief Financial Officer	2010	$300,000	$240,000	$299,200	$ —	$ 23,596	$ 862,796
Margaret Valeur-Jensen, Ph.D., J.D.	2008	$395,000(7)	$190,000(7)	$ 87,900	$512,000	$ 26,109	$1,211,009
Executive Vice President,	2009	$395,000	$ —	$ —	$ —	$ 27,882	$ 422,882
General Counsel and Secretary	2010	$395,000	$276,500	$264,000	$ —	$ 23,246	$ 958,746
Christopher F. O'Brien, M.D.	2008	$375,000	$140,000	$ 87,900	$512,000	$ 18,004	$1,132,904
Senior Vice President, Clinical	2009	$375,000	$ —	$ —	$ —	$ 19,847	$ 394,847
Development and Chief Medical Officer	2010	$375,000	$300,000	$299,200	$ —	$ 16,947	$ 991,147
Dimitri E. Grigoriadis, Ph.D.	2008	$285,000	$ —	$ 87,900	$512,000	$251,124	$1,136,024
Vice President of Research	2009	$285,000	$ —	$ —	$ —	$ 21,768	$ 306,768
	2010	$285,000	$213,750	$264,000	$ —	$ 20,938	$ 783,688
Haig P. Bozigian, Ph.D.	2008	$285,000	$104,000	$ 87,900	$512,000	$ 21,124	$1,010,024
Senior Vice President,	2009	$285,000	$ —	$ —	$ —	$ 21,518	$ 306,518
Pharmaceutical and Preclinical Development	2010	$285,000	$213,750	$264,000	$ —	$ 20,938	$ 783,688

(1) The titles and capacities set forth in the table above are as of the Record Date.

(2) Salary and bonus figures represent amounts earned during each respective fiscal year, regardless of whether part or all of such amounts were paid in subsequent fiscal year(s). Bonuses for 2008 were awarded pursuant to a retention program. The Company did not award performance based bonuses for 2008 or 2009. Bonuses for 2010 were awarded pursuant to a Bonus Program.

(3) The amounts shown are the full grant date fair value in accordance with Accounting Standards Codification 718-10, *Compensation—Stock Compensation* (ASC 718). The assumptions used to calculate the grant date fair value of stock awards are set forth under Note 9 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on February 10, 2011. The grant date fair values of option awards for 2008 and 2010 are based on per share Black-Scholes values of $2.93 and $1.76, respectively. The Company did not grant any option awards during 2009. The Company did not grant any stock bonuses in 2008, 2009 or 2010.

(4) Stock awards granted to executive officers consist of RSUs and may be subject to deferred delivery arrangements. The amounts shown are the full grant date fair value in accordance with ASC 718. The grant date fair values of RSUs granted in 2008 are based on the Nasdaq Stock Market closing per share price of $5.12 on such grant date. The Company did not grant any RSUs during 2009 or 2010.

(5) Includes all other compensation as described in the table below.

(6) Of these amounts, Dr. Gorman deferred the receipt of $88,000 in salary and $36,000 in bonus under the NQDC Plan.

(7) Of these amounts, Dr. Valeur-Jensen deferred the receipt of $79,000 in salary and $112,347 in bonus under the NQDC Plan.

All Other Compensation Table

Name	Year	401(k) Employer Match	Insurance Premiums (1)	Stock Option Cancellation Fee (2)	Loan Forgiveness	Total Other
Kevin C. Gorman, Ph.D.	2008	$6,900	$23,571	$—	$ —	$ 30,471
	2009	$5,500	$28,983	$100	$ —	$ 34,583
	2010	$ —	$31,604	$—	$ —	$ 31,604
Timothy P. Coughlin	2008	$6,900	$15,953	$—	$ —	$ 22,853
	2009	$4,125	$20,820	$100	$ —	$ 25,045
	2010	$ —	$23,596	$—	$ —	$ 23,596
Margaret Valeur-Jensen, Ph.D., J.D.	2008	$6,900	$19,209	$—	$ —	$ 26,109
	2009	$5,500	$22,282	$100	$ —	$ 27,882
	2010	$ —	$23,246	$—	$ —	$ 23,246
Christopher F. O'Brien, M.D.	2008	$6,900	$11,104	$—	$ —	$ 18,004
	2009	$5,500	$14,347	$—	$ —	$ 19,847
	2010	$ —	$16,947	$—	$ —	$ 16,947
Dimitri E. Grigoriadis, Ph.D.	2008	$6,900	$14,224	$—	$230,000	$251,124
	2009	$4,125	$17,643	$—	$ —	$ 21,768
	2010	$ —	$20,938	$—	$ —	$ 20,938
Haig P. Bozigian, Ph.D.	2008	$6,900	$14,224	$—	$ —	$ 21,124
	2009	$3,875	$17,643	$—	$ —	$ 21,518
	2010	$ —	$20,938	$—	$ —	$ 20,938

(1) The amounts in this column represent the costs for insurance premiums and related tax gross-up amounts.

(2) The amounts in this column represent nominal payments made to the named executive in exchange for the cancellation of certain stock options previously granted by the Company.

Grant of Plan Based Awards During the Fiscal Year Ended December 31, 2010 Table The following table sets forth certain information regarding stock and option awards granted by the Company pursuant to the 2003 Plan during the year ended December 31, 2010 to the Named Executive Officers below:

Name	Grant Date (1)	All Other Option Awards: No. of Securities Underlying Options	Exercise or Base Price of Option Awards (1)	Grant Date Fair Value of Stock and Option Awards (2)
Kevin C. Gorman, Ph.D.	05/11/2010	185,000	$2.59	$325,600
Timothy P. Coughlin	05/11/2010	170,000	$2.59	$299,200
Margaret Valeur-Jensen, J.D., Ph.D.	05/11/2010	150,000	$2.59	$264,000
Christopher F. O'Brien, M.D.	05/11/2010	170,000	$2.59	$299,200
Dimitri E. Grigoriadis, Ph.D.	05/11/2010	150,000	$2.59	$264,000
Haig P. Bozigian, Ph.D.	05/11/2010	150,000	$2.59	$264,000

(1) All options were granted and approved on the same date with an exercise price equal to the closing market price of the Company's common stock on date of grant. All option awards are time-based awards, which vest annually over three years and have an option term of seven years.

(2) Reflects the grant date per share Black-Scholes value of $1.76 for option awards granted on May 11, 2010 which was calculated in accordance with ASC 718.

To assist in understanding the data in the tables above, the following is a description of the employment agreements currently in place between the Company and the Named Executive Officers:

Agreements with Named Executive Officers

Kevin C. Gorman, Ph.D. has an employment contract that provides that: (i) Dr. Gorman will serve as the Company's Executive Vice President and Chief Operating Officer commencing on August 1, 2007 at an initial annual salary of $400,000, subject to annual adjustment by the Board of Directors (subsequent to entering into the employment contract, Dr. Gorman was promoted to President and Chief Executive Officer and his annual salary was increased to $440,000); (ii) the agreement terminates upon death, disability, termination by the Company with or without cause, constructive termination or voluntary resignation; (iii) Dr. Gorman is eligible for a discretionary annual bonus as determined by the Board of Directors, based upon achieving certain performance criteria; and (iv) each year starting in 2007 and continuing for the term of the agreement, Dr. Gorman will be eligible to receive stock option awards with the number of shares and exercise price as shall be determined by the Board of Directors.

Timothy P. Coughlin has an employment contract that provides that: (i) Mr. Coughlin will serve as the Company's Vice President and Chief Financial Officer commencing on August 1, 2007 at an initial annual salary of $275,000, subject to annual adjustment by the Board of Directors (subsequent to entering into the employment contract, Mr. Coughlin's annual base salary was increased to $300,000); (ii) the agreement terminates upon death, disability, termination by the Company with or without cause, constructive termination or voluntary resignation; (iii) Mr. Coughlin is eligible for a discretionary annual bonus as determined by the Board of Directors, based upon achieving certain performance criteria; and (iv) each year starting in 2007 and continuing for the term of the agreement, Mr. Coughlin will be eligible to receive stock option awards with the number of shares and exercise price as shall be determined by the Board of Directors.

Margaret E. Valeur-Jensen, Ph.D., J.D. has an employment contract that provides that: (i) Dr. Valeur-Jensen will serve as the Company's Executive Vice President, General Counsel and Corporate Secretary commencing on August 1, 2007 at an initial annual salary of $380,000, subject to annual adjustment by the Board of Directors (subsequent to entering into the employment contract, Dr. Valeur-Jensen's annual base salary was increased to $395,000); (ii) the agreement terminates upon death, disability, termination by the Company with or without cause, constructive termination or voluntary resignation; (iii) Dr. Valeur-Jensen is eligible for a discretionary annual bonus as determined by the Board of Directors, based upon achieving certain performance criteria; and (iv) Dr. Valeur-Jensen is eligible to receive stock option awards with the number of shares and exercise price as shall be determined by the Board of Directors.

Christopher F. O'Brien, M.D. has an employment contract that provides that: (i) Dr. O'Brien will serve as the Company's Senior Vice President, Clinical Development and Chief Medical Officer commencing on August 1, 2007 at an initial annual salary of $350,000, subject to annual adjustment by the Board of Directors (subsequent to entering into the employment contract, Dr. O'Brien's annual base salary was increased to $375,000); (ii) the agreement terminates upon death, disability, termination by the Company with or without cause, constructive termination or voluntary resignation; (iii) Dr. O'Brien is eligible for a discretionary annual bonus as determined by the Board of Directors, based upon achieving certain performance criteria; and (iv) Dr. O'Brien is eligible to receive stock option awards with the number of shares and exercise price as shall be determined by the Board of Directors.

Dimitri E. Grigoriadis, Ph.D. has an employment contract that provides that: (i) Dr. Grigoriadis will serve as the Company's Vice President, Research commencing on August 1, 2007 at an initial annual salary of $260,000, subject to annual adjustment by the Board of Directors (subsequent to entering into the employment contract, Dr. Grigoriadis' annual base salary was increased to $285,000); (ii) the agreement terminates upon death, disability, termination by the Company with or without cause, constructive termination or voluntary resignation; (iii) Dr. Grigoriadis is eligible for a discretionary annual bonus as determined by the Board of

Directors, based upon achieving certain performance criteria; and (iv) Dr. Grigoriadis is eligible to receive stock option awards with the number of shares and exercise price as shall be determined by the Board of Directors.

Haig P. Bozigian, Ph.D. has an employment contract that provides that: (i) Dr. Bozigian will serve as the Company's Senior Vice President, Pharmaceutical and Preclinical Development commencing on August 1, 2007 at an initial annual salary of $260,000, subject to annual adjustment by the Board of Directors (subsequent to entering into the employment contract, Dr. Bozigian's annual base salary was increased to $285,000); (ii) the agreement terminates upon death, disability, termination by the Company with or without cause, constructive termination or voluntary resignation; (iii) Dr. Bozigian is eligible for a discretionary annual bonus as determined by the Board of Directors, based upon achieving certain performance criteria; and (iv) Dr. Bozigian is eligible to receive stock option awards with the number of shares and exercise price as shall be determined by the Board of Directors.

Option Cancellation Agreements On August 28, 2009, the Company entered into Stock Option Cancellation Agreements with certain of the Company's executive officers and Directors, pursuant to which certain stock options with exercise prices in excess of $35.00, previously granted to each such executive officer or Director were cancelled in exchange for a nominal payment by the Company of $100 in the aggregate.

The Stock Option Cancellation Agreements indicated that other than such nominal payment, the applicable executive officer or Director had not received, and would not receive, any additional consideration in exchange for the cancellation of such options.

Accordingly, while each such executive officer or Director will be eligible to receive future equity grants in connection with the Company's regular grant practices, no such executive officer or Director will receive any future equity award in exchange for the cancellation of such options.

Outstanding Equity Awards The following table sets forth the outstanding equity awards held by the Named Executive Officers at December 31, 2010.

Outstanding Equity Awards at Fiscal Year End Table

	Option Awards						Stock Awards	
Name	Award Grant and Commencement of Vesting Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (1)	Market Value of Shares or Units of Stock That Have Not Vested (1)
Kevin C. Gorman, Ph.D.	04/18/2001	10,000(2)	—	—	$24.33	04/18/2011	—	—
	05/24/2001	20,000(2)	—	—	$35.14	05/24/2011	—	—
	02/07/2002	35,000(2)	—	—	$36.79	02/07/2012	—	—
	01/11/2007	108,000(4)	—	—	$11.44	01/11/2014	—	—
	02/27/2008	30,000(4)	15,000(4)	—	$ 5.12	02/27/2015	—	—
	02/27/2008	—	—	—	—	—	41,667(6)	$318,336
	05/11/2010	35,972(4)	149,028(4)	—	$ 2.59	05/11/2017	—	—
Timothy P. Coughlin	09/30/2002	11,000(5)	—	—	$41.00	09/30/2012	—	—
	01/11/2007	100,000(4)	—	—	$11.44	01/11/2014	—	—
	02/27/2008	20,000(4)	10,000(4)	—	$ 5.12	02/27/2015	—	—
	02/27/2008	—	—	—	—	—	33,334(6)	$254,672
	05/11/2010	33,055(4)	136,945(4)	—	$ 2.59	05/11/2017	—	—
Margaret Valeur-Jensen, Ph.D., J.D.	04/18/2001	5,000(2)	—	—	$24.33	04/18/2011	—	—
	05/24/2001	12,500(2)	—	—	$35.14	05/24/2011	—	—
	02/07/2002	18,229(2)	—	—	$36.79	02/07/2012	—	—
	01/11/2007	100,000(4)	—	—	$11.44	01/11/2014	—	—
	02/27/2008	20,000(4)	10,000(4)	—	$ 5.12	02/27/2015	—	—
	02/27/2008	—	—	—	—	—	33,334(6)	$254,672
	05/11/2010	29,166(4)	120,834(4)	—	$ 2.59	05/11/2017	—	—
Christopher F. O'Brien M.D.	10/31/2005	55,000(3)(5)	—	—	$52.82	10/31/2015	—	—
	11/14/2006	27,500(4)	—	—	$ 8.92	11/14/2013	—	—
	02/27/2008	20,000(4)	10,000(4)	—	$ 5.12	02/27/2015	—	—
	02/27/2008	—	—	—	—	—	33,334(6)	$254,672
	05/11/2010	33,055(4)	136,945(4)	—	$ 2.59	05/11/2017	—	—
Dimitri E. Grigoriadis, Ph.D.	09/26/2006	937(4)	—	—	$10.90	07/23/2013	—	—
	09/26/2006	4,737(4)	—	—	$10.90	09/26/2013	—	—
	09/26/2006	3,125(4)	—	—	$10.90	06/26/2011	—	—
	09/26/2006	3,250(4)	—	—	$10.90	07/05/2012	—	—
	09/26/2006	10,125(4)	—	—	$10.90	09/05/2012	—	—
	02/27/2008	20,000(4)	10,000(4)	—	$ 5.12	02/27/2015	—	—
	02/27/2008	—	—	—	—	—	33,334(6)	$254,672
	05/11/2010	29,166(4)	120,834(4)	—	$ 2.59	05/11/2017	—	—
Haig P. Bozigian, Ph.D.	03/22/2001	792(2)	—	—	$15.81	03/22/2011	—	—
	09/26/2006	8,125(4)	—	—	$10.90	09/05/2012	—	—
	09/26/2006	2,500(4)	—	—	$10.90	03/21/2012	—	—
	09/26/2006	1,875(4)	—	—	$10.90	04/21/2013	—	—
	09/26/2006	8,500(4)	—	—	$10.90	09/26/2013	—	—
	02/27/2008	20,000(4)	10,000(4)	—	$ 5.12	02/27/2015	—	—
	02/27/2008	—	—	—	—	—	33,334(6)	$254,672
	05/11/2010	29,166(4)	120,834(4)	—	$ 2.59	05/11/2017	—	—

(1) Stock awards granted to executive officers consist of RSUs and restricted stock, which are subject to deferred delivery arrangements. The market value of RSUs and restricted stock that have not vested is derived by multiplying the number of RSUs and restricted stock that have not vested as of December 31, 2010 by $7.64, the closing price of the Company's common stock on December 31, 2010.

(2) Vests monthly over four years.

(3) On November 7, 2005, the Company accelerated vesting on all unvested stock options to purchase shares of common stock that were held by then-current employees and had an exercise price per share equal to or greater than $50.00. The acceleration of these stock options was undertaken to eliminate the future compensation expense associated with the adoption of ASC 718 in the Company's consolidated statements of operations.

(4) Vests annually over three years.

(5) Vests monthly over four years, subject to an initial one-year "cliff."

(6) Vested February 27, 2011.

Nonqualified Deferred Compensation The following table sets forth information regarding the NQDC Plan for the fiscal year ended December 31, 2010 with respect to the Named Executive Officers:

Nonqualified Deferred Compensation Table

Name	Executive Contributions in Last FY	Aggregate Earnings/(Losses) in Last FY	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE
Kevin C. Gorman, Ph.D.	$—	$(20,125)	$(422,243)	$—
Timothy P. Coughlin	$—	$ 575	$ (23,791)	$—
Margaret Valeur- Jensen, Ph.D., J.D.	$—	$(12,191)	$(276,779)	$—
Christopher F. O'Brien, M.D.	$—	$ (1,470)	$ (71,602)	$—
Dimitri E. Grigoriadis, Ph.D.	$—	$ —	$ —	$—
Haig P. Bozigian, Ph.D.	$—	$ —	$ —	$—

In April 2009 the Board of Directors terminated the NQDC Plan and accelerated payout of all accounts in accordance with the terms of the NQDC Plan. In accordance with the terms of the NQDC Plan, all deferrals that predated the enactment of Section 409A were paid to participants within 60 days following the termination of the NQDC Plan. All deferrals that postdated Section 409A will, in accordance with Treasury Regulations and the Internal Revenue Code, will be paid to participants in lump sums no earlier than 12 months and no later than 24 months after termination of the NQDC Plan. Final distributions were made in 2010.

Option Exercises and Stock Vested The following table sets forth stock awards that vested during fiscal 2010 along with their respective values at December 31, 2010 for the Named Executive Officers:

Option Exercises and Stock Vested Table

	Option Awards (1)		Stock Awards (2)	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting (3)
Kevin C. Gorman, Ph.D.	—	$—	62,667	$159,171
Timothy P. Coughlin	—	$—	52,667	$133,721
Margaret Valeur- Jensen, Ph.D., J.D.	—	$—	52,667	$133,721
Christopher F. O'Brien, M.D.	—	$—	36,667	$ 93,968
Dimitri E. Grigoriadis, Ph.D.	—	$—	36,667	$ 93,968
Haig P. Bozigian, Ph.D.	—	$—	35,000	$ 89,483

(1) There were no stock option exercises by the Named Executive Officers during 2010.

(2) Information relates to stock awards, which consist of RSUs that vested during 2010.

(3) Calculated by multiplying the number of shares acquired on vesting during fiscal 2010 by the closing price of the Company's common stock at the vesting date.

Potential Payments Upon Termination or Change-in-Control The following tables set forth the potential severance benefits payable to the Named Executive Officers in the event of a termination prior to or following a change in control, assuming such event occurred on December 31, 2010:

Potential Payment upon Termination Table*

Name	Salary (1)	Bonus (2)	Accrued Compensation (3)	Stock Awards (4)	Medical (5)	Total
Kevin C. Gorman, Ph.D.	$550,000	$330,000	$61,250	$1,002,669	$34,611	$1,978,530
Timothy P. Coughlin	$375,000	$187,500	$30,254	$ 854,911	$34,299	$1,481,964
Margaret Valeur- Jensen, Ph.D., J.D.	$493,750	$246,875	$54,116	$ 793,190	$21,337	$1,609,268
Christopher F. O'Brien, M.D.	$375,000	$187,500	$27,750	$ 783,368	$19,463	$1,393,081
Dimitri E. Grigoriadis, Ph.D.	$285,000	$142,500	$33,204	$ 730,065	$23,105	$1,213,874
Haig P. Bozigian, Ph.D.	$285,000	$142,500	$38,634	$ 730,065	$23,105	$1,219,304

* Reflects a termination without cause or due to a constructive termination, or deemed termination, prior to a change in control.

(1) Based on salary as of December 31, 2010.

(2) Based on bonus targets established by the Board of Directors for 2010.

(3) Accrued compensation is comprised of vacation pay earned and unpaid as of December 31, 2010 and a one-time additional two week vacation benefit for eligible employees.

(4) Certain options held by the Named Executive Officers at December 31, 2010 had an exercise price greater than the closing price of the Company's common stock at December 31, 2010. The amounts in this column represent the intrinsic value of 'in-the money' vested and outstanding options and the market value of unvested restricted stock units as of December 31, 2010 that would vest in accordance with the executive officers' employment agreements. Values were derived using the closing market price on December 31, 2010 of $7.64.

(5) Medical is comprised of health insurance premiums for the period specified in each executive officer's employment contract.

Potential Payment upon Change-in-Control Table*

Name	Severance (1)	Bonus (2)	Accrued Compensation (3)	Stock Awards (4)	Medical (5)	Statutory Tax Gross-up (6)	Total
Kevin C. Gorman, Ph.D.	$880,000	$528,000	$61,250	$1,365,986	$55,377	$1,329,085	$4,219,698
Timothy P. Coughlin	$600,000	$300,000	$30,254	$1,188,772	$54,878	$ 991,898	$3,165,802
Margaret Valeur-Jensen, Ph.D., J.D.	$790,000	$395,000	$54,116	$1,087,772	$34,139	$1,025,660	$3,386,687
Christopher F. O'Brien, M.D.	$562,500	$281,250	$27,750	$1,188,772	$29,194	$ 920,649	$3,010,115
Dimitri E. Grigoriadis, Ph.D.	$427,500	$213,750	$33,204	$1,087,772	$34,657	$ 755,033	$2,551,916
Haig P. Bozigian, Ph.D.	$427,500	$213,750	$38,634	$1,087,772	$34,657	$ 739,243	$2,541,556

* Reflects benefits to be provided upon a termination without cause, or constructive termination, within a specified time following a change in control.

(1) Based on salary as of December 31, 2010.

(2) Based on bonus targets established by the Board of Directors for 2010.

(3) Accrued compensation is comprised of vacation pay earned and unpaid as of December 31, 2010 and a one-time additional two week vacation benefit for eligible employees.

(4) Certain options held by the Named Executive Officers at December 31, 2010 had an exercise price greater than the closing price of the Company's common stock at December 31, 2010. The amounts in this column represent the intrinsic value of 'in-the money' vested and outstanding options and the market value of unvested restricted stock units as of December 31, 2010 that would vest in accordance with the executive officers' employment agreements. Values were derived using the closing market price on December 31, 2010 of $7.64.

(5) Medical is comprised of health insurance premiums for the period specified in each executive officer's employment contract.

(6) Tax gross-up if total payments exceed 2.99 times base amount by 15% or more.

Potential Payment upon Termination by Disability Table*

Name	Base Salary (1)	Bonus (2)	Accrued Compensation (3)	Stock Awards (4)	Medical (5)	Total
Kevin C. Gorman, Ph.D.	$550,000	$264,000	$61,250	$1,002,669	$34,611	$1,912,530
Timothy P. Coughlin	$375,000	$150,000	$30,254	$ 854,911	$34,299	$1,444,464
Margaret Valeur-Jensen, Ph.D., J.D.	$493,750	$197,500	$54,116	$ 793,190	$21,337	$1,559,893
Christopher F. O'Brien, M.D.	$375,000	$187,500	$27,750	$ 783,368	$19,463	$1,393,081
Dimitri E. Grigoriadis, Ph.D.	$285,000	$142,500	$33,204	$ 730,065	$23,105	$1,213,874
Haig P. Bozigian, Ph.D.	$285,000	$142,500	$38,634	$ 730,065	$23,105	$1,219,304

* Reflects a termination due to disability.

(1) Based on salary as of December 31, 2010.

(2) Based on bonus targets established by the Board of Directors for 2010.

(3) Accrued compensation is comprised of vacation pay earned and unpaid as of December 31, 2010 and one-time additional two week vacation benefit for eligible employees.

(4) Certain options held by the Named Executive Officers at December 31, 2010 had an exercise price greater than the closing price of the Company's common stock at December 31, 2010. The amounts in this column represent the intrinsic value of 'in-the money' vested and outstanding options and the market value of unvested restricted stock units as of December 31, 2010 that would vest in accordance with the executive officers' employment agreements. Values were derived using the closing market price on December 31, 2010 of $7.64.

(5) Medical is comprised of health insurance premiums for the period specified in each executive officer's employment contract.

Potential Payment upon Termination by Death Table*

Name	Bonus (1)	Accrued Compensation (2)	Stock Awards (3)	Total
Kevin C. Gorman, Ph.D.	$264,000	$61,250	$1,002,669	$1,327,919
Timothy P. Coughlin	$150,000	$30,254	$ 854,911	$1,035,165
Margaret Valeur- Jensen, Ph.D., J.D.	$197,500	$54,116	$ 793,190	$1,044,806
Christopher F. O'Brien, M.D.	$187,500	$27,750	$ 783,368	$ 998,618
Dimitri E. Grigoriadis, Ph.D.	$142,500	$33,204	$ 730,065	$ 905,769
Haig P. Bozigian, Ph.D.	$142,500	$38,634	$ 730,065	$ 911,199

* Reflects a termination due to death.

(1) Based on bonus targets established by the Board of Directors for 2010.

(2) Accrued compensation is comprised of vacation pay earned and unpaid as of December 31, 2010 and one-time additional two week vacation benefit for eligible employees.

(3) Certain options held by the Named Executive Officers at December 31, 2010 had an exercise price greater than the closing price of the Company's common stock at December 31, 2010. The amounts in this column represent the intrinsic value of 'in-the money' vested and outstanding options and the market value of unvested restricted stock units as of December 31, 2010 that would vest in accordance with the executive officers' employment agreements. Values were derived using the closing market price on December 31, 2010 of $7.64.

The following is a description of the arrangements under which the Named Executive Officers may be entitled to potential payments upon a termination without cause or resignation due to a constructive termination (including following a change in control) or upon disability or death. Resignation due to constructive termination may include an executive's resignation following one or more of the following material adverse changes in the nature of executive's employment, as specified in the agreement, that is not cured following notification:

- a significant reduction in the executive or the executive supervisor's duties or responsibilities,
- a material reduction in base salary,
- material relocation, or
- material breach of the executive's employment agreement.

Dr. Gorman is entitled to 1.25 times the amount of his annual base salary and target annual bonus to be paid equally over 15 months, an acceleration of unvested shares that would have vested over the 15 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 15 months following termination in the event that the Company terminates his employment without cause, or he resigns due to a constructive termination. In the event of such termination within a specified time following a change of control, Dr. Gorman is entitled to 2 times the amount of his annual base salary and annual target bonus to be paid in one lump sum, a cash amount equal to the value of all unvested stock awards and all vested and outstanding stock awards, and payment of COBRA benefits to continue then-current coverage for a period of 24 months following termination. In addition, the Company has agreed to reimburse Dr. Gorman for the increase in federal and state income taxes payable by him by reason of the benefits provided in connection with such a termination in connection with a change in control if the total payment exceeds 2.99 of his base amount by more than 15%. In the event of termination due to disability, Dr. Gorman is entitled to 15 months of base salary paid semi-monthly over 15 months, a lump sum amount equal to his target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Dr. Gorman in the fiscal year and the denominator of which is 12, an acceleration of unvested shares that would have vested over the 15 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 15 months following termination. In the event of a termination due to Dr. Gorman's death, his beneficiaries or estate, would be entitled to an acceleration of unvested shares that would have vested over the 15 continuous months after the date of termination, a lump sum amount equal to his target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Dr. Gorman in the fiscal year and the denominator of which is 12 and any accrued and unpaid compensation on the date of termination.

Mr. Coughlin is entitled to 1.25 times the amount of his annual base salary and target annual bonus to be paid equally over 15 months, an acceleration of unvested shares that would have vested over the 15 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 15 months following termination in the event that the Company terminates his employment without cause, or he resigns due to a constructive termination. In the event of such termination within a specified time following a change of control, Mr. Coughlin is entitled to 2 times his annual base salary and annual target bonus to be paid in one lump sum, a cash amount equal to the value of all unvested stock awards and all vested and

outstanding stock awards, and payment of COBRA benefits to continue then-current coverage for a period of 24 months following termination. In addition, the Company has agreed to reimburse Mr. Coughlin for the increase in federal and state income taxes payable by him by reason of the benefits provided in connection with such a termination in connection with a change in control if the total payment exceeds 2.99 of his base amount by more than 15%. In the event of termination due to disability, Mr. Coughlin is entitled to 15 months of base salary paid semi-monthly over 15 months, a lump sum amount equal to his target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Mr. Coughlin in the fiscal year and the denominator of which is 12, an acceleration of unvested shares that would have vested over the 15 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 15 months following termination. In the event of a termination due to Mr. Coughlin's death, his beneficiaries or estate, would be entitled to an acceleration of unvested shares that would have vested over the 15 continuous months after the date of termination, a lump sum amount equal to his target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Mr. Coughlin in the fiscal year and the denominator of which is 12 and any accrued and unpaid compensation on the date of termination.

Dr. Valeur-Jensen is entitled to 1.25 times the amount of her annual base salary and target annual bonus to be paid equally over 15 months, an acceleration of unvested shares that would have vested over the 15 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 15 months following termination in the event that the Company terminates her employment without cause, or she resigns due to a constructive termination. In the event of such termination within a specified time following a change of control, Dr. Valeur-Jensen is entitled to 2 times the amount of her annual base salary and annual target bonus to be paid in one lump sum, a cash amount equal to the value of all unvested stock awards and all vested and outstanding stock awards, and payment of COBRA benefits to continue then-current coverage for a period of 24 months following termination. In addition, the Company has agreed to reimburse Dr. Valeur-Jensen for the increase in federal and state income taxes payable by her by reason of the benefits provided in connection with such a termination in connection with a change in control if the total payment exceeds 2.99 of her base amount by more than 15%. In the event of termination due to disability, Dr. Valeur-Jensen is entitled to 15 months of base salary paid semi-monthly over 15 months, a lump sum amount equal to her target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Dr. Valeur-Jensen in the fiscal year and the denominator of which is 12, an acceleration of unvested shares that would have vested over the 15 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 15 months following termination. In the event of a termination due to Dr. Valeur-Jensen's death, her beneficiaries or estate, would be entitled to an acceleration of unvested shares that would have vested over the 15 continuous months after the date of termination, a lump sum amount equal to her target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Dr. Valeur-Jensen in the fiscal year and the denominator of which is 12 and any accrued and unpaid compensation on the date of termination.

Dr. O'Brien is entitled to 1.0 times the amount of his annual base salary and target annual bonus to be paid equally over 12 months, an acceleration of unvested shares that would have vested over the 12 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 12 months following termination in the event that the Company terminates his employment without cause, or he resigns due to a constructive termination. In the event of such termination within a specified time following a change of control, Dr. O'Brien is entitled to 1.5 times the amount of his annual base salary and annual target bonus to be paid in one lump sum, a cash amount equal to the value of all unvested stock awards and all vested and outstanding stock awards, and payment of COBRA benefits to continue then-current coverage for a period of 18 months following termination. In addition, the Company has agreed to reimburse Dr. O'Brien for the increase in federal and state income taxes payable by him by reason of the benefits provided in connection with such a termination in connection with a change in control if the total payment exceeds 2.99 of his base amount by more than 15%. In the event of termination due to disability, Dr. O'Brien is entitled to 12 months of base salary paid semi-monthly over 12 months, a lump sum amount equal to his target annual bonus multiplied by a fraction of the numerator of which is the number of full months of employment by Dr. O'Brien in the fiscal year and the

denominator of which is 12, an acceleration of unvested shares that would have vested over the 12 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 12 months following termination. In the event of a termination due to Dr. O'Brien's death, his beneficiaries or estate, would be entitled to an acceleration of unvested shares that would have vested over the 12 continuous months after the date of termination, a lump sum amount equal to his target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Dr. O'Brien in the fiscal year and the denominator of which is 12 and any accrued and unpaid compensation on the date of termination.

Dr. Grigoriadis is entitled to 1.0 times the amount of his annual base salary and target annual bonus to be paid equally over 12 months, an acceleration of unvested shares that would have vested over the 12 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 12 months following termination in the event that the Company terminates his employment without cause, or he resigns due to a constructive termination. In the event of such termination within a specified time following a change of control, Dr. Grigoriadis is entitled to 1.5 times the amount of his annual base salary and annual target bonus to be paid in one lump sum, a cash amount equal to the value of all unvested stock awards and all vested and outstanding stock awards, and payment of COBRA benefits to continue then-current coverage for a period of 18 months following termination. In addition, the Company has agreed to reimburse Dr. Grigoriadis for the increase in federal and state income taxes payable by him by reason of the benefits provided in connection with such a termination in connection with a change in control if the total payment exceeds 2.99 of his base amount by more than 15%. In the event of termination due to disability, Dr. Grigoriadis is entitled to 12 months of base salary paid semi-monthly over 12 months, a lump sum amount equal to his target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Dr. Grigoriadis in the fiscal year and the denominator of which is 12, an acceleration of unvested shares that would have vested over the 12 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 12 months following termination. In the event of a termination due to Dr. Grigoriadis' death, his beneficiaries or estate, would be entitled to an acceleration of unvested shares that would have vested over the 12 continuous months after the date of termination, a lump sum amount equal to his target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Dr. Grigoriadis in the fiscal year and the denominator of which is 12 and any accrued and unpaid compensation on the date of termination.

Dr. Bozigian is entitled to 1.0 times the amount of his annual base salary and target annual bonus to be paid equally over 12 months, an acceleration of unvested shares that would have vested over the 12 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 12 months following termination in the event that the Company terminates his employment without cause, or he resigns due to a constructive termination. In the event of such termination within a specified time following a change of control, Dr. Bozigian is entitled to 1.5 times the amount of his annual base salary and annual target bonus to be paid in one lump sum, a cash amount equal to the value of all unvested stock awards and all vested and outstanding stock awards, and payment of COBRA benefits to continue then-current coverage for a period of 18 months following termination. In addition, the Company has agreed to reimburse Dr. Bozigian for the increase in federal and state income taxes payable by him by reason of the benefits provided in connection with such a termination in connection with a change in control if the total payment exceeds 2.99 of his base amount by more than 15%. In the event of termination due to disability, Dr. Bozigian is entitled to 12 months of base salary paid semi-monthly over 12 months, a lump sum amount equal to his target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Dr. Bozigian in the fiscal year and the denominator of which is 12, an acceleration of unvested shares that would have vested over the 12 continuous months after the date of termination, and payment of COBRA benefits to continue then-current coverage for a period of 12 months following termination. In the event of a termination due to Dr. Bozigian's death, his beneficiaries or estate, would be entitled to an acceleration of unvested shares that would have vested over the 12 continuous months after the date of termination, a lump sum amount equal to his target annual bonus multiplied by a fraction the numerator of which is the number of full months of employment by Dr. Bozigian in the fiscal year and the denominator of which is 12 and any accrued and unpaid compensation on the date of termination.

DIRECTORS COMPENSATION SUMMARY

Non-employee Directors are reimbursed for expenses incurred in connection with performing their duties as Directors of the Company. Directors who are not employees or consultants of the Company receive a $30,000 annual retainer and $2,000 for each regular meeting of the Board of Directors. The Company provides the Chairman of the Board an additional $20,000, making his total annual cash retainer $50,000. In addition to the cash compensation set forth above, the Chairman of the Audit Committee, Corinne H. Nevinny, receives an additional $19,000 annual cash retainer. The Chairman of the Compensation Committee, Richard F. Pops, receives an additional $12,000 annual cash retainer. The Chairman of the Nominating/Corporate Governance Committee, W. Thomas Mitchell, receives an additional $9,000 annual cash retainer. Each other Director who is a member of the Audit Committee, the Compensation Committee or the Nominating/Corporate Governance Committee receives an annual cash retainer of $12,000, $7,000 and $5,000, respectively, for each Committee on which he or she serves.

Additionally, each non-employee Director receives a grant of nonstatutory stock options to purchase 15,000 shares of the Company's common stock (except that the Chairman of the Board, receives options to purchase 20,000 shares) at each Annual Meeting of Stockholders, provided that such non-employee Director has been a Director of the Company for at least six months prior to the date of such Annual Meeting. Each new non-employee Director is automatically granted a nonstatutory stock option to purchase 25,000 shares of the Company's common stock upon the date such person joins the Board of Directors.

All options granted to non-employee Directors under the 2003 Plan are subject to a seven year term and vest monthly over the one-year period following the date of grant and have exercise prices equal to the fair market value of the Company's common stock on the date of the grant.

Compensation of Directors The following table sets forth the compensation paid by the Company for the fiscal year ended December 31, 2010 to the Directors of the Company named below:

Director Compensation Table

Name	Fees Earned or Paid in Cash (1)	Option Awards (2)	All Other Compensation	Total
Kevin C. Gorman, Ph.D. (3)	$ —	$ —	$ —	$ —
Gary A. Lyons (4)	$42,000	$35,700	$222,124	$299,824
Joseph A. Mollica, Ph.D. (5)	$67,000	$47,600	$ —	$114,600
W. Thomas Mitchell (6)	$58,000	$35,700	$ —	$ 93,700
Corinne H. Nevinny (7)	$57,000	$35,700	$ —	$ 92,700
Richard F. Pops (8)	$64,000	$35,700	$ —	$ 99,700
William H. Rastetter, Ph.D. (9)	$52,041	$37,500	$ —	$ 89,541
Stephen A. Sherwin, M.D. (10)	$54,000	$35,700	$ —	$ 89,700
Wylie W. Vale, Ph.D. (11)	$49,000	$35,700	$ —	$ 84,700

(1) Amounts in this column reflect compensation earned in 2010, all of which was paid during 2010.

(2) The amounts shown represent the full grant date fair value of option awards granted in 2010 as determined pursuant to ASC 718. The assumptions used to calculate the value of such awards are set forth under Note 9 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on February 10, 2011.

(3) During 2010, Dr. Gorman was an employee of the Company, and as such, did not receive any compensation for service on the Board of Directors. As of December 31, 2010, Dr. Gorman had outstanding options to purchase 403,000 shares of common stock and 41,667 outstanding RSUs.

(4) Mr. Lyons served as our President and Chief Executive Officer until January 10, 2008, and in connection with his departure, through 2010, received severance benefits. Amounts reported above under "All Other Compensation" include $218,750 in severance payments, $100 in exchange for certain option cancellations, and $3,274 in medical insurance premiums paid on Mr. Lyons' behalf as part of his severance agreement. As of December 31, 2010, Mr. Lyons had outstanding options to purchase 194,798 shares of common stock. As of December 31, 2010, the GEL Family Limited Liability Company, a limited liability company formed by Mr. Lyons for estate planning purposes, had outstanding options to purchase 47,701 shares of common stock which expire in 2011.

(5) As of December 31, 2010, Dr. Mollica had outstanding options to purchase 120,000 shares of common stock.

(6) As of December 31, 2010, Mr. Mitchell had outstanding options to purchase 89,000 shares of common stock.

(7) As of December 31, 2010, Ms. Nevinny had outstanding options to purchase 69,000 shares of common stock.

(8) As of December 31, 2010, Mr. Pops had outstanding options to purchase 93,000 shares of common stock.

(9) As of December 31, 2010, Dr. Rastetter had outstanding options to purchase 25,000 shares of common stock.

(10) As of December 31, 2010, Dr. Sherwin had outstanding options to purchase 93,000 shares of common stock.

(11) As of December 31, 2010, Dr. Vale had outstanding options to purchase 93,000 shares of common stock.

Nonqualified Deferred Compensation. The following table sets forth information regarding the Company's NQDC Plan for the fiscal year ended December 31, 2010 with respect to the Directors of the Company named below:

Directors Nonqualified Deferred Compensation Table

Name	Executive Contributions in Last FY	Aggregate Earnings/(Losses) in Last FY	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE
Gary A. Lyons	$—	$ 6,617	$(350,925)	$—
Joseph A. Mollica, Ph.D.	$—	$(2,257)	$(224,182)	$—

Additional Information

Executive officers of the Company serve at the discretion of the Board of Directors. There are no family relationships among any of the Directors, executive officers or key employees of the Company. No Director, executive officer, key employee, promoter or control person of the Company has, in the last five years, been subject to bankruptcy proceedings, criminal proceedings or legal proceedings related to the violation of state or federal commodities or securities laws.

RELATED PERSON TRANSACTIONS

Review, approval or ratification of related person transactions

In accordance with the Company's Audit Committee Charter, the Company's Audit Committee is responsible for reviewing and approving the terms and conditions of all related person transactions. In connection with its review, approval or ratification of related person transactions, the Company's Audit Committee takes into account all relevant available facts and circumstances in determining whether such transaction is in the best

interests of the Company and its stockholders. Any transaction that would disqualify a Director from meeting the "independent director" standard as defined under the Nasdaq Stock Market rules requires review by the Company's audit committee prior to entering into such transaction. For all other related person transactions the Company reviews all agreements and payments for related person transactions and based on this review, a report is made to the Company's Audit Committee quarterly disclosing all related person transactions during that quarter, if any. All related person transactions shall be disclosed in the Company's applicable filings with the SEC as required under SEC rules.

Related person transactions during fiscal 2010

In February 2010, William H. Rastetter, Ph.D. was appointed to the Company's Board of Directors. Dr. Rastetter is a partner in Venrock, a venture capital firm. In December 2009, certain investment funds affiliated with Venrock acquired approximately 4.8 million shares of Neurocrine's common stock in a privately negotiated transaction for aggregate gross proceeds of approximately $10.0 million. Venrock has implemented an internal disclosure screen designed to prevent the transmission of information related to Neurocrine between Dr. Rastetter and other Venrock personnel, and Dr. Rastetter does not exercise any voting or dispositive power over the Neurocrine shares held by Venrock.

OTHER MATTERS

As of the date of this Proxy Statement, the Company knows of no other matters to be submitted to the stockholders at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as the Board of Directors may recommend.

ADDITIONAL INFORMATION

"Householding" of Proxy Materials. The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. The Company, and some brokers, household proxy materials, delivering a single proxy statement to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker or us that they or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. If you hold registered shares, you may direct your written request to the Company's Corporate Secretary at 12780 El Camino Real, San Diego, California 92130 or contact the Company's Corporate Secretary at 858-617-7600.

Advance Notice Procedures. To be considered for inclusion in next year's proxy materials, a stockholder must submit his, her or its proposal in writing by December 23, 2011, which is the date that is 120 days prior to the first anniversary of the mailing date of this proxy statement, to the Company's Corporate Secretary at 12780 El Camino Real, San Diego, California 92130. Any proposal must comply with the requirements as to form and substance established by the SEC for such proposal to be included in our proxy statement. Stockholders are also advised to review our bylaws, which contain additional requirements about advance notice of stockholder proposals and Director nominations.

Appendix A

NEUROCRINE BIOSCIENCES, INC.

2011 EQUITY INCENTIVE PLAN

ADOPTED BY THE BOARD OF DIRECTORS: FEBRUARY 21, 2011
APPROVED BY THE STOCKHOLDERS: , 2011
TERMINATION DATE: FEBRUARY 20, 2021

1. GENERAL.

(a) Successor to and Continuation of Prior Plans. The Plan is intended as the successor to and continuation of the Neurocrine Biosciences, Inc. 2003 Incentive Stock Plan, 2001 Stock Option Plan, 1997 Incentive Stock Plan, 1996 Director Stock Option Plan and 1992 Incentive Stock Plan (together the "***Prior Plans***"). On the Effective Date, awards will automatically be granted to the Company's Directors pursuant to the terms of Section 10 of the Neurocrine Biosciences, Inc. 2003 Incentive Stock Plan (the "***2011 Automatic Director Awards***"). From and following the Effective Date, no additional stock awards shall be granted under the Prior Plans except for the 2011 Automatic Director Awards. From and after the Effective Date, all outstanding stock awards granted under the Prior Plans shall remain subject to the terms of the Prior Plans; *provided, however*, any shares subject to outstanding stock awards granted under the Prior Plans that expire or terminate for any reason prior to exercise or settlement or are otherwise forfeited prior to issuance of the shares because of the failure to meet a contingency or condition required to vest such shares shall not again become available for issuance under either the Prior Plans or this Plan. Except with respect to the 2011 Automatic Director Awards, all Awards granted on or after the Effective Date of this Plan shall be subject to the terms of this Plan.

(b) Eligible Award Recipients. The persons eligible to receive discretionary Awards are Employees, Directors and Consultants. The persons eligible to receive Stock Awards under the Director Grant Program are Eligible Directors.

(c) Available Awards. The Plan provides for the grant of the following Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation Rights (iv) Restricted Stock Awards, (v) Restricted Stock Unit Awards, (vi) Performance Stock Awards, and (vii) Other Stock Awards.

(d) Purpose. The Company, by means of the Plan, seeks to secure and retain the services of the group of persons eligible to receive Awards as set forth in Section 1(b), to provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and to provide a means by which such eligible recipients may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Awards.

2. ADMINISTRATION.

(a) Administration by Board. The Board shall administer the Plan unless and until the Board delegates administration of the Plan to a Committee or Committees, as provided in Section 2(d). However, the Board may not delegate administration of the Director Grant Program.

(b) Powers of Board. Except with respect to the Director Grant Program, the Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time (A) which of the persons eligible under the Plan shall be granted Awards; (B) when and how each Award shall be granted; (C) what type or combination of types of Award shall be granted; (D) the provisions of each Award granted (which need not be identical), including the time or times when a person shall be permitted to receive cash or Common Stock pursuant to an Award; (E) the

number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person; and (F) the Fair Market Value applicable to a Stock Award.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement in a manner and to the extent it shall deem necessary or expedient to make the Plan or Award fully effective.

(iii) To settle all controversies regarding the Plan and Awards granted under it.

(iv) To accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Award stating the time at which it may first be exercised or the time during which it will vest.

(v) To suspend or terminate the Plan at any time. Suspension or termination of the Plan shall not impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant.

(vi) To amend the Plan in any respect the Board deems necessary or advisable. However, except as provided in Section 10(a) relating to Capitalization Adjustments, to the extent required by applicable law or listing requirements, stockholder approval shall be required for any amendment of the Plan that either (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan or materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (D) materially extends the term of the Plan, or (E) expands the types of Awards available for issuance under the Plan. Except as provided above, rights under any Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 162(m) of the Code regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees, (B) Section 422 of the Code regarding incentive stock options or (C) Rule 16b-3.

(viii) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided however*, that except with respect to amendments that disqualify or impair the status of an Incentive Stock Option, a Participant's rights under any Award shall not be impaired by any such amendment unless (A) the Company requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent if necessary to maintain the qualified status of the Award as an Incentive Stock Option or to bring the Award into compliance with Section 409A of the Code.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States.

(c) Administration of Director Grant Program. The Board shall have the power, subject to and within the limitations of, the express provisions of the Director Grant Program:

(i) To determine the provisions of each Stock Award to the extent not specified in the Director Grant Program.

(ii) To construe and interpret the Director Grant Program and the Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Director Grant Program or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Director Grant Program fully effective.

(iii) To amend the terms of the Director Grant Program or a Stock Award granted thereunder, except that rights under any such Stock Award granted before amendment of the Director Grant Program shall not be impaired by any amendment of the Director Grant Program unless (1) the Company requests the consent of the affected Participant, and (2) such Participant consents in writing.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Director Grant Program.

(d) Delegation to Committee.

(i) General. The Board may delegate some or all of the administration of the Plan (except the Director Grant Program) to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Committee may, at any time, abolish the subcommittee and/or revest in the Committee any powers delegated to the subcommittee. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated.

(ii) Section 162(m) and Rule 16b-3 Compliance. The Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3.

(e) Delegation to an Officer. The Board may delegate to one (1) or more Officers the authority to do one or both of the following (i) designate Employees who are providing Continuous Service to the Company or any of its Subsidiaries who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Stock Awards) and the terms thereof, and (ii) determine the number of shares of Common Stock to be subject to such Stock Awards granted to such Employees; provided, however, that the Board resolutions regarding such delegation shall specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Notwithstanding the foregoing, the Board may not delegate authority to an Officer to determine the Fair Market Value pursuant to Section 14(z)(iii) below.

(f) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

(g) Cancellation and Re-Grant of Stock Awards. Except in connection with a Corporate Transaction, as provided in Section 10(a) relating to Capitalization Adjustments, or unless the stockholders of the Company have approved such an action within twelve (12) months prior to such an event, neither the Board nor any Committee

shall have the authority to: (i) reduce the exercise price of any outstanding Options or SARs under the Plan, or (ii) cancel any outstanding Options or SARs that have an exercise price or strike price greater than the current Fair Market Value of the Common Stock in exchange for cash, Full Value Awards, or Options or SARs with an exercise price less than the original exercise price of the Options or SARs that are cancelled.

3. SHARES SUBJECT TO THE PLAN.

(a) Share Reserve. Subject to Section 10(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards from and after the Effective Date shall not exceed five million five hundred thousand (5,500,000) shares. For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of shares of the Common Stock that may be issued pursuant to the Plan and does not limit the granting of Stock Awards except as provided in Section 8(a). Shares may be issued in connection with a merger or acquisition as permitted by, as applicable, NASDAQ Listing Rule 5635(c) or, if applicable, NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711 or other applicable rule, and such issuance shall not reduce the number of shares available for issuance under the Plan. Furthermore, if a Stock Award or any portion thereof expires or otherwise terminates without all of the shares covered by such Stock Award having been issued, such expiration or termination shall not reduce (or otherwise offset) the number of shares of Common Stock that may be available for issuance under the Plan.

(b) Reversion of Shares to the Share Reserve. If any shares of common stock issued pursuant to a Stock Award are forfeited back to the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited shall revert to and again become available for issuance under the Plan.

(c) Limitation on Full Value Awards. The aggregate number of shares of Common Stock that may be issued pursuant to grants of Full Value Awards shall not exceed fifty percent (50%) of the aggregate number of shares of Common Stock available for issuance under this Plan as set forth in Section 3(a), subject to adjustment as provided in Sections 3(b) and 10(a).

(d) Shares Not Available For Subsequent Issuance. If any shares subject to a Stock Award are not delivered to a Participant because the Stock Award is exercised through a reduction of shares subject to the Stock Award (i.e., "net exercised"), the number of shares that are not delivered to the Participant shall no longer be available for issuance under the Plan. Also, any shares used to pay the exercise price of a Stock Award or that are withheld in satisfaction of applicable tax withholding obligations shall no longer be available for issuance under the Plan. Any shares repurchased on the open market with the proceeds of the exercise price of a Stock Award shall not again be available for issuance under the Plan.

(e) Incentive Stock Option Limit. Notwithstanding anything to the contrary in this Section 3 and, subject to the provisions of Section 10(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options shall be five million five hundred thousand (5,500,000) shares of Common Stock.

(f) Section 162(m) Limitation on Annual Grants. Subject to the provisions of Section 10(a) relating to Capitalization Adjustments, at such time as the Company may be subject to the applicable provisions of Section 162(m) of the Code, a maximum of two hundred fifty thousand (250,000) shares of Common Stock subject to Options, SARs and Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least one hundred percent (100%) of the Fair Market Value on the date any such Stock Award is granted may be granted to any Participant during any calendar year; provided, however that in connection with his or her initial employment, an Employee may be granted such forms of Stock Awards for up to an additional two hundred fifty thousand (250,000) shares of Common Stock which shall not count against such annual limit. Notwithstanding the foregoing, if any additional Options, SARs or Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least one hundred percent

(100%) of the Fair Market Value on the date the Stock Award are granted to any Participant during any calendar year, compensation attributable to the exercise of such additional Stock Awards shall not satisfy the requirements to be considered "qualified performance-based compensation" under Section 162(m) of the Code unless such additional Stock Awards are approved by the Company's stockholders.

(g) Source of Shares. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise; provided, however that the Company may not repurchase shares to be used under this Plan to the extent such repurchased shares would exceed the limitation in Section 3(a).

4. ELIGIBILITY.

(a) Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to employees of the Company or a "parent corporation" or "subsidiary corporation" thereof (as such terms are defined in Sections 424(e) and (f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants; *provided, however*, Nonstatutory Stock Options and SARs may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any "parent" of the Company, as such term is defined in Rule 405 promulgated under the Securities Act, unless the stock underlying such Stock Awards is treated as "service recipient stock" under Section 409A of the Code because the Stock Awards are granted pursuant to a corporate transaction (such as a spin off transaction) or unless such Stock Awards comply with the distribution requirements of Section 409A of the Code. Stock Awards granted under the Director Grant Program in Section 7 may be granted only to Eligible Directors.

(b) Ten Percent Stockholders. A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates shall be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, then the Option shall be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical; *provided, however*, that each Option Agreement or SAR Agreement shall conform to (through incorporation of provisions hereof by reference in the applicable Award Agreement or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, no Option or SAR shall be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Award Agreement.

(b) Exercise Price. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, the exercise price (or strike price) of each Option or SAR shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Option or SAR is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise price (or strike price) lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option or SAR if such Option or SAR is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Corporate Transaction and in a manner consistent with the provisions of Sections 409A and, if applicable, 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

(c) Purchase Price for Options. The purchase price of Common Stock acquired pursuant to the exercise of an Option shall be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board shall have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to utilize a particular method of payment. The permitted methods of payment are as follows:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) if the option is a Nonstatutory Stock Option, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided, however*, that the Company shall accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued; *provided, further,* that shares of Common Stock will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are reduced to pay the exercise price pursuant to the "net exercise," (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(v) in any other form of legal consideration that may be acceptable to the Board.

(d) Exercise and Payment of a SAR. To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the SAR Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the strike price that will be determined by the Board at the time of grant of the SAR. The appreciation distribution in respect to a SAR may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the SAR Agreement evidencing such SAR.

(e) Transferability of Options and SARs. The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board shall determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs shall apply:

(i) Restrictions on Transfer. An Option or SAR shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant. Except as explicitly provided herein, neither an Option nor a SAR may be transferred.

(ii) Domestic Relations Orders. Notwithstanding the foregoing, an Option or SAR may be transferred pursuant to a domestic relations order; *provided, however*, that if an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Notwithstanding the foregoing, the Participant may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company and any broker designated by the Company to effect Option exercises, designate a third party who, in the event of the death of the Participant, shall thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, the

executor or administrator of the Participant's estate shall be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise.

(f) Vesting Generally. The total number of shares of Common Stock subject to an Option or SAR may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of shares of Common Stock as to which an Option or SAR may be exercised.

(g) Termination of Continuous Service. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates (other than for Cause or upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Participant's Continuous Service (or such longer or shorter period specified in the applicable Award Agreement), or (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the time specified herein or in the Award Agreement (as applicable), the Option or SAR shall terminate.

(h) Extension of Termination Date. If the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause or upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR shall terminate on the earlier of (i) the expiration of a total period of three (3) months (that need not be consecutive) after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement. In addition, unless otherwise provided in a Participant's Award Agreement, if the immediate sale of any Common Stock received upon exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause) would violate the Company's insider trading policy, then the Option or SAR shall terminate on the earlier of (i) the expiration of a period equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the sale of the Common Stock received upon exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement.

(i) Disability of Participant. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination of Continuous Service (or such longer or shorter period specified in the Award Agreement), or (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the time specified herein or in the Award Agreement (as applicable), the Option or SAR (as applicable) shall terminate.

(j) Death of Participant. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Award Agreement for exercisability after the termination of the Participant's Continuous Service (for a reason other than

death), then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Award Agreement), or (ii) the expiration of the term of such Option or SAR as set forth in the Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the time specified herein or in the Award Agreement (as applicable), the Option or SAR shall terminate.

(k) Termination for Cause. Except as explicitly provided otherwise in a Participant's Award Agreement or other individual written agreement between the Company or any Affiliate and the Participant, if a Participant's Continuous Service is terminated for Cause, the Option or SAR shall terminate immediately upon such Participant's termination of Continuous Service, and the Participant shall be prohibited from exercising his or her Option or SAR from and after the time of such termination of Continuous Service.

(l) Non-Exempt Employees. No Option or SAR, whether or not vested, granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable for any shares of Common Stock until at least six months following the date of grant of the Option or SAR. Notwithstanding the foregoing, consistent with the provisions of the Worker Economic Opportunity Act, (i) in the event of the Participant's death or Disability, (ii) upon a Corporate Transaction in which such Option or SAR is not assumed, continued, or substituted, (iii) upon a Change in Control, or (iv) upon the Participant's retirement (as such term may be defined in the Participant's Award Agreement or in another applicable agreement or in accordance with the Company's then current employment policies and guidelines), any such vested Options and SARs may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay.

6. Provisions of Stock Awards other than Options and SARs.

(a) Restricted Stock Awards. Each Restricted Stock Award Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. To the extent consistent with the Company's Bylaws, at the Board's election, shares of Common Stock may be (i) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse; or (ii) evidenced by a certificate, which certificate shall be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical; *provided, however*, that each Restricted Stock Award Agreement shall conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration (including future services) that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. Shares of Common Stock awarded under the Restricted Stock Award Agreement may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the Restricted Stock Award Agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in

the Restricted Stock Award Agreement, as the Board shall determine in its sole discretion, so long as Common Stock awarded under the Restricted Stock Award Agreement remains subject to the terms of the Restricted Stock Award Agreement.

(v) Dividends. A Restricted Stock Award Agreement may provide that any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

(b) Restricted Stock Unit Awards. Each Restricted Stock Unit Award Agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical; *provided, however*, that each Restricted Stock Unit Award Agreement shall conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) Payment. A Restricted Stock Unit Award will be settled by the delivery of shares of Common Stock as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate, including any vesting restrictions.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

(c) Performance Awards.

(i) Performance Stock Awards. A Performance Stock Award is a Stock Award that may vest or may be exercised contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Stock Award may, but need not, require the completion of a specified period of Continuous Service. The length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained shall be conclusively determined by the Committee, in its sole discretion. The maximum number of shares covered by an Award that may be granted to any Participant in a calendar year attributable to Stock Awards described in this Section 6(c)(i) (whether the grant, vesting or exercise is contingent upon the attainment during a Performance Period of the Performance Goals) shall not exceed two hundred fifty

thousand (250,000) shares of Common Stock; provided, however that in connection with his or her initial employment, an Employee may be granted Performance Stock Awards for up to an additional two hundred fifty thousand (250,000) shares of Common Stock which shall not count against such annual limit. The Board may provide for or, subject to such terms and conditions as the Board may specify, may permit a Participant to elect for, the payment of any Performance Stock Award to be deferred to a specified date or event. In addition, to the extent permitted by applicable law and the applicable Award Agreement, the Board may determine that cash may be used in payment of Performance Stock Awards.

Dividend equivalents may be credited in respect of shares of Common Stock covered by a Performance Stock Award, as determined by the Board and contained in the Performance Stock Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Performance Stock Award in such manner as determined by the Board. Any additional shares covered by the Performance Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Performance Stock Award Agreement to which they relate, including any vesting contingent upon the attainment during a Performance Period of certain Performance Goals.

(ii) Board Discretion. The Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for a Performance Period.

(iii) Section 162(m) Compliance. Unless otherwise permitted in compliance with the requirements of Section 162(m) of the Code with respect to an Award intended to qualify as "performance-based compensation" thereunder, the Committee shall establish the Performance Goals applicable to, and the formula for calculating the amount payable under, the Award no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable Performance Period, or (b) the date on which twenty-five percent (25%) of the Performance Period has elapsed, and in either event at a time when the achievement of the applicable Performance Goals remains substantially uncertain. Prior to the payment of any compensation under an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee shall certify the extent to which any Performance Goals and any other material terms under such Award have been satisfied (other than in cases where such relate solely to the increase in the value of the Common Stock). Notwithstanding satisfaction of any completion of any Performance Goals, to the extent specified at the time of grant of an Award to "covered employees" within the meaning of Section 162(m) of the Code, the number of shares of Common Stock, Options, or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Performance Goals may be reduced by the Committee on the basis of such further considerations as the Committee, in its sole discretion, shall determine.

(d) Other Stock Awards. Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof may be granted either alone or in addition to Stock Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan, the Board shall have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

7. Initial and Annual Grants to Eligible Directors.

(a) General. The Director Grant Program in this Section 7 provides that Eligible Directors shall receive certain Stock Awards at designated intervals over their period of Continuous Service on the Board. For the avoidance of doubt, all Stock Awards granted the Plan, including any Stock Awards granted under this Section 7, are subject to all the terms and conditions of the Plan, including but not limited to the share reserve limitations of Section 3 and the cancellation and regrant restrictions set forth in Section 2(g).

(b) Eligibility. Stock Awards shall be granted under this Section 7 to all Eligible Directors who meet the criteria specified below.

(c) Director Grants.

(i) Initial Award. At the time a person is first elected or appointed to serve on the Board, provided such person is an Eligible Director, he or she automatically shall, upon the date of his or her initial election or appointment as an Eligible Director, be granted an Option to purchase a number of shares of Common Stock as determined by the Board in its sole discretion, on the terms and conditions set forth in Section 7(d) (each such Option is an "***Initial Award***").

(ii) Annual Awards. On the date of each Annual Meeting, commencing with the Annual Meeting in 2012, each person who is then a Eligible Director and who has served as an Eligible Director on the Board for a period of at least six (6) months shall be granted an Option to purchase a number of shares of Common Stock as determined by the Board, in its sole discretion on the terms and conditions set forth in Section 7(d) (each such Option is an "***Annual Award***").

(d) Director Option Grant Provisions.

(i) Option Type. Each Option automatically granted under this Section 7 shall be a Nonstatutory Stock Option.

(ii) Term. No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(iii) Exercise Price. The exercise price of each Option shall be one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted.

(iv) Vesting.

(1) Initial Awards granted pursuant to this Section 7 shall vest monthly with respect to 1/36th of the shares over the three (3) year period following the date of grant, subject to the Eligible Director's Continuous Service through the applicable vesting dates, so that the Option will be fully vested on the third anniversary of the date of grant.

(2) Annual Awards granted pursuant to this Section 7 shall vest monthly with respect to 1/12th of the shares over the one (1) year period following the date of grant, subject to the Eligible Director's Continuous Service through the applicable vesting dates, so that the Option will be fully vested on the first anniversary of the date of grant.

(3) Each Option granted pursuant to this Section shall automatically fully accelerate vesting upon a Corporate Transaction, subject to the Eligible Director's Continuous Service through the date of the Corporate Transaction.

(v) Remaining Terms. The remaining terms and conditions of each Option shall be as set forth in an Option Agreement in the form adopted from time to time by the Board; *provided, however,* that the terms of such Option Agreement shall be consistent with the terms of the Plan.

8. COVENANTS OF THE COMPANY.

(a) Availability of Shares. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock reasonably required to satisfy such Stock Awards.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; *provided, however*, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common

Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant shall not be eligible for the grant of a Stock Award or the subsequent issuance of Common Stock pursuant to the Stock Award if such grant or issuance would be in violation of any applicable securities law.

(c) No Obligation to Notify or Minimize Taxes. The Company shall have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company shall have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of a Stock Award or a possible period in which the Stock Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of a Stock Award to the holder of such Stock Award.

9. MISCELLANEOUS.

(a) Use of Proceeds from Sales of Common Stock. Proceeds from the sale of shares of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

(b) Corporate Action Constituting Grant of Stock Awards. Corporate action constituting a grant by the Company of a Stock Award to any Participant shall be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Stock Award is communicated to, or actually received or accepted by, the Participant.

(c) Stockholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until (i) such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms, if applicable, and (ii) the issuance of the Common Stock subject to such Stock Award has been entered into the books and records of the Company.

(d) No Employment or Other Service Rights. Nothing in the Plan, any Stock Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) Incentive Stock Option $100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds one hundred thousand dollars ($100,000), the Options or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(f) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the

Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(g) Withholding Obligations. Unless prohibited by the terms of a Stock Award Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Award; *provided, however,* that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement.

(h) Electronic Delivery. Any reference herein to a "written" agreement or document shall include any agreement or document delivered electronically or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

(i) Deferrals. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(j) Compliance with Section 409A. To the extent that the Board determines that any Award granted hereunder is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded and a Participant holding an Award that constitutes "deferred compensation" under Section 409A of the Code is a "specified employee" for purposes of Section 409A of the Code, no distribution or payment of any amount shall be made upon a "separation from service" before a date that is six (6) months following the date of such Participant's "separation from service" (as defined in Section 409A of the Code without regard to alternative definitions thereunder) or, if earlier, the date of the Participant's death.

(k) Minimum Vesting. After the Effective Date of the Plan, generally (i) no Full Value Award that vests on the basis of the Participant's Continuous Service with the Company shall vest at a rate that is any more rapid than ratably over a three (3)-year period and (ii) no Full Value Award that vests based on the satisfaction of Performance Goals shall provide for a Performance Period of less than twelve (12) months. Notwithstanding the foregoing, Full Value Awards may be granted by the Committee after the Effective Date that do not meet the

foregoing minimum vesting guidelines, provided that such Awards shall be limited to no more than 5% of the total number of shares reserved for issuance under the Plan.

10. Adjustments upon Changes in Common Stock; Other Corporate Events.

(a) Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board shall appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(e), (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Sections 3(f) and 6(c)(i) , and (iv) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive.

(b) Dissolution or Liquidation. Except as otherwise provided in the Stock Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) shall terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service, *provided, however*, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) Corporate Transaction. The following provisions shall apply to Stock Awards in the event of a Corporate Transaction unless otherwise provided in the instrument evidencing the Stock Award or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of a Stock Award.

(i) Stock Awards May Be Assumed. In the event of a Corporate Transaction, any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue any or all Stock Awards outstanding under the Plan or may substitute similar stock awards for Stock Awards outstanding under the Plan (including but not limited to, awards to acquire the same consideration paid to the stockholders of the Company pursuant to the Corporate Transaction), and any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to Stock Awards may be assigned by the Company to the successor of the Company (or the successor's parent company, if any), in connection with such Corporate Transaction. A surviving corporation or acquiring corporation (or its parent) may choose to assume or continue only a portion of a Stock Award or substitute a similar stock award for only a portion of a Stock Award, or may choose to assume or continue the Stock Awards held by some, but not all Participants. The terms of any assumption, continuation or substitution shall be set by the Board.

(ii) Stock Awards Held by Current Employee and Director Participants. In the event of a Corporate Transaction in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Stock Awards or substitute similar stock awards for such outstanding Stock Awards, then with respect to Stock Awards that have not been assumed, continued or substituted and that are held by Participants that are Employees or Directors and whose Continuous Service has not terminated prior to the effective time of the Corporate Transaction (referred to as the "***Current Employee and Director Participants***"), the vesting of such Stock Awards (and, with respect to Options and SARs, the time when such Stock Awards may be exercised) shall be accelerated in full to a date prior to the effective time of such Corporate Transaction (contingent upon the effectiveness of the Corporate Transaction) as the Board shall determine (or, if the Board shall not determine such a date, to the date that is fifteen (15) days prior to the effective time of the Corporate Transaction), and such Stock Awards shall

terminate if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction, and any reacquisition or repurchase rights held by the Company with respect to such Stock Awards shall lapse (contingent upon the effectiveness of the Corporate Transaction).

(d) Stock Awards Held by Persons other than Current Employee and Director Participants. In the event of a Corporate Transaction in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Stock Awards or substitute similar stock awards for such outstanding Stock Awards, then with respect to Stock Awards that have not been assumed, continued or substituted and that are held by persons other than Current Employee and Director Participants, such Stock Awards shall terminate if not exercised (if applicable) prior to the effective time of the Corporate Transaction; *provided, however*, that any reacquisition or repurchase rights held by the Company with respect to such Stock Awards shall not terminate and may continue to be exercised notwithstanding the Corporate Transaction.

(e) Payment for Stock Awards in Lieu of Exercise. Notwithstanding the foregoing, in the event a Stock Award will terminate if not exercised prior to the effective time of a Corporate Transaction, the Board may provide, in its sole discretion, that the holder of such Stock Award may not exercise such Stock Award but will receive a payment, in such form as may be determined by the Board, equal in value, at the effective time, to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Stock Award (including, at the discretion of the Board, any unvested portion of such Stock Award), over (B) any exercise price payable by such holder in connection with such exercise.

(f) Change in Control. A Stock Award may be subject to acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration shall occur.

11. Termination or Suspension of the Plan.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. Unless terminated sooner by the Board, the Plan shall automatically terminate on the day before the tenth (10th) anniversary of the earlier of (i) the date the Plan is adopted by the Board, or (ii) the date the Plan is approved by the stockholders of the Company. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan shall not impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant.

12. Effective Date of Plan.

This Plan shall become effective on the Effective Date.

13. Choice of Law.

The laws of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

14. Definitions. As used in the Plan, the following definitions shall apply to the capitalized terms indicated below:

(a) "***Affiliate***" means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405 promulgated under the Securities Act. The Board shall have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

(b) ***"Annual Meeting"*** means the first meeting of the Company's stockholders held each calendar year at which Directors of the Company are selected.

(c) "***Award***" means a Stock Award.

(d) "***Award Agreement***" means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award.

(e) "***Board***" means the Board of Directors of the Company.

(f) "***Capitalization Adjustment***" means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards No. 123 (revised). Notwithstanding the foregoing, the conversion of any convertible securities of the Company shall not be treated as a Capitalization Adjustment.

(g) ***"Cause"*** shall mean, with respect to a Participant, the occurrence of any of the following events: (i) such Participant's commission of any crime involving fraud, dishonesty or moral turpitude; (ii) such Participant's attempted commission of or participation in a fraud or act of dishonesty against the Company that results in (or might have reasonably resulted in) material harm to the business of the Company; (iii) such Participant's intentional, material violation of any contract or agreement between Participant and the Company or any statutory duty Participant owes to the Company; or (iv) such Participant's conduct that constitutes gross insubordination, incompetence or habitual neglect of duties and that results in (or might have reasonably resulted in) material harm to the business of the Company; provided, however, that the action or conduct described in clauses (iii) and (iv) above will constitute "Cause" only if such action or conduct continues after the Company has provided such Participant with written notice thereof and not less than five business days to cure the same.

(h) "***Change in Control***" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (C) solely because the level of Ownership held by any Exchange Act Person (the "*Subject Person*") exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control shall be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly,

either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company shall otherwise occur, except for a liquidation into a parent corporation;

(iv) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; or

(v) individuals who, on the date the Plan is adopted by the Board, are members of the Board (the "***Incumbent Board***") cease for any reason to constitute at least a majority of the members of the Board; *provided, however*, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Board.

Notwithstanding the foregoing or any other provision of this Plan, the term Change in Control shall not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company.

(i) "***Code***" means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(j) "***Committee***" means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(d).

(k) "***Common Stock***" means the common stock of the Company.

(l) "***Company***" means Neurocrine Biosciences, Inc., a Delaware corporation.

(m) "***Consultant***" means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, shall not cause a Director to be considered a "Consultant" for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company's securities to such person.

(n) "***Continuous Service***" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate, shall not terminate a Participant's Continuous Service;

provided, however, if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, in its sole discretion, such Participant's Continuous Service shall be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of (i) any leave of absence approved by the Board or Chief Executive Officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(o) "***Corporate Transaction***" means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board, in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(p) "***Covered Employee***" shall have the meaning provided in Section 162(m)(3) of the Code.

(q) "***Director***" means a member of the Board.

(r) "***Director Grant Program***" means the grant program in effect under Section 7 of the Plan.

(s) "***Disability***" means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and shall be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(t) "***Effective Date***" means the effective date of this Plan document, which is the date of the annual meeting of stockholders of the Company held in 2011 provided this Plan is approved by the Company's stockholders at such meeting.

(u) ***"Eligible Director"*** means a Director who is not an Employee and is eligible to participate in the Director Grant Program.

(v) "***Employee***" means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, shall not cause a Director to be considered an "Employee" for purposes of the Plan.

(w) "***Entity***" means a corporation, partnership, limited liability company or other entity.

(x) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(y) "***Exchange Act Person***" means any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" shall not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities.

(z) "***Fair Market Value***" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(aa) ***"Full Value Award"*** generally means any Award granted under the Plan, but does not include any Option or a SAR granted pursuant to Section 5 of the Plan.

(bb) "***Incentive Stock Option***" means an option granted pursuant to Section 5 of the Plan that is intended to be, and qualifies as, an "incentive stock option" within the meaning of Section 422 of the Code.

(cc) "***Non-Employee Director***" means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("***Regulation S-K***")), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(dd) "***Nonstatutory Stock Option***" means any option granted pursuant to Section 5 of the Plan that does not qualify as an Incentive Stock Option.

(ee) "***Officer***" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(ff) "***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(gg) "***Option Agreement***" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(hh) "***Optionholder***" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(ii) "***Other Stock Award***" means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 6(d).

(jj) "***Other Stock Award Agreement***" means a written agreement between the Company and a holder of an Other Stock Award evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(kk) "***Outside Director***" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an "affiliated corporation," and does not receive remuneration from the Company or an "affiliated corporation," either directly or indirectly, in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(ll) "***Own,***" "***Owned,***" "***Owner,***" "***Ownership***" A person or Entity shall be deemed to "Own," to have "Owned," to be the "Owner" of, or to have acquired "Ownership" of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(mm) "***Participant***" means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(nn) "***Performance Criteria***" means the one or more criteria that the Board shall select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that shall be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board: (i) earnings (including earnings per share and net earnings); (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) total stockholder return; (v) return on equity or average stockholder's equity; (vi) return on assets, investment, or capital employed; (vii) stock price; (viii) margin (including gross margin); (ix) income (before or after taxes); (x) operating income; (xi) operating income after taxes; (xii) pre-tax profit; (xiii) operating cash flow; (xiv) sales or revenue targets; (xv) increases in revenue or product revenue; (xvi) expenses and cost reduction goals; (xvii) improvement in or attainment of working capital levels; (xiii) economic value added (or an equivalent metric); (xix) market share; (xx) cash flow; (xxi) cash flow per share; (xxii) share price performance; (xxiii) debt reduction; (xxiv) implementation or completion of projects or processes; (xxv) customer satisfaction; (xxvi) stockholders' equity; (xxvii) capital expenditures; (xxiii) debt levels; (xxix) operating profit or net operating profit; (xxx) workforce diversity; (xxxi) growth of net income or operating income; (xxxii) billings; (xxxiii) funds from operations); and (xxxiv) to the extent that an Award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Board.

(oo) "***Performance Goals***" means, for a Performance Period, the one or more goals established by the Board for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by the Board (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Board shall appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated

Performance Goals; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; and (5) to exclude the effects of any "extraordinary items" as determined under generally accepted accounting principles.

(pp) "***Performance Period***" means the period of time selected by the Board over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Stock Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board.

(qq) "***Performance Stock Award***" means a Stock Award granted under the terms and conditions of Section 6(c)(i).

(rr) "***Plan***" means this Neurocrine Biosciences, Inc. 2011 Equity Incentive Plan.

(ss) "***Restricted Stock Award***" means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

(tt) "***Restricted Stock Award Agreement***" means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(uu) "***Restricted Stock Unit Award***" means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

(vv) "***Restricted Stock Unit Award Agreement***" means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement shall be subject to the terms and conditions of the Plan.

(ww) "***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(xx) "***Securities Act***" means the Securities Act of 1933, as amended.

(yy) "***Stock Appreciation Right***" or "***SAR***" means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.

(zz) "***Stock Appreciation Right Agreement***" or "***SAR Agreement***") means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement shall be subject to the terms and conditions of the Plan.

(aaa) "***Stock Award***" means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, a SAR, a Performance Stock Award or any Other Stock Award.

(bbb) "***Stock Award Agreement***" means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(ccc) "***Subsidiary***" means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such

corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).

(ddd) "***Ten Percent Stockholder***" means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Affiliate.

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from to

Commission file number: 0-22705

NEUROCRINE BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**33-0525145**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
12780 El Camino Real, San Diego, CA	**92130**
(Address of principal executive offices)	**(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $0.001 par value	The Nasdaq Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

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

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2010 totaled approximately $265,426,118 based on the closing price for the registrant's Common Stock on that day as reported by the Nasdaq Stock Market. Such value excludes Common Stock held by executive officers, directors and 10% or greater stockholders as of June 30, 2010. The identification of 10% or greater stockholders as of June 30, 2010 is based on Schedule 13G and amended Schedule 13G reports publicly filed before June 30, 2010. This calculation does not reflect a determination that such parties are affiliates for any other purposes.

As of February 1, 2011, there were 54,887,088 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document Description	**10-K Part**
Portions of the registrant's notice of annual meeting of stockholders and proxy statement to be filed pursuant to Regulation 14A within 120 days after registrant's fiscal year end of December 31, 2010 are incorporated by reference into Part III of this report . . .	III

TABLE OF CONTENTS

PART I

FORWARD-LOOKING STATEMENTS

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

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

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

ITEM 1. *BUSINESS*

We were originally incorporated in California in January 1992 and were reincorporated in Delaware in May 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 endometriosis, stress-related disorders, pain, diabetes, insomnia, and other neurological and endocrine-related diseases and disorders. We currently have eleven programs in various stages of research and development, including six programs in clinical development. While we independently develop many of our product candidates, we have entered into collaborations for six of our programs. Our lead clinical development program, elagolix, is a drug candidate for the treatment of endometriosis.

Our Product Pipeline

The following table summarizes our most advanced product candidates currently in clinical development, those currently in research, and those subject to regulatory review, and is followed by detailed descriptions of each program:

Program	Target Indication(s)	Status	Commercial Rights
Products in clinical development:			
Elagolix	Endometriosis	Phase II	Abbott/Neurocrine
Vesicular Monoamine Transporter 2 Inhibitor (VMAT2)	Movement Disorders	Phase II	Neurocrine
CRF_2 Peptide Agonist – urocortin 2	Cardiovascular	Phase II	Neurocrine
CRF_1 Antagonist (561679)	Stress-related Disorders	Phase II	GlaxoSmithKline/ Neurocrine
CRF_1 Antagonist (586529)	Mood Disorders	Phase I	GlaxoSmithKline/ Neurocrine
Elagolix	Uterine Fibroids Men's and Women's Health	Phase I	Abbott/Neurocrine
Research programs:			
G Protein-Coupled Receptor 119 (GPR119)	Type II Diabetes	Research	Boehringer Ingelheim/Neurocrine
VMAT2	Schizophrenia	Research	Neurocrine
GnRH Antagonists	Men's and Women's Health, Oncology	Research	Abbott/Neurocrine
Antiepileptic Drugs	Epilepsy, Essential Tremor, Pain	Research	Neurocrine
G Protein-Coupled Receptors	Other Conditions	Research	Neurocrine
Product subject to regulatory review:			
Indiplon	Insomnia	FDA has deemed Approvable	Neurocrine/Dainippon Sumitomo Pharma Co.

"Phase II" indicates that we or our collaborators are conducting clinical trials on groups of patients afflicted with a specific disease in order to determine preliminary efficacy, optimal dosages and expanded evidence of safety.

"Phase I" indicates that we or our collaborators are conducting clinical trials with a smaller number of subjects to determine early safety profile, maximally tolerated dose and pharmacological properties of the product in human volunteers.

"Research" indicates identification and evaluation of compound(s) in laboratory and preclinical models.

"CRF_1 and CRF_2" refer to two CRF receptor subtypes.

Products In Clinical Development

Elagolix – Gonadotropin-Releasing Hormone (GnRH) Antagonist

GnRH is a peptide that stimulates the secretion of the pituitary hormones that are responsible for sex steroid production and normal reproductive function. Researchers have found that chronic administration of GnRH agonists, after initial stimulation, reversibly shuts down this transmitter pathway and is clinically useful in treating hormone-dependent diseases such as endometriosis and uterine fibroids. Several companies have developed peptide GnRH agonists on this principle, such as Lupron® and Zoladex®. However, since they are

peptides, they must be injected via a depot formulation rather than the preferred oral route of administration. In addition, GnRH agonists can take up to several weeks to exert their desired effect once the initial stimulation has occurred, a factor not seen with the use of GnRH antagonists. More importantly, until the desired effects are maximal, GnRH agonists have shown a tendency to exacerbate the condition via a hormonal flare. The ultimate profound suppression effect observed with GnRH agonists is similar to that seen after menopause and can be associated with hot flashes and the loss of bone mineral density.

Orally active, nonpeptide GnRH antagonists potentially offer several advantages over injectable GnRH peptide drugs, including rapid onset of hormone suppression without a hormonal flare. Also, injection site reactions commonly observed in peptide depots are avoided and dosing can be rapidly discontinued if necessary – a clinical management option not available with long-acting depot injections. Importantly, by using GnRH antagonists, it may be possible to alter the level of pituitary GnRH suppression thereby titrating circulating estrogen levels. Using this approach, an oral GnRH antagonist may provide patients relief from the painful symptoms of endometriosis while avoiding the need for the active management of bone loss.

Endometriosis. Endometriosis is associated with a multitude of symptoms, some of the most common of which include pain related both to menstruation (dysmenorrhea) and sexual intercourse (dyspareunia) as well as chronic pelvic pain throughout the menstrual cycle, infertility, and menorrhagia, among many others. The wide range of symptoms associated with endometriosis serves to complicate and delay diagnosis due to the significant overlap of symptoms with the disease profiles of other conditions. The World Endometriosis Research Foundation estimates that there are over 170 million women worldwide who suffer from endometriosis. Datamonitor (2009) estimates that there are approximately 7.5 million women in the United States who suffer from the symptoms of endometriosis. We believe that the availability of an oral treatment, lacking the side effect profile of the currently available peptide GnRH agonists, may be a desirable alternative to current pharmaceutical therapies and ultimately encourage a significantly higher treatment rate.

During 2008, we completed the first Phase IIb study of elagolix (603 study) in which 252 patients, with a laparoscopic diagnosis of endometriosis, were treated over the initial 6-month period. This multi-center, randomized, double-blind, double-dummy study consisted of three treatment groups, elagolix 150mg once a day, elagolix 75mg twice daily, and an active control, DMPA-SC. The primary purpose of this study was to assess the impact of six months of treatment of elagolix on bone mineral density as measured by a dual energy x-ray absorptiometry (DXA) scan at the conclusion of treatment and at six and 12 months post treatment. This study also assessed, as secondary endpoints, the impact of treatment on endometriosis symptoms as measured by Composite Pelvic Signs and Symptoms Scale (CPSSS), a monthly recall scale that measures dysmenorrhea, non-menstrual pelvic pain, dyspareunia, pelvic tenderness and induration (all elements of endometriosis pain). Top-line results showed that elagolix met the primary endpoint by having minimal impact on bone mineral density at the conclusion of treatment. This study also showed that elagolix had both a statistical and clinically meaningful reduction in endometriosis symptoms as measured by CPSSS with an 86% responder rate in the 150mg once daily elagolix arm of the study. Additionally, elagolix was shown to be non-inferior to DMPA-SC under the CPSSS. Patient follow up both six and 12 months post treatment showed elagolix did not result in a significant reduction in bone mineral density as measured by DXA, with a mean time of return to ovulation of 24 days for elagolix subjects.

Toward the conclusion of the 603 study, the U.S. Food and Drug Administration (FDA) requested that the endpoints for dysmenorrhea and non-menstrual pelvic pain be assessed on a daily basis rather than utilizing the CPSSS monthly recall scale. In addition, the FDA also provided modified wording to assess the dysmenorrhea and non-menstrual pelvic pain scores on a daily basis. Given these new independent co-primary endpoints, we conducted two additional Phase IIb trials of elagoli*x* to evaluate these modified endpoints as proposed by the FDA, to fully explore the elagolix dose range utilizing both 150mg and 250mg doses. These two trials were designed to assess elagolix for an initial three months, with the non-elagolix treatment arms re-randomized after three months into treatment groups of either 150mg or 250mg of elagolix once daily for an additional three months.

The first additional Phase IIb trial (Lilac PETAL study or 702 study) consisted of three arms, elagolix 150mg once daily, elagolix 250mg once daily, and placebo. We randomized 155 subjects with a laparoscopic diagnosis of endometriosis in this trial. The three-month placebo controlled portion of the 702 study showed that elagoli*x* provided endometriosis sufferers with clinical improvement of symptoms, coupled with an excellent safety and tolerability profile. However, the FDA-proposed non-menstrual pelvic pain daily scale had a low baseline score and was relatively insensitive to treatment effects. There were no treatment related serious adverse events in the 702 study and the two most common adverse events were headache and nausea, which were typically mild and transient and consistent with our previous studies.

The second additional Phase IIb trial (Tulip PETAL study or 703 study) consisted of four arms, elagolix 150mg once daily, elagolix 250mg once daily, Prostap® SR 3.75mg (leuprorelin), and placebo. We enrolled 174 subjects with a laparoscopic diagnosis of endometriosis in this trial. The three-month placebo controlled portion of the 703 study confirmed that elagolix and leuprorelin are associated with reductions in dysmenorrhea and non-menstrual pelvic pain daily scores when compared to placebo. However, the FDA proposed non-menstrual pelvic pain daily scale numeric changes and dynamic range were both small. Although the adverse events reported in the 703 study as occurring more often with elagolix than with placebo were nausea and headache ($\leq$12%), consistent with previous clinical studies of elagolix, these events were generally mild or moderate, transient and not generally associated with study discontinuation. There were no treatment related serious adverse events.

In August 2009, we held a Type C meeting with the FDA to discuss the non-menstrual pelvic pain scale as proposed by the FDA and used in the 702 and 703 studies. Based on this meeting, we modified the wording of the non-menstrual pain and dysmenorrhea daily scale and launched a new clinical trial, the Daisy PETAL Study (901 study). This double-blind placebo-controlled clinical trial was designed to provide an assessment of the modified scale over an eight- week treatment period of 150mg elagolix, followed by sixteen weeks of open-label treatment. This trial commenced in September 2009 and randomized approximately 130 subjects. In May 2010, we announced the results of this trial which showed the symptoms of dysmenorrhea and non-menstrual pelvic pain, as measured by the modified daily scale, both improved significantly in the elagolix treated arms ($p<0.001$ and <0.01, respectively). Daily dysmenorrhea pain scores were a 2.1 at baseline (0-3 scale) with a 1.13 reduction in the elagolix arm compared to a 0.37 reduction in the placebo arm at eight weeks. Daily non-menstrual pelvic pain scores were a 1.4 at baseline (0-3 scale) with a 0.47 reduction in the elagolix arm compared to a 0.19 reduction in the placebo arm at eight weeks. There were no treatment related serious adverse events in the 901 study and the two most common adverse events were headache and nausea, which were typically mild and transient and consistent with our previous studies.

In June 2010, we entered into a worldwide collaboration with Abbott International Luxembourg S.à r.l. (Abbott) to develop and commercialize elagolix and all next-generation GnRH antagonists for women's and men's health indications. We completed the final transfer of the Investigational New Drug (IND) application for elagolix to Abbott during the fourth quarter of 2010. Abbott now has primary responsibility for all regulatory interactions with the FDA related to elagolix and the next-generation GnRH antagonists covered by the collaboration.

We and Abbott have scheduled an end of Phase II meeting with the FDA in March 2011, the purpose of which would be to agree with the FDA on the design of the pivotal Phase III program for elagolix in endometriosis. Subject to agreement with the FDA on the Phase III trial design, we expect elagolix to enter Phase III clinical trials in 2011.

Vesicular Monoamine Transporter 2 Inhibitor (VMAT2)

VMAT2 is a protein concentrated in the human brain that is essential for the transmission of nerve impulses between neurons. VMAT2 is primarily responsible for re-packaging and transporting monoamines (dopamine, norepinephrine, serotonin, and histamine) among nerve cells. Specifically, dopamine enables neurotransmission among nerve cells that are involved in voluntary and involuntary motor control.

We have identified a highly selective VMAT2 inhibitor that is effective in pre-clinical testing in regulating the levels of dopamine release during nerve communication, while at the same time having minimal impact on the other monoamines thereby reducing the likelihood of "off target" side effects.

During 2009, our VMAT2 inhibitor completed a Phase I single ascending dose clinical trial in healthy male volunteers in Canada under an approved Clinical Trial Application with Health Canada. This trial showed our VMAT2 inhibitor to be generally safe and well tolerated. There were no serious adverse events, clinically significant drug-related laboratory abnormalities or clinically significant electrocardiogram (ECG) findings. The characteristics of our VMAT2 inhibitor met the pre-specified pharmacokinetic requirements for the trial: dose proportionality, low maximum concentration with adequate area-under-curve for drug exposure, low variability, and a half-life which supports once per day dosing.

During 2010, we completed a multiple, repeated dose Phase I study in healthy male volunteers. This trial also showed our VMAT2 inhibitor to be generally safe and well tolerated, and again displayed the desired pharmacokinetic requirements. There were no serious adverse events, clinically significant drug-related laboratory abnormalities or clinically significant ECG findings.

Based on the successful completion of this second Phase I study, we initiated a Phase IIa dose exploration study in patients with tardive dyskinesia in late 2010. In the event of successful completion of this Phase IIa study, we plan to approach the FDA regarding the filing of an IND in the United States with the purpose of initiating larger Phase IIb studies in patients with tardive dyskinesia.

Tardive dyskinesia is characterized by involuntary movements of the muscles of the face, trunk or limbs which arise after months or years of dopamine antagonist treatment, e.g. typical and atypical antipsychotics for schizophrenia, bipolar, and refractory depression, and metoclopramide for gastroparesis. While the prevalence rates of tardive dyskinesia can vary greatly in accordance with the population being studied, it is estimated that 150,000-250,000 individuals suffering from schizophrenia are affected by tardive dyskinesia in the United States alone.

In addition to tardive dyskinesia, we believe that this clinical candidate may be effective in the management of other hyperkinetic movement disorders characterized by involuntary bodily movements such as Tourette's syndrome, tardive dystonia, and Huntington's disease. Additionally, the modulation of dopamine pathways may also be useful for patients suffering from schizophrenia, one population at risk for tardive dyskinesia.

CRF_2 Receptor Peptide Agonist (Urocortin 2)

Congestive heart failure (CHF) is a condition where the heart cannot pump enough blood to supply all of the body's organs. It is a result of narrowing of the arteries combined with high blood pressure, which results in increased respiration as well as edema from water retention. In the case of acute symptomology, CHF patients will eventually experience a rapid deterioration and require urgent treatment in the hospital. According to 2011 data from the American Heart Association, over 6 million people experience CHF and about 670,000 new cases are diagnosed each year in the United States. CHF becomes more prevalent with age and the number of cases is expected to grow as the overall age of the population increases. Current treatment options include a cocktail of drugs consisting of diuretics to remove excess water, beta blockers and digitalis to improve heart muscle contraction, and/or ACE inhibitors, Angiotensin Receptor Blockers, and vasodilators to expand blood vessels. According to the American Heart Association (2011), there are approximately one million hospital discharges each year in the United States for CHF.

Urocortin 2 is an endogenous peptide ligand of the CRF_2 receptor present in the cardiovascular system, notably the heart and cerebral arterial system. Urocortin 2 plays a role in the control of the hormonal, cardiovascular, gastrointestinal, and behavioral responses to stress, and has an array of effects on the cardiovascular system and metabolism. Based on preclinical efficacy and safety data, together with its known role in human physiology, we believe that urocortin 2 may have positive hemodynamic effects on cardiac output and blood pressure which may benefit patients with acute CHF.

We completed a Phase II placebo controlled dose-escalation study in 2005 to evaluate the safety, pharmacokinetics and pharmacodynamics of two dose levels of urocortin 2 in patients with stable CHF. Results of this study demonstrated a dose-related increase in cardiac output of up to 50% with only a modest increase (6%) in heart rate. We completed an additional Phase II study evaluating urocortin 2 over four-hour infusions in patients with stable CHF in the first half of 2006. The treatments were generally well tolerated without serious adverse events, abnormalities in electrocardiograms or significant changes in renal function. Positive hemodynamic effects were noted in virtually all patients with increases in cardiac output ranging from 6% to 54%.

We have also completed the necessary preclinical work to allow for periods of infusion of urocortin 2 up to 14 days. This substantially completes all of the preclinical toxicology work required by the FDA. Further development of urocortin 2 for CHF and other acute care cardiovascular diseases is highly dependent upon partnering of this program.

During 2009, The Christchurch Cardioendocrine Research Group at University of Otago, Christchurch School of Medicine and Health Sciences, New Zealand, began a pilot study of urocortin 2 in 50 patients with Acute Decompensated Heart Failure through a grant from the Health Research Council of New Zealand. In this blinded study, standard-of-care treatment (i.e., diuretics and vasodilators) are compared to standard of care treatment plus a four hour infusion of urocortin 2; enrollment of subjects is currently underway. A subset of 10 subjects are also undergoing right heart catheterization for more detailed evaluation of their cardiac status and response to treatment. We anticipate having the results of this study in mid-2011.

Additional urocortin 2 studies are being conducted by the Centre for Cardiovascular Sciences at The University of Edinburgh through a British Heart Foundation grant. A total of nine studies are to be conducted in both healthy volunteers and patients with stable CHF to determine the impact of urocortin 2 infusions on biomarkers of cardiovascular function and dysfunction. These studies began in 2010, and are expected to take several years to complete.

Corticotropin-Releasing Factor (CRF) Receptor$_1$ Antagonist

Researchers have identified what they believe to be the central mediator of the body's stress responses or stress-induced disorders. This mediator is a brain chemical known as CRF. CRF is overproduced in clinically depressed patients and may be dysregulated in individuals with anxiety disorders. Current research indicates that clinically depressed patients and patients with anxiety experience dysfunction of the hypothalamic-pituitary-adrenal axis, the system that manages the body's overall response to stress. This amplifies production of CRF, and induces the physical effects that are associated with stress that can lead to stress-related disorders such as posttraumatic stress disorder and acute stress disorder. According to Datamonitor (2008), there are approximately 7.8 million post-traumatic stress disorder sufferers in the United States. We believe the novelty and specificity of the CRF mechanism of action and the prospect of improving upon selective serotonin reuptake inhibitor therapy represents a market opportunity both to better serve patients and expand the overall treatment of stress-related disorders.

We have a strategic position in the CRF field through our intellectual property portfolio and relationship with experts in the neuropsychiatric field. We have further characterized the CRF receptor system and have identified additional members of the CRF receptor family. We have patent rights on two receptor subtypes termed CRF_1 and CRF_2, and we have pending patent applications on small molecule organic compounds modulating the CRF receptors.

In July 2001, we announced a worldwide collaboration with GlaxoSmithKline (GSK), to develop and commercialize CRF antagonists for psychiatric, neurological and gastrointestinal diseases. Under the terms of this agreement, GSK sponsored and we jointly conducted a research program and collaborated in the development of our current lead compounds, as well as novel back-up candidates and second generation compounds identified through the collaborative research. The sponsored research portion of the collaboration was completed in 2005.

GSK advanced one of the lead CRF_1 receptor antagonist compounds, 561679, into a Phase II depression study during 2008. This multicenter randomized, double-blind, placebo-controlled trial was designed to assess the safety and efficacy of 561679 in approximately 150 women with Major Depressive Disorder over six weeks of treatment. The primary endpoint was a change from baseline in the Bech melancholia scale at Week 6 and a key secondary endpoint was a change from baseline in the HAMD-17 scale at Week 6. Results of the statistical analysis using the intent-to-treat population revealed no benefit of 561679 compared to placebo on either scale.

Emory University of Atlanta and Mt. Sinai Medical Center in New York, in conjunction with GSK, through a grant from the National Institute of Mental Health, has been conducting a Phase II clinical trial evaluating 561679 in women with post-traumatic stress disorder. This randomized, double-blind, placebo-controlled trial is expected to enroll approximately 150 patients for a six-week treatment period. This study began in late 2009 and is expected to take several years to complete. Additionally, the National Institute on Alcohol Abuse and Alcoholism, in conjunction with GSK, is planning to initiate a Phase II clinical trial evaluating 561679 in stress-induced craving in alcoholic women with high anxiety. This randomized, double-blind, placebo-controlled trial is expected to enroll 50 patients for a four-week treatment period. This study is expected to take several years to complete.

GSK has also successfully completed a Phase I single dose escalating clinical trial with 586529, an additional CRF_1 receptor antagonist compound.

Research Programs

Our research and development focus is on addressing diseases and disorders of the central nervous and endocrine systems, which include therapeutic categories ranging from diabetes to stress-related disorders and neurodegenerative diseases. Central nervous system and endocrinology drug therapies are among the largest therapeutic categories, accounting for over $90 billion in worldwide drug sales according to Datamonitor (2007).

G Protein-Coupled Receptor 119 (GPR119)

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

GPR119 has been identified as a novel target for the treatment of Type II diabetes. GPR119 is expressed predominantly in the pancreas and gastrointestinal tract. The activation of GPR119 receptors located in the gastrointestinal tract stimulates incretins, resulting in increased insulin production, while activation of GPR119 receptors located on pancreatic islet beta cells can stimulate insulin secretion directly.

In June 2010, we entered into a worldwide collaboration with Boehringer Ingelheim International GmBH (Boehringer Ingelheim) to research and develop small molecule GPR119 agonists for the treatment of Type II diabetes and other indications. We will work jointly with Boehringer Ingelheim to identify and advance candidates into pre-clinical development. Boehringer Ingelheim will then be responsible for the global development and commercialization of potential GPR119 agonist products.

GnRH Antagonists

As previously mentioned, GnRH antagonists may be useful in treating certain hormone dependent diseases. Our discovery work in nonpeptide GnRH antagonists continues to focus on endometriosis, uterine fibroids and oncology indications as we continue to explore additional drug candidates with our collaboration partner Abbott.

Antiepileptic Drugs

Antiepileptic drugs are utilized in the treatment of epileptic seizures by suppressing the rapid firing of neurons that initiate a seizure. Antiepileptics also have additional effects within the central nervous system that have proven beneficial in bipolar disease, neuropathic pain and essential tremor. According to Datamonitor, in 2008, worldwide sales of anticonvulsants totaled approximately $13 billion.

G Protein-Coupled Receptors (GPCR)

GPCR are the largest known gene superfamily of the human genome. Greater than thirty percent of all marketed prescription drugs act on GPCR; which makes this class of proteins the historically most successful therapeutic target family. However, only a small fraction of the GPCR gene superfamily has been exploited. Next generation therapies derived from GPCR will be discovered through the understanding of the complex relationships of drug/receptor interactions and their subsequent impact on efficacy, downstream signaling networks and regulation.

Our GPCR research platform has met this requirement by integrating drug discovery research efforts with a suite of assays and assay systems and automated analytical techniques. This process provides a profile of GPCR pharmacological receptor/ligand interactions capable of predicting in vivo efficacy allowing for rapid discovery of initial leads and advancement into preclinical and clinical development. Importantly, this design cycle is not limited to GPCR targets, but can be utilized for other proteins that play a role in human disease where current treatments or therapies are either inadequate or nonexistent.

Product Subject to Regulatory Review

Indiplon

Indiplon is a non-benzodiazepine $GABA_A$ receptor agonist for the treatment of insomnia which acts via the same mechanism as the currently marketed non-benzodiazepine therapeutics. We obtained the rights to indiplon through an exclusive worldwide sublicense agreement that we entered into with DOV Pharmaceutical, Inc. (DOV) in June 1998.

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

We resubmitted our NDA for indiplon 5mg and 10mg capsules seeking clearance to market indiplon capsules for the treatment of insomnia. In December 2007, we received an action letter from the FDA stating the indiplon 5mg and 10mg capsules were approvable (2007 FDA Approvable Letter). The 2007 FDA Approvable Letter acknowledged that the resubmitted NDA had addressed the issues raised in the 2006 FDA Approvable Letter, but set forth new requirements. The new requirements set forth in the 2007 FDA Approvable Letter are the following: (i) an objective/subjective clinical trial in the elderly, (ii) a safety study assessing the rates of adverse events occurring with indiplon when compared to a marketed product, and (iii) a preclinical study to evaluate indiplon administration during the third trimester of pregnancy.

After receipt of the 2007 FDA Approvable Letter, we ceased all indiplon clinical development activities in the United States as well as all pre-commercialization activities. We continue to evaluate various alternatives for the indiplon program.

Our Business Strategy

Our goal is to become the leading biopharmaceutical company focused on neurological and endocrine-related diseases and disorders. The following are the key elements of our business strategy:

Continuing to Advance and Build Our Product Portfolio Focused on Neurological and Endocrine-Related Diseases and Disorders. We believe that by continuing to advance and build our product pipeline, we can mitigate some of the clinical development risks associated with drug development. We currently have eleven programs in various stages of research and development, including six programs in clinical development. We take a portfolio approach to managing our pipeline that balances the size of the market opportunities with clear and defined clinical and regulatory paths to approval. We do this to ensure that we focus our internal development resources on innovative therapies with improved probabilities of technical and commercial success.

Identifying Novel Drugs to Address Unmet Market Opportunities. We seek to identify and validate novel drugs on characterized targets for internal development or collaboration. For example, GnRH antagonists, compounds designed to reduce the secretions of sex steroids, may represent the first novel non-peptide, non-injectible means of treatment of endometriosis. The creativity and productivity of our discovery research group will continue to be a critical component for our continued success. Research and development costs were $31.2 million, $33.7 million and $55.5 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Selectively Establishing Corporate Collaborations with Global Pharmaceutical Companies to Assist in the Development of Our Products and Mitigate Financial Risk while Retaining Significant Commercial Upside. We leverage the development, regulatory and commercialization expertise of our corporate collaborators to accelerate the development of certain of our potential products, while typically retaining co-promotional rights, and at times commercial rights, in North America. We intend to further leverage our resources by selectively entering into additional strategic alliances to enhance our internal development and commercialization capabilities by licensing our technology.

Acquiring Rights to Complementary Drug Candidates and Technologies. We plan to continue to selectively acquire rights to products in various stages of development to take advantage of our drug development capabilities. For example, during 2003, we licensed our urocortin 2 product candidate from the Research Development Foundation.

Our Corporate Collaborations and Strategic Alliances

One of our business strategies is to utilize strategic alliances to enhance our development and commercialization capabilities. The following is a summary of our significant collaborations/alliances:

Abbott International Luxembourg S.à r.l. (Abbott). In June 2010, we announced an exclusive worldwide collaboration with Abbott to develop and commercialize elagolix and all next-generation gonadotropin-releasing hormone (GnRH) antagonists (collectively, GnRH Compounds) for women's and men's health. Under the terms of our agreement with Abbott, we and Abbott will work jointly to advance GnRH Compounds towards commercialization. Abbott made an upfront payment of $75 million and agreed to make additional development, regulatory and commercial milestone payments of up to approximately $530 million. Under the terms of the agreement, Abbott is responsible for all development, marketing and commercialization costs. We will receive funding for certain internal collaboration expenses which includes reimbursement from Abbott for internal and external expenses related to the GnRH Compounds, which reimbursement includes up to approximately $24 million in personnel funding through the end of 2012. We will be entitled to a percentage of worldwide sales of GnRH Compounds for the longer of ten years or the life of the related patent rights. Under the terms of our agreement with Abbott, the collaboration effort between the parties to advance GnRH compounds towards commercialization is governed by a joint development committee with representatives from both Neurocrine and

Abbott; provided, however, that final decision making authority rests with Abbott. Abbott may terminate the collaboration at its discretion upon 180 days written notice to us. In such event, we would be entitled to specified payments for ongoing clinical development and related activities and all GnRH Compound product rights would revert to us. For the year ended December 31, 2010, we recorded revenues of $16.9 million in amortization of up-front license fees and $10.1 million in sponsored development related to the Abbott agreement. In addition, at December 31, 2010 we had $58.1 million of deferred revenue related to the Abbott agreement, which is being amortized over the collaborative development period.

Boehringer Ingelheim International GmbH (Boehringer Ingelheim). In June 2010, we announced a worldwide collaboration with Boehringer Ingelheim to research, develop and commercialize small molecule GPR119 agonists for the treatment of Type II diabetes and other indications. Under the terms of the agreement, we and Boehringer Ingelheim will work jointly to identify and advance GPR119 agonist candidates into pre-clinical development. Boehringer Ingelheim will then be responsible for the global development and commercialization of potential GPR119 agonist products. We received a $10 million upfront payment, we are currently receiving research funding to support discovery efforts, and we are eligible to receive up to approximately $225 million in development, regulatory and commercial milestone payments. We will be entitled to a percentage of any future worldwide sales of GPR119 agonists resulting from the collaboration. Under the terms of the agreement, the collaboration effort between the parties to identify and advance GPR119 agonist candidates into pre-clinical development is governed by a steering committee with representatives from both Neurocrine and Boehringer Ingelheim; provided, however, that the final decision making authority rests with Boehringer Ingelheim. Boehringer Ingelheim may terminate the agreement at its discretion upon prior written notice to us. In such event, we may be entitled to specified payments and product rights would revert to us. For the year ended December 31, 2010, we recorded revenues of $2.7 million in amortization of up-front license fees and $0.8 million in sponsored research related to the Boehringer Ingelheim agreement. At December 31, 2010, we had $7.3 million of deferred license fees that will be amortized over the remaining term of the collaborative research period of the agreement.

GlaxoSmithKline (GSK). In July 2001, we announced a worldwide collaboration with an affiliate of GSK to develop and commercialize CRF antagonists for psychiatric, neurological and gastrointestinal diseases. Under the terms of this agreement, we and GSK conducted a collaborative research program and collaborate in the development of our current lead compounds, as well as novel back-up candidates and second generation compounds identified through the collaborative research. The sponsored research portion of this collaboration agreement concluded in 2005. In addition, we will be eligible to receive milestone payments as compounds progress through the research and development process, royalties on future product sales and co-promotion rights in the U.S. in some circumstances. GSK may terminate the agreement at its discretion upon 90 days prior written notice to us. In such event, we may be entitled to specified payments and all product rights would revert to us.

Dainippon Sumitomo Pharma Co. Ltd. (DSP). In October 2007, we announced an exclusive license agreement with DSP to develop and commercialize indiplon in Japan. Under the terms of the agreement, DSP made an up-front payment to us of $20 million and is responsible for all future development, marketing and commercialization costs of indiplon in Japan. We will be eligible to receive additional milestone payments upon specified future events related to the development and commercialization of indiplon in Japan. Should all milestones be achieved, we may be entitled to additional payments totaling up to $115 million. We are also entitled to royalties from DSP on future sales of indiplon in Japan. As of December 31, 2010, we had recorded revenues of $9.2 million in license fees from DSP over the life of the agreement.

Intellectual Property

We seek to protect our lead compounds, compound libraries, expressed proteins, synthetic organic processes, formulations, assays, cloned targets, screening technology and other technologies by filing, or by causing to be filed on our behalf, patent applications in the United States and abroad. Additionally, we have licensed from institutions such as The Salk Institute, DOV, Research Development Foundation and others the

rights to issued United States patents, pending United States patent applications, and issued and pending foreign filings. We face the risk that one or more of the above patent applications may be denied. We also face the risk that issued patents that we own or license may be challenged or circumvented or may otherwise not provide protection for any commercially viable products we develop.

The technologies we use in our research, as well as the drug targets we select, may infringe the patents or violate the proprietary rights of third parties. If this occurs, we may be required to obtain licenses to patents or proprietary rights of others in order to continue with the commercialization of our products.

In addition to the granted and potential patent protection, the United States, the European Union and Japan all provide data and marketing exclusivity for new medicinal compounds. If this protection is available, no competitor may use the original applicant's data as the basis of a generic marketing application during the period of data and marketing exclusivity. This period of exclusivity is generally five years in the United States, six years in Japan and ten years in the European Union, measured from the date of FDA, or corresponding foreign, approval.

Elagolix, our small molecule GnRH antagonist currently in clinical trials for the treatment of endometriosis, is covered by six issued U.S. patents relating to composition of matter, pharmaceutical compositions, and methods of use. U.S. Patent Nos. 6,872,728, 7,179,815 and 7,462,625 are due to expire in 2021 (not including potential patent term extensions of up to five years) while U.S. Patent Nos. 7,056,927, 7,176,211 and 7,419,983 are due to expire in 2024 (not including potential patent term extensions of up to five years).

Our highly selective VMAT2 inhibitor 98854 is currently in clinical trials and is subject to a pending patent application.

Urocortin 2 is an endogenous peptide ligand of the CRF_2 receptor which may be useful in the treatment of congestive heart failure based on preclinical efficacy and safety data. This peptide is covered by U.S. Patent Nos. 7,223,846 and 7,638,607, which are both due to expire in 2021 (not including potential patent term extensions of up to five years).

Our CRF antagonist 561679 is currently in clinical trials for the treatment of stress-related disorders and is subject to a pending patent application. Our CRF antagonist program is subject to a collaboration agreement with GSK who controls patent prosecution and strategy for the program.

Indiplon is our non-benzodiazepine $GABA_A$ receptor agonist for the treatment of insomnia. The compound is covered by U.S. Patent No. 6,399,621 which is due to expire in 2020 (not including a potential patent term extension of up to five years).

Manufacturing and Distribution

We currently rely on, and expect to continue to rely on, contract manufacturers to produce sufficient quantities of our product candidates for use in our preclinical and anticipated clinical trials. In addition, we intend to rely on third parties to manufacture any products that we may commercialize in the future. We have established an internal pharmaceutical development group to develop manufacturing methods for our product candidates, to optimize manufacturing processes, and to select and transfer these manufacturing technologies to our suppliers. We contract with multiple manufacturers to ensure adequate product supply and to mitigate risk.

There currently are a limited number of these manufacturers. Furthermore, some of the contract manufacturers that we have identified to date only have limited experience at manufacturing, formulating, analyzing and packaging our product candidates in quantities sufficient for conducting clinical trials or for commercialization.

We currently have no distribution capabilities. In order to independently commercialize any of our product candidates, we must either internally develop distribution capabilities or make arrangements with third parties to perform these services.

Marketing and Sales

We currently have limited experience in marketing or selling pharmaceutical products. Under our collaboration agreement with GSK, we may have the opportunity to co-promote any products resulting from the collaboration in the United States. To market any of our other products independently would require us to develop a sales force with technical expertise along with establishing commercial infrastructure and capabilities.

Government Regulation

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. In particular, human therapeutic products are subject to rigorous preclinical studies and clinical trials and other approval procedures of the FDA and similar regulatory authorities in foreign countries. Various federal and state statutes and regulations also govern or influence testing, manufacturing, safety, labeling, storage and record-keeping related to such products and their marketing. The process of obtaining these approvals and the subsequent compliance with appropriate federal and state statutes and regulations require the expenditure of substantial time and financial resources.

Preclinical studies generally are conducted in laboratory animals to evaluate the potential safety and efficacy of a product. Drug developers submit the results of preclinical studies to the FDA as a part of an IND application before clinical trials can begin in humans. Typically, clinical evaluation involves a time consuming and costly three-phase process.

Phase I	Clinical trials are conducted with a small number of subjects to determine the early safety profile, maximum tolerated dose and pharmacological properties of the product in human volunteers.
Phase II	Clinical trials are conducted with groups of patients afflicted with a specific disease in order to determine preliminary efficacy, optimal dosages and expanded evidence of safety.
Phase III	Large-scale, multi-center, comparative clinical trials are conducted with patients afflicted with a specific disease in order to determine safety and efficacy as primary support for regulatory approval by the FDA to market a product candidate for a specific disease.

The FDA closely monitors the progress of each of the three phases of clinical trials that are conducted in the United States and may, at its discretion, reevaluate, alter, suspend or terminate the testing based upon the data accumulated to that point and the FDA's assessment of the risk/benefit ratio to the patient. To date, we have also conducted some of our clinical trials in Europe, Canada, Oceania, and South Africa. Clinical trials conducted in foreign countries are also subject to oversight by regulatory authorities in those countries.

Once Phase III trials are completed, drug developers submit the results of preclinical studies and clinical trials to the FDA in the form of an NDA or a biologics licensing application for approval to commence commercial sales. In response, the FDA may grant marketing approval, request additional information or deny the application if the FDA determines that the application does not meet regulatory approval criteria. FDA approvals may not be granted on a timely basis, or at all. Furthermore, the FDA may prevent a drug developer from marketing a product under a label for its desired indications, which may impair commercialization of the product.

If the FDA approves the NDA, the drug becomes available for physicians to prescribe in the United States. After approval, the drug developer must submit periodic reports to the FDA, including descriptions of any

adverse reactions reported. The FDA may request additional studies, known as Phase IV, to evaluate long-term effects. The FDA may also require a Risk Evaluation and Mitigation Strategy (REMS) safety plan upon approval.

We will also have to complete an approval process similar to that in the United States in virtually every foreign target market for our products in order to commercialize our product candidates in those countries. The approval procedure and the time required for approval vary from country to country and may involve additional testing. Foreign approvals may not be granted on a timely basis, or at all. In addition, regulatory approval of prices is required in most countries other than the United States. The resulting prices may not be sufficient to generate an acceptable return to us or our corporate collaborators.

Competition

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

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

Developments by others may render our product candidates or technologies obsolete or noncompetitive. We are performing research on or developing products for the treatment of several disorders including endometriosis, stress-related disorders, pain, diabetes, insomnia, and other neurological and endocrine-related diseases and disorders.

Lupron Depot®, marketed by Abbott Laboratories, and Synarel® and Depo-Provera®, marketed by Pfizer, are products that have been approved for the treatment of endometriosis, infertility, and central precocious puberty. These drugs, and any generic alternatives, may compete with any small molecule gonadotropin-releasing hormone (GnRH) antagonists we develop for these indications.

Our VMAT2 inhibitor is designed for the treatment of movement disorders, specifically tardive dyskinesia. At present there are no approved drug therapies for tardive dyskinesia; however, treatment regimens consist of utilizing various atypical antipsychotic medications (e.g. Clozapine), benzodiazepines (off-label) or botulinum toxin injections to treat the movements associated with tardive dyskinesia. Other potential indications for our VMAT2 inhibitor are Tourette's syndrome, Huntington's disease and tardive dystonia. Currently, Xenazine®, marketed by Valeant Pharmaceuticals International, Inc., is approved for the chorea associated with Huntington's disease. Generic neuroleptic medications (pimozide and haloperidol) are generally utilized to control the tics associated with Tourette's syndrome.

A potential indication currently being explored for our small molecule CRF antagonists is the area of post-traumatic stress disorders, for which there are no current approved drug therapies. However, clinicians utilize anxiolytics and anti-depressants such as Cymbalta® marketed by Eli Lilly, Xanax®, marketed by Pfizer, Lexapro®, marketed by Forest Laboratories, Zoloft®, marketed by Pfizer, Paxil®, marketed by GSK and Pristiq®, marketed by Pfizer, among others, as well as any generic alternatives for each of these products.

In the area of insomnia, competitive products include Ambien®, Sonata®, Lunesta®, and Rozerem®, which are currently marketed by Sanofi-Aventis, King Pharmaceuticals, Inc., Sunovion Pharmaceuticals, Inc. and Takeda Pharmaceutical Company, respectively. During 2006, Sanofi-Aventis launched a controlled-release formulation of Ambien® called Ambien CR® and during 2007 generic Ambien® or zolpidem also entered the insomnia market.

If one or more of these products or programs are successful, it may reduce or eliminate the market for our products.

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

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

Any of these competitive factors could harm our business, prospects, financial condition and results of operations, which could negatively affect our stock price.

Employees

As of December 31, 2010, we had approximately 66 full-time employees, of which 14 hold Ph.D., M.D. or equivalent degrees, and 11 others hold an M.S., M.B.A., or equivalent degrees. Of these full-time employees, 48 were engaged in, or directly support, research and development activities, and 18 were in general and administrative positions. None of our employees are represented by a collective bargaining arrangement, and we believe our relationship with our employees is good. In addition, we rely on a number of consultants to assist us in formulating our research and development strategies.

Insurance

We maintain product liability insurance for our clinical trials. We intend to expand our insurance coverage to include the sale of commercial products if marketing approval is obtained for products in development. However, insurance coverage is becoming increasingly expensive, and we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. In addition, we may not be able to obtain commercially reasonable product liability insurance for any products approved for marketing.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at *www.neurocrine.com*, as soon as reasonably practicable after such reports are available on the Securities and Exchange Commission website at *www.sec.gov*.

Additionally, copies of our annual report will be made available, free of charge, upon written request.

ITEM 1A. *RISK FACTORS*

The following information sets forth risk factors that could cause our actual results to differ materially from those contained in forward-looking statements we have made in this Annual Report on Form 10-K and those we may make from time to time. If any of the following risks actually occur, our business, operating results, prospects or financial condition could be harmed. Additional risks not presently known to us, or that we currently deem immaterial, may also affect our business operations.

Risks Related to Our Company

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

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

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

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

These risks and uncertainties impact all of our clinical programs. Specifically, with respect to our GnRH program, if the modified wording of the non-menstrual pain and dysmenorrhea daily scales used in our elagolix Daisy PETAL Study (901 study) is not accepted by the FDA as the appropriate endpoint for elagolix Phase III clinical trials, additional Phase II trials will be necessary and the development of elagolix will be delayed or otherwise adversely affected. Similarly, while academic collaborative clinical trials are ongoing to evaluate the effects of our lead Corticotropin Releasing Factor (CRF_1) receptor 561679 in post-traumatic stress disorder, anxiety and alcoholism, the top-line efficacy and safety results from a Phase II clinical trial utilizing 561679 in patients experiencing a major depressive episode revealed no benefit of 561679 compared with placebo. Uncertainty regarding future development of indiplon is described below under the risk factor entitled *"There is uncertainty regarding future development of our product candidate, indiplon, which may never receive regulatory approval or be commercialized."*

In addition, late stage clinical trials are often conducted with patients having the most advanced stages of disease. During the course of treatment, these patients can die or suffer other adverse medical effects for reasons that may not be related to the pharmaceutical agent being tested but which can nevertheless adversely affect clinical trial results. Any failure or substantial delay in completing clinical trials for our product candidates may severely harm our business.

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

Our strategy for fully developing and commercializing our products is dependent upon maintaining our current arrangements and establishing new arrangements with research collaborators, corporate collaborators and others. We have active collaboration agreements with Abbott International Luxembourg S.à r.l., Boehringer Ingelheim International GmbH, GlaxoSmithKline and Dainippon Sumitomo Pharma Co. Ltd. and previously have had collaborations with Pfizer, Wyeth, Johnson & Johnson, Novartis, Taisho and Eli Lilly and Company. We historically have been dependent upon these corporate collaborators to provide adequate funding for a number of our programs, and our recently executed collaboration agreements with Abbott and Boehringer Ingelheim provide for, among other things, significant future payments should certain development, regulatory and commercial milestones be achieved. Under these arrangements, our corporate collaborators are typically responsible for:

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

Because we expect to continue to rely heavily on our current corporate collaborators and to enter into new collaborations in the future, the development and commercialization of our programs would be substantially delayed, and our ability to receive future funding would be substantially impaired if one or more of our current or future collaborators:

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

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

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

All of our product candidates are in research, clinical development or subject to review by the FDA. Only a small number of research and development programs ultimately result in commercially successful drugs.

Potential products that appear to be promising at early stages of development may not reach the market for a number of reasons. These reasons include the possibilities that the potential products may:

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

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

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

We may require additional funding to continue our research and product development programs, to conduct preclinical studies and clinical trials, for operating expenses and to pursue regulatory approvals for product candidates, for the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims, if any, product in-licensing and any possible acquisitions, and we may require additional funding to establish manufacturing and marketing capabilities in the future. We believe that our existing capital resources, together with investment income, and future payments due under our strategic alliances, will be sufficient to satisfy our current and projected funding requirements for at least the next 12 months. However, these resources might be insufficient to conduct research and development programs to the full extent currently planned. If we cannot obtain adequate funds, we may be required to curtail significantly one or more of our research and development programs or obtain funds through additional arrangements with corporate collaborators or others that may require us to relinquish rights to some of our technologies or product candidates.

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

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

We intend to seek additional funding through strategic alliances, and may seek additional funding through public or private sales of our securities, including equity securities. For example, we have an effective shelf registration statement on file with the Securities and Exchange Commission (SEC) which allows us to issue shares of our common stock from time to time for an aggregate initial offering price of up to $125 million, and we have a Committed Equity Financing Facility (CEFF) with Kingsbridge Capital Limited (Kingsbridge)

covering the potential sale of shares of our common stock for up to $75 million in gross proceeds. In addition, we have previously financed capital purchases and may continue to pursue opportunities to obtain additional debt financing in the future. In the past few years, the credit markets and the financial services industry have experienced a period of unprecedented turmoil and upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States federal government. These events have generally made equity and debt financing more difficult to obtain. Accordingly, additional equity or debt financing might not be available on reasonable terms, if at all. Any additional equity financings, including funds raised under the CEFF, will be dilutive to our stockholders and any additional debt financings may involve operating covenants that restrict our business.

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

Since our inception, we have incurred significant net losses, including net losses of $8.0 million and $51.0 million for the years ended December 31, 2010 and 2009, respectively. As a result of ongoing operating losses, we had an accumulated deficit of $762.3 million as of December 31, 2010. While we expect to be profitable for the year ending December 31, 2011, we do not expect to be operating cash flow positive in 2011 nor do we expect to remain profitable for the foreseeable future after 2011.

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

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

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

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

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

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

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

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

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

The process of preparing and resubmitting the NDA for indiplon would require significant resources and could be time consuming and subject to unanticipated delays and cost. As a result of the 2007 FDA Approvable Letter, there is a significant amount of uncertainty regarding the future development of indiplon. Should the NDA be refiled, the FDA could again refuse to approve the NDA, or could still require additional data analysis or clinical trials, which would require substantial expenditures by us and would further delay the approval process. Even if our indiplon NDA is approved, the FDA may determine that our data do not support elements of the labeling we have requested. In such a case, the labeling actually granted by the FDA could limit the commercial success of the product. The FDA could require Phase IV, or post-marketing, trials to study the long-term effects of indiplon and could withdraw its approval based on the results of those trials. The FDA could also require a Risk Evaluation and Mitigation Strategy (REMS) program for indiplon that could limit the commercial success of the product. We face the risk that for any of the reasons described above, as well as other reasons set forth herein, indiplon may never be approved by the FDA or commercialized anywhere in the world.

The price of our common stock is volatile.

The market prices for securities of biotechnology and pharmaceutical companies historically have been highly volatile, and the market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. Over the course of the last 12 months, the price of our common stock has ranged from approximately $2.00 per share to approximately $9.00 per share. The market price of our common stock may fluctuate in response to many factors, including:

- the results of our clinical trials;
- developments concerning new and existing collaboration agreements;
- announcements of technological innovations or new therapeutic products by us or others;
- general economic and market conditions;
- developments in patent or other proprietary rights;
- developments related to the FDA;
- future sales of our common stock by us or our stockholders (or Kingsbridge, if we elect to draw down under our CEFF with Kingsbridge);
- comments by securities analysts;
- fluctuations in our operating results;
- government regulation;
- health care reimbursement;
- failure of any of our product candidates, if approved, to achieve commercial success; and
- public concern as to the safety of our drugs.

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

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

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

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

licenses. Likewise, if we were to lose our rights under a license to use proprietary research tools, it could adversely affect our existing collaborations or adversely affect our ability to form new collaborations. We also face the risk that our licensors could, for a number of reasons, lose patent protection or lose their rights to the technologies we have licensed, thereby impairing or extinguishing our rights under our licenses with them.

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

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

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

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

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

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

- contract manufacturers may encounter difficulties in achieving volume production, quality control and quality assurance, and also may experience shortages in qualified personnel. As a result, our contract manufacturers might not be able to meet our clinical schedules or adequately manufacture our products in commercial quantities when required;
- switching manufacturers may be difficult because the number of potential manufacturers is limited. It may be difficult or impossible for us to find a replacement manufacturer quickly on acceptable terms, or at all;

- our contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to successfully produce, store or distribute our products; and
- drug manufacturers are subject to ongoing periodic unannounced inspection by the FDA, the U.S. Drug Enforcement Administration, and other agencies to ensure strict compliance with good manufacturing practices and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards.

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

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

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

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

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

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

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

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

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

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

- the timing of receipt of marketing approvals;

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

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

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

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

Risks Related to Our Industry

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

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

In particular, human therapeutic products are subject to rigorous preclinical testing and clinical trials and other approval procedures of the FDA and similar regulatory authorities in foreign countries. The FDA regulates, among other things, the development, testing, manufacture, safety, efficacy, record keeping, labeling, storage, approval, advertising, promotion, sale and distribution of biopharmaceutical products. Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each

indication to establish the product candidate's safety and efficacy. The approval process may take many years to complete and may involve ongoing requirements for post-marketing studies. Any FDA or other regulatory approval of our product candidates, once obtained, may be withdrawn. If our potential products are marketed abroad, they will also be subject to extensive regulation by foreign governments.

Health care reform measures could adversely affect our business.

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

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

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

Competition may also arise from, among other things:

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

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

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

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

- capital resources;
- research and development resources, including personnel and technology;
- regulatory experience;
- preclinical study and clinical testing experience;

- manufacturing and marketing experience; and
- production facilities.

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

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

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

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

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

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

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

We cannot assure you that third parties will not assert patent or other intellectual property infringement claims against us or our collaborators with respect to technologies used in potential products. If a patent infringement suit were brought against us or our collaborators, we or our collaborators could be forced to stop or

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

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

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

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

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

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

We lease our corporate headquarters which consists of approximately 70,000 square feet of office space located at 12790 El Camino Real (Front Building) and approximately 140,000 square feet of laboratory and office space located at 12780 El Camino Real (Rear Building) in San Diego, California. We sold our facility and associated real property for $109 million in a sale-leaseback transaction in December 2007 and entered into a twelve year lease with the purchaser, DMH Campus Investors, LLC (DMH). In December 2008, we entered into a first amendment to the lease (First Lease Amendment) that provided for the renovation of the Front Building in a manner that facilitates multiple tenant usage and establishes a mechanism for us to terminate our use of the Front Building. We are obligated to reimburse the landlord for the total cost of renovating the Front Building so that it becomes suitable for multiple tenant usage. The amendment also terminated our prior right to repurchase the facility and associated real property.

Effective September 25, 2009, we entered into a second amendment to the lease (Second Lease Amendment). The Second Lease Amendment obligated us to vacate the Front Building and make an immediate payment of $4.0 million to DMH as an initial release fee, which was paid October 2, 2009. We continue to occupy the entire Rear Building. Upon payment of the initial release fee, we were released from our obligations with respect to the Front Building, except with respect to 1) certain indemnity obligations for events prior to the payment of the initial release fee, 2) certain operating expenses for the Front Building in accordance with the terms of the Lease through July 2011, and 3) 50% of tenant improvement costs between $65 and $100 per square foot in connection with initial leases between DMH and other third parties for space in the Front Building which amounts were paid in 2009. Pursuant to the Second Lease Amendment, we are also obligated to pay DMH an amount equivalent to the rent on the Front Building through July 2011 and then approximately $44,000 per month beginning in August 2011 through December 2019 as a rent differential payment for the Front Building, which such rent differential amounts may be prepaid by us in our sole discretion. Should we be in monetary default under our lease agreement with DMH beyond the normal cure periods and prior to repaying the entire rent differential balance, the rent differential payment will double.

We believe that our property and equipment are generally well maintained and in good operating condition.

ITEM 3. *LEGAL PROCEEDINGS*

We are not currently a party to any material legal proceedings.

ITEM 4. *REMOVED AND RESERVED*

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our common stock is traded on the Nasdaq Global Select Market under the symbol "NBIX." The following table sets forth for the periods indicated the high and low sale price for our common stock. These prices do not include retail markups, markdowns or commissions.

	High	Low
Year Ended December 31, 2010		
1st Quarter	$2.85	$2.12
2nd Quarter	6.23	2.30
3rd Quarter	6.64	4.98
4th Quarter	9.30	5.80
Year Ended December 31, 2009		
1st Quarter	$4.25	$3.02
2nd Quarter	3.97	2.87
3rd Quarter	3.67	2.93
4th Quarter	3.10	1.94

As of January 31, 2011, there were approximately 101 stockholders of record of our common stock. We have not paid any cash dividends on our common stock since inception and do not anticipate paying cash dividends in the foreseeable future.

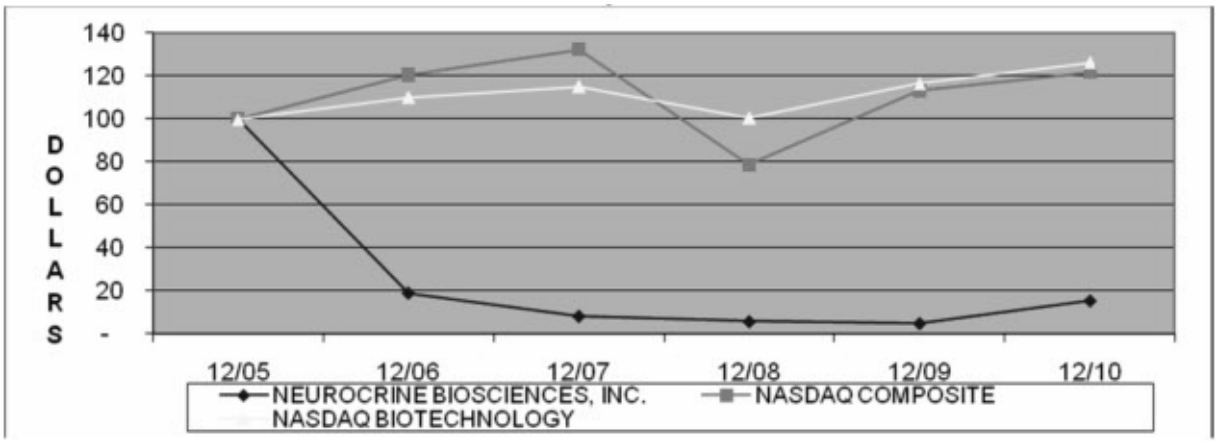
Information about our equity compensation plans is incorporated herein by reference to Item 12 of Part III of this Annual Report on Form 10-K.

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities during fiscal 2010 that have not been previously disclosed in a Current Report on Form 8-K.

Stock Performance Graph and Cumulative Total Return

The graph below shows the cumulative total stockholder return assuming the investment of $100 on December 31, 2005 (and the reinvestment of dividends thereafter) in each of (i) Neurocrine Biosciences, Inc.'s common stock, (ii) the Nasdaq Composite Index and (iii) the Nasdaq Biotechnology Index. The comparisons in the graph below are based upon historical data and are not indicative of, or intended to forecast, future performance of our common stock or Indexes.



* **$100 INVESTED ON 12/31/05 IN STOCK OR INDEX – INCLUDING REINVESTMENT OF DIVIDENDS AT FISCAL YEARS ENDING DECEMBER 31.**

ITEM 6. *SELECTED FINANCIAL DATA*

The following selected financial data have been derived from our audited financial statements. The information set forth below is not necessarily indicative of our results of future operations and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K.

	2010	2009	2008	2007	2006
	(In thousands, except for loss per share data)				
STATEMENT OF OPERATIONS DATA					
Revenues:					
Sponsored research and development	$ 10,938	$ 34	$ 47	$ 139	$ 6,716
Milestones and license fees	22,563	2,919	3,919	986	16,038
Sales force allowance	—	—	—	—	16,480
Grant income and other revenues	—	—	9	99	—
Total revenues	33,501	2,953	3,975	1,224	39,234
Operating expenses:					
Research and development(1)	31,151	33,722	55,544	77,108	94,897
Sales, general and administrative(1)	13,273	14,360	17,936	35,434	48,172
Cease-use expense	2,799	5,984	15,742	—	—
Restructuring expenses(1)	—	2,557	2,051	6,924	9,482
Asset impairment	—	—	—	94,000	—
Total operating expenses	47,223	56,623	91,273	213,466	152,551
Loss from operations	(13,722)	(53,670)	(87,298)	(212,242)	(113,317)
Other income and (expense):					
Gain (loss) on sale/disposal of assets	3,161	3,626	3,570	129	(473)
Other income (expense), net	2,593	(994)	(4,885)	4,814	6,585
Total other income and (expense)	5,754	2,632	(1,315)	4,943	6,112
Net loss	$ (7,968)	$ (51,038)	$ (88,613)	$(207,299)	$(107,205)
Net loss per common share:					
Basic and diluted	$ (0.15)	$ (1.30)	$ (2.30)	$ (5.45)	$ (2.84)
Shares used in calculation of net loss per common share:					
Basic and diluted	52,820	39,137	38,449	38,009	37,722
BALANCE SHEET DATA					
Cash, cash equivalents and short-term investments	$ 126,865	$ 53,464	$ 80,473	$ 179,385	$ 182,604
Working capital	80,274	35,426	55,329	153,041	173,542
Total assets	144,424	70,818	118,182	276,654	389,677
Long-term debt	—	—	—	—	49,152
Accumulated deficit	(762,269)	(754,301)	(703,263)	(614,650)	(407,351)
Total stockholders' equity	19,345	3,954	36,774	118,697	314,716

(1) Restructuring expenses have been reclassified from research and development and sales, general, and administrative expense to a separate line item.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements pertaining to, among other things, the expected continuation of our collaborative agreements, the receipt of research and development payments thereunder, the future achievement of various milestones in product development and the receipt of payments related thereto, the potential receipt of royalty payments, pre-clinical testing and clinical trials of potential products, the period of time that our existing capital resources will meet our funding requirements, and our financial results of operations. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various risks and uncertainties, including those set forth in this Annual Report on Form 10-K under the heading "Item 1A. Risk Factors." See "Forward-Looking Statements" in Part I of this Annual Report on Form 10-K.

Overview

We discover, develop and intend to commercialize drugs for the treatment of neurological and endocrine-related diseases and disorders. Our product candidates address some of the largest pharmaceutical markets in the world, including endometriosis, stress-related disorders, pain, diabetes, insomnia, and other neurological and endocrine-related diseases and disorders. To date, we have not generated any revenues from the sale of products. We have funded our operations primarily through private and public offerings of our common stock and payments received under research and development collaboration agreements. We are developing certain products with corporate collaborators and intend to rely on existing and future collaborators to meet funding requirements. We expect to generate future operating cash flow losses as product candidates are advanced through the various stages of clinical development. As of December 31, 2010, we had an accumulated deficit of $762.3 million and expect to incur operating cash flow losses for the foreseeable future, which may be greater than losses in prior years. We currently have eleven programs in various stages of research and development, including six programs in clinical development. While we independently develop several of our product candidates, we have entered into collaborations for six of our programs. Our lead clinical development program, elagolix, is a drug candidate for the treatment of endometriosis that is partnered with Abbott.

Critical Accounting Policies

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

Revenue Recognition

Revenues under collaborative research and development agreements are recognized as costs are incurred over the period specified in the related agreement or as the services are performed. These agreements are on a best-efforts basis, and do not require scientific achievement as a performance obligation, and provide for payment to be made when costs are incurred or the services are performed. All fees are nonrefundable to the collaborators. Upfront, nonrefundable payments for license fees and advance payments for sponsored research revenues received in excess of amounts earned are classified as deferred revenue and recognized as income over

the contract or development period. Estimating the duration of the development period includes continual assessment of development stages and regulatory requirements. Milestone payments are recognized as revenue upon achievement of pre-defined scientific events, which requires substantive effort, and for which achievement of the milestone was not readily assured at the inception of the agreement. In 2010, we entered into collaboration agreements for our gonadotropin-releasing hormone (GnRH) antagonist program and our GPR119 agonist program.

Abbott International Luxembourg S.à r.l. (Abbott). In June 2010, we announced an exclusive worldwide collaboration with Abbott to develop and commercialize elagolix and all next-generation GnRH antagonists (collectively, GnRH Compounds) for women's and men's health. Under the terms of our agreement with Abbott, we and Abbott will work jointly to advance GnRH Compounds towards commercialization. Abbott made an upfront payment of $75 million and agreed to make additional development, regulatory and commercial milestone payments of up to approximately $530 million. Under the terms of the agreement, Abbott is responsible for all development, marketing and commercialization costs. We will receive funding for certain internal collaboration expenses which includes reimbursement from Abbott for internal and external expenses related to the GnRH Compounds, which reimbursement includes up to approximately $24 million in personnel funding through the end of 2012. We will be entitled to a percentage of worldwide sales of GnRH Compounds for the longer of ten years or the life of the related patent rights. Under the terms of our agreement with Abbott, the collaboration effort between the parties to advance the GnRH compounds toward commercialization is governed by a joint development committee with representatives from both Neurocrine and Abbott; provided, however, that final decision making authority rests with Abbott. Abbott may terminate the collaboration at its discretion upon 180 days' written notice to us. In such event, we would be entitled to specified payments for ongoing clinical development and related activities and all GnRH Compound product rights would revert to us. For the year ended December 31, 2010, we recorded revenues of $16.9 million in amortization of up-front license fees and $10.1 million in sponsored research and development related to the Abbott agreement. In addition, at December 31, 2010 we had $58.1 million of deferred revenue related to the Abbott agreement, which is being amortized over the collaborative development period.

Boehringer Ingelheim International GmbH (Boehringer Ingelheim). In June 2010, we announced a worldwide collaboration with Boehringer Ingelheim to research, develop and commercialize small molecule GPR119 agonists for the treatment of Type II diabetes and other indications. Under the terms of the agreement, we and Boehringer Ingelheim will work jointly to identify and advance GPR119 agonist candidates into pre-clinical development. Boehringer Ingelheim will then be responsible for the global development and commercialization of potential GPR119 agonist products. We received a $10 million upfront payment, we are currently receiving research funding to support discovery efforts, and we are eligible to receive up to approximately $225 million in development, regulatory and commercial milestone payments. We will be entitled to a percentage of any future worldwide sales of GPR119 agonists resulting from the collaboration. Under the terms of the agreement, the collaboration effort between the parties to identify and advance GPR119 agonist candidates into pre-clinical development is governed by a steering committee with representatives from both Neurocrine and Boehringer Ingelheim; provided, however, that the final decision making authority rests with Boehringer Ingelheim. Boehringer Ingelheim may terminate the agreement at its discretion upon prior written notice to us. In such event, we may be entitled to specified payments and product rights would revert to us. For the year ended December 31, 2010, we recorded revenues of $2.7 million in amortization of up-front license fees and $0.8 million in sponsored research related to the Boehringer Ingelheim agreement. At December 31, 2010, we had $7.3 million of deferred license fees that will be amortized over the remaining term of the collaborative research period of the agreement.

Research and Development Expense

Research and development (R&D) expenses consists primarily of salaries, payroll taxes, employee benefits, and share-based compensation charges, for those individuals involved in ongoing research and development efforts; as well as scientific contractor fees, preclinical and clinical trial costs, research and development facilities

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

Share-Based Compensation

We grant stock options to purchase our common stock to our employees and directors under our 2003 Incentive Stock Plan (the 2003 Plan) and grant stock options to certain employees pursuant to Employment Commencement Nonstatutory Stock Option Agreements. We also grant certain employees stock bonuses and restricted stock units under the 2003 Plan. Additionally, we have outstanding options that were granted under option plans from which we no longer make grants. Our results of operations for fiscal 2010 were impacted by the recognition of non-cash expense related to the fair value of our share-based compensation awards. Share-based compensation expense recognized in accordance with authoritative guidance for the years ended December 31, 2010, 2009, and 2008 was $3.1 million, $5.5 million, and $8.0 million, respectively.

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

For purposes of calculating share-based compensation, we estimate the fair value of share-based compensation awards using a Black-Scholes option-pricing model. The determination of the fair value of share-based compensation awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including but not limited to expected stock price volatility over the term of the awards and the expected term of stock options. Our stock options have characteristics significantly different from those of traded options, and changes in the assumptions can materially affect the fair value estimates.

If factors change and we employ different assumptions, share-based compensation expense may differ significantly from what we have recorded in the past. If there is a difference between the assumptions used in determining share-based compensation expense and the actual factors which become known over time, specifically with respect to anticipated forfeitures, we may change the input factors used in determining share-based compensation expense for future grants. These changes, if any, may materially impact our results of operations in the period such changes are made. If actual forfeitures vary from our estimates, we will recognize the difference in compensation expense in the period the actual forfeitures occur or at the time of vesting.

Real Estate

In December 2007, we closed the sale of our facility and associated real property for a purchase price of $109 million. Concurrent with the sale we retired the entire $47.7 million in mortgage debt previously

outstanding with respect to the facility and associated real property, and received cash of $61.0 million net of transaction costs and debt retirement. Upon the closing of the sale of the facility and associated real property, we entered into a lease agreement (Lease) with DMH Campus Investors, LLC (DMH) whereby we leased back for an initial term of 12 years our corporate headquarters comprised of two buildings located at 12790 El Camino Real (Front Building) and 12780 El Camino Real (Rear Building) in San Diego, California. We entered into a first lease amendment (First Lease Amendment) in December 2008 and a second lease amendment (Second Lease Amendment) in September 2009 (collectively, Amendments).

Under the terms of the Lease and the Amendments, we pay base annual rent (subject to an annual fixed percentage increase), plus a 3.5% annual management fee, property taxes and other normal and necessary expenses associated with the Lease such as utilities, repairs and maintenance, etc. In lieu of a cash security deposit under the Lease, Wells Fargo Bank, N.A. issued on our behalf a letter of credit in the amount of $5.7 million. The letter of credit is secured by a deposit of $6.0 million with the same bank. We have the right to extend the Lease for two consecutive ten-year terms and will have the first right of refusal to lease, at market rates, any facilities built on the sold vacant lot. Additionally, we had a repurchase right to all of the properties which could have been exercised during the fourth year of the Lease but this right was subsequently terminated.

In accordance with authoritative guidance, at the close of the transaction, we initially deferred the gain on the sale of the building and related vacant parcel due to the repurchase right. We also established a long-term liability of $108.7 million, essentially the gross proceeds from the real estate sale, and continued to carry the conveyed real estate assets on our balance sheet as of December 31, 2007.

Effective December 10, 2008, we entered into the First Lease Amendment which provided for the renovation of the Front Building in a manner that facilitates multiple tenant usage and establishes a mechanism for us to terminate our use of the Front Building. We continue to occupy the Rear Building.

Pursuant to the terms of the First Lease Amendment, we are obligated to reimburse the landlord for the total cost of renovating a portion of the Front Building such that the Front Building becomes suitable for multiple tenant usage. We made a one-time payment of $1.0 million toward renovation costs in January 2009 and are reimbursing the landlord for the balance of the renovation costs over a four-year period through an increase in monthly rental payments (currently estimated at $108,000 per month) which began in October 2008. Furthermore, the First Lease Amendment provided that the landlord shall seek to enter into leases with replacement tenants for portions of the Front Building. In connection with each replacement lease, we were to be granted a pro rata reduction in rent under the Lease. We were required to pay all tenant improvement costs, lease termination costs and leasing commissions in connection with each replacement lease under the First Lease Amendment.

The First Lease Amendment also terminated our right to repurchase any portion of the facility or real property. As a result of the termination of the repurchase right, during the fourth quarter of 2008, we removed from our balance sheet the long-term liability of $108.7 million and the related previously conveyed real estate assets of $69.6 million. Additionally, we began to recognize the deferred gain of $39.1 million on the sale of the real estate in accordance with authoritative guidance. During 2010, 2009 and 2008, we recognized $2.9 million, $2.8 million and $3.5 million, respectively, of the deferred gain and will recognize the balance of the deferred gain over the remaining lease term.

As a result of signing the First Lease Amendment and physically vacating the Front Building, we triggered a cease-use date for the Front Building and have estimated lease termination costs in accordance with authoritative guidance. Estimated lease termination costs for the Front Building under the First Lease Amendment included the net present value of future minimum lease payments, taxes, insurance, construction, and maintenance costs from the cease-use date to the end of the remaining lease term net of estimated sublease rental income. During the fourth quarter of 2008, we recorded an expense of $15.7 million for the net present value of these estimated

lease termination costs. During 2009, we increased the liability by approximately $6.0 million in response to the declining economic conditions in San Diego by extending the expected period to lease the Front Building.

Effective September 25, 2009, we and DMH entered into the Second Lease Amendment. The Second Lease Amendment obligated us to vacate the Front Building and make an immediate payment of $4.0 million to DMH as an initial release fee, which was paid October 2, 2009. We continue to occupy the entire Rear Building. Upon payment of the initial release fee, we were released from our obligations with respect to the Front Building, except with respect to 1) certain indemnity obligations for events prior to the payment of the initial release fee, 2) certain operating expenses for the Front Building in accordance with the terms of the Lease through July 2011, and 3) 50% of tenant improvement costs between $65 and $100 per square foot in connection with initial leases between DMH and other third parties for space in the Front Building. As of December 31, 2009, we had completely satisfied our obligation with respect to payment of tenant improvement costs. Pursuant to the Second Lease Amendment, we are also obligated to pay DMH an amount equivalent to the rent on the Front Building through July 2011 and then approximately $44,000 per month beginning in August 2011 through December 2019 as a rent differential payment for the Front Building, which such rent differential amounts may be prepaid by us at our sole discretion. Should we be in monetary default under the Lease beyond the normal cure periods and prior to repaying the entire rent differential balance, the rent differential payment will double.

In December 2010, we entered into a sublease agreement (Sublease) for approximately 16,000 square feet of the Rear Building. The Sublease is expected to result in approximately $0.6 million of rental income per year over the three year term of the sublease, with an option to extend for two one-year renewal periods. The income generated under the Sublease is lower than our financial obligation under our Lease for the Rear Building with DMH as determined on a per square foot basis. Consequently, at December 31, 2010 we were required to record a cease use liability for the net present value estimated difference between the expected income to be generated under the Sublease and future subleases and the Lease obligation over the remaining term of the Lease for the space that is occupied by the subtenant. This transaction resulted in $2.3 million of cease use expense, net of a reversal of associated deferred rent of $173,000, being recorded in December 2010.

Asset Impairment

In accordance with authoritative accounting guidance, if indicators of impairment exist, we assess the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through undiscounted future operating cash flows. If impairment is indicated, we measure the amount of such impairment by comparing the carrying value of the asset to the estimated fair value of the related asset, which is generally determined based on the present value of the expected future cash flows.

Results of Operations for Years Ended December 31, 2010, 2009 and 2008

Revenue

The following table summarizes our primary sources of revenue during the periods presented:

	Year Ended December 31,		
	2010	2009	2008
	(In millions)		
Revenues under collaboration agreements:			
Abbott International Luxembourg S.à r.l. (Abbott)	$27.0	$ —	$ —
GlaxoSmithKline (GSK)	0.1	0.1	1.1
Dainippon Sumitomo Pharma Co. Ltd. (DSP)	2.9	2.9	2.9
Boehringer Ingelheim International GmbH (Boehringer Ingelheim)	3.5	—	—
Total revenues	$33.5	$3.0	$4.0

The increase in revenues from the year ended December 31, 2009 to the year ended December 31, 2010 was primarily due to our recently executed collaboration agreements with Abbott and Boehringer Ingelheim, for our GnRH (including elagolix) and GPR119 programs, respectively. During 2010 we recognized revenue of $19.6 million from amortization of up-front license fees and $10.9 million resulting from sponsored research and development reimbursement under these two collaboration agreements. During each of the years ended December 31, 2010 and 2009, we recognized $2.9 million in revenue under our collaboration agreement with DSP from amortization of up-front licensing fees.

The decrease in revenues from the year ended December 31, 2008 to the year ended December 31, 2009 was primarily due to revenue recognized in 2008 under our collaboration agreement with GSK. During 2008, we recognized a $1.0 million milestone payment under our GSK collaboration agreement related to clinical advancements of our CRF program. Under our exclusive licensing agreement with DSP for indiplon in Japan, we recognized $2.9 million in license fee revenue during both years ended December 31, 2009 and 2008.

We expect revenue to increase significantly during 2011, primarily due to a full year of revenue recognition under our collaborative agreements with Abbott and Boehringer Ingelheim.

Operating Expenses

Research and Development

Our research and development expenditures include costs related to preclinical and clinical trials, scientific personnel, equipment, consultants, sponsored research, share-based compensation and allocated facility costs. We do not track fully burdened research and development costs separately for each of our drug candidates. We review our research and development expenses by focusing on four categories: external development, personnel, facility and depreciation, and other. External development expenses consist of costs associated with our external preclinical and clinical trials, including pharmaceutical development and manufacturing. Personnel expenses include salaries and wages, share-based compensation, payroll taxes and benefits for those individuals involved in ongoing research and development efforts. Other research and development expenses mainly represent lab supply expenses, scientific consulting expenses and other expenses. We currently have eleven programs in various stages of research and development, including six programs in clinical development.

The following table presents our total research and development expenses by category during the periods presented:

	Years Ended December 31,		
	2010	2009	2008
		(In millions)	
External development expense:			
Elagolix	$ 7.9	$ 8.9	$16.0
VMAT2	1.8	0.6	1.9
Other	—	0.3	1.3
Total external development expense	9.7	9.8	19.2
R&D personnel expense	11.3	11.8	20.1
R&D facility and depreciation expense	7.0	8.8	9.1
Other R&D expense	3.2	3.3	7.1
Total research and development expense	$31.2	$33.7	$55.5

The $2.5 million decrease in research and development expense from 2009 to 2010 was primarily due to our restructuring program in 2009 coupled with lower depreciation expense which decreased by $1.5 million due to asset sales and assets reaching the end of their depreciable lives. The $21.8 million decrease in research and

development expenses from 2008 to 2009 was primarily due to cost savings related to our staff reductions in 2009, lower laboratory related costs of $2.4 million (due to lower headcount) as well as lower external development expenses primarily related to our elagolix program.

The funding necessary to bring a drug candidate to market is subject to numerous uncertainties, which may adversely affect our liquidity and capital resources. Once a drug candidate is identified, the further development of that drug candidate can be halted or abandoned at any time due to a number of factors. These factors include, but are not limited to, funding constraints, safety or a change in market demand.

The nature and efforts required to develop our drug candidates into commercially viable products include research to identify a clinical candidate, preclinical development, clinical testing, FDA approval and commercialization. For each drug candidate that successfully completes all stages of research and development, and is commercialized, total research and development spending in the pharmaceutical industry may exceed $1 billion. Additionally, the stages of research and development can take in excess of ten years to complete for each drug candidate.

For each of our drug candidate programs, we periodically assess the scientific progress and merits of the programs to determine if continued research and development is economically viable. Certain of our programs have been terminated due to the lack of scientific progress and lack of prospects for ultimate commercialization. Because of the uncertainties associated with research and development of these programs, we may not be successful in achieving commercialization. As such, the ultimate timeline and costs to commercialize a product cannot be accurately estimated. Additionally, due to the uncertainty inherent in drug development, research and development costs are subject to considerable variation.

We expect research and development expenses to remain at 2010 levels during 2011, primarily due to the partnering of elagolix with Abbott who now is responsible for all development costs associated with that clinical program, offset by the increased clinical efforts around our VMAT2 program.

General and Administrative

General and administrative expenses decreased to $13.3 million in 2010 compared to $14.4 million during 2009 and $17.9 million during 2008. The $1.1 million decrease in expenses from 2009 to 2010 and the $3.5 million decrease in expenses from 2008 to 2009 resulted primarily from the restructuring program enacted in the second quarter of 2009 coupled with company-wide cost containment efforts.

We expect general and administrative expenses to remain at 2010 levels during 2011.

Cease-use Expense

During 2010, 2009 and 2008, we recognized $2.8 million, $6.0 million and $15.7 million, respectively, in cease-use expense, related to our corporate headquarters, under the amendment of the Lease and the Sublease discussed above.

Restructuring Expense

In May 2009, we announced a restructuring program to implement cost containment measures and to focus research and development efforts. As a result, we reduced our research and development and general and administrative staff in San Diego by approximately 65 employees and incurred a net restructuring charge of approximately $2.6 million which was comprised of salary continuation, outplacement services, and other miscellaneous costs related to this reduction in force. Substantially all of these expenses were paid during 2009.

During 2008, we incurred a net charge of $2.1 million for restructuring related to certain executives and other personnel departing the Company. These costs were paid from 2008 through early 2010.

Other income and (expense)

Other income and (expense) increased to $5.8 million in 2010 compared with $2.6 million during 2009. Other income and (expense) was ($1.3) million during 2008. The increase in other income from 2009 to 2010 resulted primarily from a $1.4 million loss from an other-than-temporary impairment recognized on auction rate securities in 2009, coupled with a realized gain of $1.3 million on the disposal of auction rate securities in 2010. The change from 2008 to 2009 resulted primarily from rental payments made during 2008 under our sale-leaseback agreement which were recorded as interest expense under sale-leaseback accounting guidance. These rental payments are components of operating expense during 2009. Additionally during 2009, interest income was lower than 2008 due to lower overall interest rates and lower cash balances.

Our net loss for 2010 was $8.0 million, or $0.15 per share, compared to $51.0 million, or $1.30 per share, in 2009 and $88.6 million, or $2.30 per share, in 2008. The decrease in net loss from 2009 to 2010 was a result of the revenue recognized under the above mentioned collaboration agreements, our restructuring program implemented during the second quarter of 2009 and expense management efforts during 2010. The decrease in net loss from 2008 to 2009 was primarily due to cost containment efforts and staff reductions in early 2009, coupled with lower external development costs.

We expect to be profitable in 2011, primarily due to a full year of activity under our Abbott and Boehringer Ingelheim collaboration agreements. However, we do not expect to be operating cash flow positive in 2011, nor do we expect to be remain profitable for the foreseeable future after 2011.

Liquidity and Capital Resources

At December 31, 2010, our cash, cash equivalents, and investments totaled $130.6 million compared with $59.9 million at December 31, 2009. The $70.7 million increase during 2010 resulted primarily from our recently executed collaboration agreements with Abbott for our GnRH program and Boehringer Ingelheim for our GPR119 program which included upfront payments of $75 million and $10 million, respectively. In addition, our public offering of common stock in March 2010 resulted in net proceeds of approximately $21.4 million. These influxes of capital were offset by operating loss of $8.0 million incurred during 2010.

Net cash provided by operating activities during 2010 was $49.9 million compared to net cash used of $53.1 million during 2009. The $103.0 million change in cash provided by operating activities was primarily due to upfront payments from Abbott and Boehringer Ingelheim related to our partnering of our GnRH and GPR119 programs of $75 million and $10 million, respectively. Net loss for 2010 was $8.0 million compared to $51.0 million for 2009. This decrease in net loss was primarily due to our restructuring program implemented during the second quarter of 2009 and ongoing expense management efforts during 2010.

Net cash used in operating activities during 2009 was $53.1 million compared to $74.2 million in 2008. This decrease was primarily due to lower operating losses in 2009 as a result of restructuring programs in the first half of 2009.

Net cash used in investing activities during 2010 was $54.7 million compared to net cash provided of $12.1 million and $44.4 million in 2009 and 2008, respectively. The fluctuation in net cash provided by (used in) investing activities resulted primarily from the timing differences in investment purchases, sales and maturities, and the fluctuation of our portfolio mix between cash equivalents and short-term investment holdings.

Net cash provided by financing activities during 2010 was $21.5 million compared to $9.9 million in 2009 and net cash used of $1.5 million in 2008. The increase of $11.6 million in cash provided by financing activities was due to the net proceeds of $21.4 million received from our public offering of shares of common stock in

March 2010. During 2009, we sold common stock for net cash proceeds of approximately $9.9 million. Other debt repayments (primarily related to equipment loans) were $1.5 million in 2008. We had no outstanding debt at December 31, 2010.

Equity Financing. In March 2010, we completed a public offering of common stock in which we sold approximately 10.5 million shares of our common stock at an offering price of $2.20 per share. The shares were sold pursuant to an effective shelf registration statement with the Securities and Exchange Commission (SEC). The net proceeds generated from this transaction, after underwriting discounts and commissions and offering costs, were approximately $21.4 million.

In December 2009, we entered into a privately negotiated transaction to sell approximately 4.8 million shares of our common stock to an institutional investor at a price of $2.09 per share, raising total gross proceeds of approximately $10.0 million. The shares were sold pursuant to our effective shelf registration statement with the SEC. The net proceeds generated from this transaction were approximately $9.9 million.

Committed Equity Financing Facility. In September 2009, we entered into a Committed Equity Financing Facility (CEFF) with Kingsbridge Capital Limited (Kingsbridge) pursuant to which Kingsbridge committed to purchase, subject to certain conditions, up to the lesser of 7.8 million newly issued shares of our common stock or an aggregate of $75 million newly issued shares over the three-year term of the CEFF. We may access capital under the CEFF by making draw downs up to a maximum of the lesser of (i) $15 million and (ii) the greater of (x) 1.75% of our market capitalization as of the date of delivery of the draw down notice once per calendar quarter and up to 1.25% of our market capitalization as of the date of delivery of the draw down notice for any additional draw downs during such calendar quarter and (y) the lesser of (a) 2.75% of our market capitalization as of the date of delivery of the draw down notice and (b) a number of shares determined by a formula based in part on the average trading volume and trading price of our common stock prior to the delivery of the draw down notice issued by us with respect to that draw down pricing period, subject to certain conditions, including a minimum share price threshold of $1.00. Kingsbridge may purchase shares of common stock pursuant to the CEFF at discounts ranging from 5 to 10 percent, depending on the average market price of our common stock during the applicable pricing period for a draw down. As of December 31, 2010, we had not issued any shares under the CEFF.

Shelf Registration Statement. In December 2010, the SEC declared effective a shelf registration statement filed by us earlier that month. The shelf registration statement allows us to issue shares of our common stock from time to time for an aggregate initial offering price of up to $125 million. The specific terms of offerings, if any, under the shelf registration statement would be established at the time of such offerings.

Factors That May Affect Future Financial Condition and Liquidity

We anticipate increases in expenditures as we continue to expand our research and development activities. Because of our limited financial resources, our strategies to develop some of our programs include collaborative agreements with major pharmaceutical companies and sales of our common stock in both public and private offerings. Our collaborative agreements typically include a partial recovery of our research costs through license fees, contract research funding and milestone revenues. Our collaborators are also financially and managerially responsible for clinical development and commercialization. In these cases, the estimated completion date would largely be under the control of the collaborator. We cannot forecast, with any degree of certainty, which other proprietary products or indications, if any, will be subject to future collaborative arrangements, in whole or in part, and how such arrangements would affect our capital requirements.

Our license, research and clinical development agreements are generally cancelable with written notice in 0-180 days. In addition to the minimum payments due under our license and research agreements, we may be required to pay approximately $13 million in milestone payments, plus sales royalties, in the event that all scientific research under these agreements is successful.

We lease our office and research laboratories under an operating lease with an initial term of twelve years, expiring at the end of 2019. We are responsible for base rent and rent differential payments related to the Front Building, plus additional operating costs which comprise the estimated minimum lease payments. Additionally, our facility lease agreement calls for us to maintain $50 million in cash and investments at all times, or to increase our security deposit by $5 million.

As of December 31, 2010, the total estimated future annual minimum lease payments under our non-cancelable operating lease obligations are as follows (*in thousands*):

	Payment Amount
Year ending:	
2011	$10,224
2012	8,347
2013	7,580
2014	7,792
2015	8,010
Thereafter	34,353
Total future minimum lease payments	$76,306

The funding necessary to execute our business strategies is subject to numerous uncertainties, which may adversely affect our liquidity and capital resources. Completion of clinical trials may take several years or more, but the length of time generally varies substantially according to the type, complexity, novelty and intended use of a product candidate. It is also important to note that if a clinical candidate is identified, the further development of that candidate can be halted or abandoned at any time due to a number of factors. These factors include, but are not limited to, funding constraints, safety or a change in market demand.

An important element of our business strategy is to pursue the research and development of a diverse range of product candidates for a variety of disease indications. We pursue this goal through proprietary research and development as well as searching for new technologies for licensing opportunities. This allows us to diversify against risks associated with our research and development spending. To the extent we are unable to maintain a diverse and broad range of product candidates, our dependence on the success of one or a few product candidates would increase.

The nature and efforts required to develop our product candidates into commercially viable products include research to identify a clinical candidate, preclinical development, clinical testing, FDA approval and commercialization. For each drug candidate that successfully completes all stages of research and development, and is commercialized, total research and development spending in the pharmaceutical industry may exceed $1 billion. Additionally, the stages of research and development can take in excess of ten years to complete for each drug candidate.

We test our potential product candidates in numerous pre-clinical studies to identify disease indications for which our product candidates may show efficacy. We may conduct multiple clinical trials to cover a variety of indications for each product candidate. As we obtain results from trials, we may elect to discontinue clinical trials for certain product candidates or for certain indications in order to focus our resources on more promising product candidates or indications. The duration and the cost of clinical trials may vary significantly over the life of a project as a result of differences arising during the clinical trial protocol, including, among others, the following:

- we or the FDA or similar foreign regulatory authorities may suspend the trials;
- we may discover that a product candidate may cause harmful side effects;

- patient recruitment may be slower than expected; and
- patients may drop out of the trials.

For each of our programs, we periodically assess the scientific progress and merits of the programs to determine if continued research and development is economically viable. Certain of our programs have been terminated due to the lack of scientific progress and lack of prospects for ultimate commercialization. Because of the uncertainties associated with research and development of these programs, we may not be successful in achieving commercialization. As such, the ultimate timeline and costs to commercialize a product cannot be accurately estimated.

Our product candidates have not yet achieved FDA regulatory approval, which is required before we can market them as therapeutic products in the United States. In order to proceed to subsequent clinical trial stages and to ultimately achieve regulatory approval, the FDA must conclude that our clinical data establish safety and efficacy. We must satisfy the requirements of similar regulatory authorities in foreign countries in order to market products in those countries. The results from preclinical testing and early clinical trials may not be predictive of results in later clinical trials. It is possible for a candidate to show promising results in clinical trials, but subsequently fail to establish sufficient safety and efficacy data necessary to obtain regulatory approvals.

As a result of the uncertainties discussed above, among others, the duration and completion costs of our research and development projects are difficult to estimate and are subject to considerable variation. Our inability to complete our research and development projects in a timely manner or our failure to enter into collaborative agreements, when appropriate, could significantly increase our capital requirements and could adversely impact our liquidity. These uncertainties could force us to seek additional, external sources of financing from time to time in order to continue with our business strategy. Our inability to raise additional capital, or to do so on terms reasonably acceptable to us, would jeopardize the future success of our business.

We also may be required to make further substantial expenditures if unforeseen difficulties arise in other areas of our business. In particular, our future capital requirements will depend on many factors, including:

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

We believe that our existing capital resources, together with investment income and future payments due under our strategic alliances, will be sufficient to satisfy our current and projected funding requirements for at least the next 12 months. However, we cannot guarantee that our existing capital resources and anticipated revenues will be sufficient to conduct and complete all of our research and development programs as planned.

We will require additional funding to continue our research and product development programs, to conduct preclinical studies and clinical trials, for operating expenses, to pursue regulatory approvals for our product candidates, for the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims, if any, for the cost of product in-licensing and for any possible acquisitions, and we may require

additional funding to establish manufacturing and marketing capabilities in the future. We may seek to access the public or private equity markets whenever conditions are favorable. For example, we have an effective shelf registration statement on file with the SEC which allows us to issue shares of our common stock from time to time for an aggregate initial offering price up to an additional $125 million. We may also seek additional funding through strategic alliances and other financing mechanisms such as our CEFF with Kingsbridge. We cannot assure you that adequate funding will be available on terms acceptable to us, if at all. Any additional equity financings will be dilutive to our stockholders and any additional debt may involve operating covenants that may restrict our business. If adequate funds are not available through these means, we may be required to curtail significantly one or more of our research or development programs or obtain funds through arrangements with collaborators or others. This may require us to relinquish rights to certain of our technologies or product candidates. To the extent that we are unable to obtain third-party funding for such expenses, we expect that increased expenses will result in increased cash flow losses from operations. We cannot assure you that we will successfully develop our products under development or that our products, if successfully developed, will generate revenues sufficient to enable us to earn a profit.

Interest Rate Risk

We are exposed to interest rate risk on our short-term investments. The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in highly liquid and high quality government and other debt securities. To minimize our exposure due to adverse shifts in interest rates, we invest in short-term securities and ensure that the maximum average maturity of our investments does not exceed 36 months. If a 10% change in interest rates were to have occurred on December 31, 2010, this change would not have had a material effect on the fair value of our investment portfolio as of that date. Due to the short holding period of our investments, we have concluded that we do not have a material financial market risk exposure.

New Accounting Pronouncements

In April 2010, the Financial Accounting Standards Board (FASB) revised the authoritative guidance for research and development milestone recognition. The revised guidance is not required and does not represent the only acceptable method of revenue recognition. The revised guidance is effective for milestones achieved in fiscal years and interim periods beginning on or after June 15, 2010 and will not have a material impact on our results of operations as it is consistent with our historical practice of milestone revenue recognition.

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

Effective January 1, 2010, we adopted the FASB's newly issued standard that requires the disclosure of separate amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reason for such transfers. This new standard also requires information related to purchases, sales, issuances, and settlements of Level 3 financial assets and liabilities to be presented separately in the reconciliation of fair value measurements for the period presented. In addition, this new guidance clarifies existing disclosure guidance with respect to the level of disaggregation for classes of financial assets and liabilities as well as valuation techniques and inputs used for both recurring and nonrecurring fair value measurements of Level 2 and Level 3 assets and liabilities. We have provided the additional required disclosures effective January 1, 2010.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Information required by this item is contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Interest Rate Risk." Such information is incorporated herein by reference.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

NEUROCRINE BIOSCIENCES, INC.
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Neurocrine Biosciences, Inc.

We have audited the accompanying consolidated balance sheets of Neurocrine Biosciences, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Neurocrine Biosciences, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Neurocrine Biosciences, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 10, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Diego, CA
February 10, 2011

NEUROCRINE BIOSCIENCES, INC.

Consolidated Balance Sheets
(In thousands, except for par value and share totals)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 54,051	$ 37,329
Short-term investments, available-for-sale	72,814	16,135
Receivables under collaborative agreements	4,470	—
Other current assets	1,716	1,923
Total current assets	133,051	55,387
Property and equipment, net	1,532	2,695
Long-term investments	3,739	6,411
Restricted cash	6,102	6,325
Total assets	$ 144,424	$ 70,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 810	$ 2,188
Accrued liabilities	8,603	6,240
Current portion of deferred revenues	37,026	2,941
Current portion of cease-use liability	3,385	4,289
Current portion of deferred gain on sale of real estate	2,953	2,867
Other liabilities	—	1,436
Total current liabilities	52,777	19,961
Deferred revenues	37,162	8,757
Deferred gain on sale of real estate	27,046	29,999
Deferred rent	1,413	906
Cease-use liability	6,580	7,241
Other liabilities	101	—
Total liabilities	125,079	66,864
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.001 par value; 110,000,000 shares authorized; issued and outstanding shares were 54,882,129 and 43,991,565 at December 31, 2010 and 2009, respectively	55	44
Additional paid-in capital	781,607	757,002
Accumulated other comprehensive (loss) gain	(48)	1,209
Accumulated deficit	(762,269)	(754,301)
Total stockholders' equity	19,345	3,954
Total liabilities and stockholders' equity	$ 144,424	$ 70,818

See accompanying notes.

NEUROCRINE BIOSCIENCES, INC.

Consolidated Statements of Operations
(In thousands, except loss per share data)

	Year Ended December 31,		
	2010	2009	2008
Revenues:			
Sponsored research and development	$ 10,938	$ 34	$ 47
Milestones and license fees	22,563	2,919	3,919
Grant income	—	—	9
Total revenues	33,501	2,953	3,975
Operating expenses:			
Research and development	31,151	33,722	55,544
General and administrative	13,273	14,360	17,936
Cease-use expense	2,799	5,984	15,742
Restructuring expenses	—	2,557	2,051
Total operating expenses	47,223	56,623	91,273
Loss from operations	(13,722)	(53,670)	(87,298)
Other income and (expense):			
Gain on sale/disposal of assets	294	841	3,570
Deferred gain on real estate	2,867	2,785	—
Investment income and (expense)	1,538	(1,451)	2,132
Interest expense	—	—	(7,025)
Other income	1,055	457	8
Total other income and (expense)	5,754	2,632	(1,315)
Net loss	$ (7,968)	$(51,038)	$(88,613)
Net loss per common share:			
Basic and diluted	$ (0.15)	$ (1.30)	$ (2.30)
Shares used in the calculation of net loss per common share:			
Basic and diluted	52,820	39,137	38,449

See accompanying notes.

NEUROCRINE BIOSCIENCES, INC.

Consolidated Statements of Stockholders' Equity
(In thousands)

	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
BALANCE AT DECEMBER 31, 2007	38,274	$38	$733,542	$ (233)	$(614,650)	$118,697
Net loss	—	—	—	—	(88,613)	(88,613)
Unrealized loss on investments	—	—	—	(1,337)	—	(1,337)
Comprehensive loss						(89,950)
Share-based compensation	—	—	7,993	—	—	7,993
Issuance of common stock for restricted share units vested	316	1	—	—	—	1
Issuance of common stock for option exercises	9	—	33	—	—	33
BALANCE AT DECEMBER 31, 2008	38,599	39	741,568	(1,570)	(703,263)	36,774
Net loss	—	—	—	—	(51,038)	(51,038)
Unrealized gain on investments	—	—	—	2,779	—	2,779
Comprehensive loss						(48,259)
Share-based compensation	—	—	5,539	—	—	5,539
Issuance of common stock for restricted share units vested	608	—	—	—	—	—
Issuance of common stock, net of offering costs	4,785	5	9,895	—	—	9,900
BALANCE AT DECEMBER 31, 2009	43,992	44	757,002	1,209	(754,301)	3,954
Net loss	—	—	—	—	(7,968)	(7,968)
Unrealized loss on investments	—	—	—	(1,257)	—	(1,257)
Comprehensive loss						(9,225)
Share-based compensation	—	—	3,133	—	—	3,133
Issuance of common stock for restricted share units vested	383	1	—	—	—	1
Issuance of common stock for option exercises	42	—	124	—	—	124
Issuance of common stock, net of offering costs	10,465	10	21,348	—	—	21,358
BALANCE AT DECEMBER 31, 2010	54,882	$55	$781,607	$ (48)	$(762,269)	$ 19,345

See accompanying notes.

NEUROCRINE BIOSCIENCES, INC.

Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31,		
	2010	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES			
Net loss	$ (7,968)	$(51,038)	$(88,613)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,436	3,179	7,610
Gain on sale of assets	(3,161)	(3,626)	(3,570)
Fair value adjustment for auction rate security rights	—	815	(2,350)
Loss on sale of investments	186	1,086	412
Fair value adjustment of auction rate securities	—	(1,047)	2,583
Realized gain on sale of auction rate securities	(1,320)	(124)	—
Other-than-temporary impairment for auction rate securities	—	1,431	1,311
Cease-use expense	2,799	5,984	15,742
Deferred revenues	62,490	(2,914)	(2,911)
Deferred rent	680	796	110
Amortization of premiums on investments	833	—	—
Non-cash share-based compensation expense	3,133	5,539	7,993
Change in operating assets and liabilities:			
Accounts receivable and other assets	(4,278)	2,449	2,428
Cease-use liability	(4,537)	(9,851)	(345)
Other liabilities	(1,335)	(1,698)	(1,576)
Accounts payable and accrued liabilities	985	(4,076)	(12,989)
Net cash provided by (used in) operating activities	49,943	(53,095)	(74,165)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of investments	(89,787)	(16,800)	(36,986)
Sales/maturities of investments	34,839	27,615	82,132
Deposits and restricted cash	223	84	1
Proceeds from sales of property and equipment	336	1,193	595
Purchases of property and equipment	(315)	(35)	(1,322)
Net cash (used in) provided by investing activities	(54,704)	12,057	44,420
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of common stock	21,483	9,900	34
Principal payments on debt	—	—	(1,486)
Net cash provided by (used in) financing activities	21,483	9,900	(1,452)
Net increase (decrease) in cash and cash equivalents	16,722	(31,138)	(31,197)
Cash and cash equivalents at beginning of the year	37,329	68,467	99,664
Cash and cash equivalents at end of the year	$ 54,051	$ 37,329	$ 68,467
SUPPLEMENTAL DISCLOSURES			
Supplemental disclosures of cash flow information:			
Interest paid on debt obligations	$ —	$ —	$ 74
Taxes paid	$ —	$ —	$ —

See accompanying notes.

NEUROCRINE BIOSCIENCES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activities. Neurocrine Biosciences, Inc. (the Company or Neurocrine) was incorporated in California in 1992 and reincorporated in Delaware in 1996. The Company discovers, develops and intends to commercialize drugs for the treatment of neurological and endocrine-related diseases and disorders. The Company's product candidates address some of the largest pharmaceutical markets in the world, including endometriosis, stress-related disorders, pain, diabetes, insomnia, and other neurological and endocrine-related diseases and disorders. While the Company independently develops many of its product candidates, it has entered into collaborations for six of its programs. The Company's lead clinical development program, elagolix, is a drug candidate for the treatment of endometriosis.

Neurocrine Continental, Inc. (formerly Neurocrine Commercial Operations, Inc.), is a Delaware corporation and wholly owned subsidiary of the Company which is inactive.

During 2008, the Company dissolved Science Park Center LLC and Neurocrine International LLC, former subsidiaries of the Company. During 2009, the Company dissolved Neurocrine HQ., Inc, a former subsidiary of the Company.

Principles of Consolidation. The consolidated financial statements include the accounts of Neurocrine as well as its wholly owned subsidiaries. The Company does not have any significant interests in any variable interest entities. All intercompany transactions and balances have been eliminated in consolidation.

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

Reclassifications. Certain reclassifications have been made to previously reported amounts to conform to current presentations. The Company has reclassified restructuring related expenses to a distinct line in the consolidated statements of operations. Previously, restructuring related expenses were included in the research and development and general and administrative expense line items.

Cash Equivalents. The Company considers all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents.

Trading Securities. The Company considers all securities that are bought and held principally for the purpose of selling them in the near term to be trading securities. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported in earnings. At December 31, 2010 the Company held no trading securities.

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

Concentration of Credit Risk. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and investments. The Company has established guidelines to limit its exposure to credit risk by placing investments with high credit quality financial institutions, diversifying its investment portfolio and placing investments with maturities that maintain safety and liquidity.

Collaboration Agreements. During the years ended December 31, 2010, 2009 and 2008, collaborative research and development agreements accounted for substantially all of the Company's revenue.

Property and Equipment. Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Building costs were depreciated over an average estimated useful life of 25 years and equipment is depreciated over three to seven years. Leasehold improvements are depreciated over the shorter of their estimated useful lives or the remaining lease term.

Industry Segment and Geographic Information. The Company operates in a single industry segment – the discovery and development of therapeutics for the treatment of neurological and endocrine-related diseases and disorders. The Company had limited foreign based operations for the years ended December 31, 2010, 2009 and 2008.

Other Assets. Other current assets included $1.3 million of mutual fund investments related to the Company's Nonqualified Deferred Compensation Plan (Deferred Compensation Plan) for certain employees as of December 31, 2009. All of the assets held in the Deferred Compensation Plan were recorded at fair value in accordance with authoritative guidance (as described in Note 5) and were categorized as Level 1 assets as they have been obtained from quoted prices in active markets for identical assets. Additionally, the Company had recorded a corresponding liability for the Deferred Compensation Plan in other current liabilities at December 31, 2009. During 2009, the Company elected to terminate the Deferred Compensation Plan. In connection with such termination, during 2010 the final account balances of participants in the Deferred Compensation Plan were distributed to such participants in accordance with the provisions of the Deferred Compensation Plan.

Impairment of Long-Lived Assets. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If indicators of impairment exist, the Company assesses the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through undiscounted future operating cash flows. If the carrying amount is not recoverable, the Company measures the amount of any impairment by comparing the carrying value of the asset to the present value of the expected future cash flows associated with the use of the asset.

Fair Value of Financial Instruments. Financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, are carried at cost, which management believes approximates fair value because of the short-term maturity of these instruments.

Comprehensive Income/Loss. Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income (loss) includes unrealized gains and losses on available-for-sale investments and the Company's net income (loss). The Company has disclosed comprehensive income (loss) as a component of stockholders' equity.

Research and Development Expenses. Research and development (R&D) expenses consists primarily of salaries, payroll taxes, employee benefits, and share-based compensation charges, for those individuals involved in ongoing research and development efforts; as well as scientific contractor fees, preclinical and clinical trial costs, research and development facilities costs, laboratory supply costs, and depreciation of scientific equipment. All such costs are charged to R&D expense as incurred. These expenses result from the Company's independent R&D efforts as well as efforts associated with collaborations and in-licensing arrangements. In addition, the Company funds R&D at other companies and research institutions under agreements, which are

generally cancelable. The Company reviews and accrues clinical trial expenses based on work performed, which relies on estimates of total costs incurred based on patient enrollment, completion of patient studies and other events. The Company follows this method since reasonably dependable estimates of the costs applicable to various stages of a research agreement or clinical trial can be made. Accrued clinical costs are subject to revisions as trials progress. Revisions are charged to expense in the period in which the facts that give rise to the revision become known.

Restructuring. During 2009, the Company announced a restructuring program to implement cost containment measures and to focus research and development efforts. As a result, the Company reduced its research and development and general and administrative staff in San Diego by approximately 65 employees. In accordance with authoritative guidance issued by the Financial Accounting Standards Board (FASB), the Company incurred a net restructuring charge of approximately $2.6 million. Substantially all of these expenses were paid in cash during 2009. During 2008, the Company incurred a net charge of $2.1 million for severance related to certain executives and other personnel departing the Company. These expenses were paid in cash from 2008 to 2010.

The changes to the accrued liability for restructuring costs during 2010 and 2009 are as follows (*in thousands*):

	Years Ended December 31,	
	2010	2009
Beginning accrual balance	$ 250	$ 1,578
Additional accruals	—	2,563
Payments	(250)	(3,885)
Adjustments	—	(6)
Ending accrual balance	$ —	$ 250

Share-Based Compensation. The Company estimates the fair value of stock options and other equity-based compensation using a Black-Scholes option pricing model on the date of grant. The fair value of equity instruments expected to vest are recognized and amortized on a straight-line basis over the requisite service period of the award, which is generally three to four years; however, certain provisions in the Company's equity compensation plans provide for shorter vesting periods under certain circumstances.

Investment Income and (Expense). Investment income is comprised of interest and dividends earned on cash, cash equivalents and investments as well as gains and losses realized from activity in the Company's investment portfolio. The following table presents certain information related to the components of investment income and (expense) (*in thousands*):

	Years Ended December 31,		
	2010	2009	2008
Interest income	397	691	4,039
Dividends	7	37	70
Realized gains/(losses), net	1,134	(2,179)	(1,977)
Total	$1,538	$(1,451)	$ 2,132

Net Loss Per Share. The Company computes net loss per share using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and common equivalent shares outstanding during the period. Additionally, potentially dilutive securities, composed of incremental common shares issuable upon the exercise of stock options and warrants and the vesting of restricted stock units (RSU),

were excluded from historical diluted loss per share because of their anti-dilutive effect. Potentially dilutive securities totaled 0.5 million for the year ended December 31, 2010 and less than 0.1 million for the years ended December 31, 2009 and 2008.

Impact of Recently Issued Accounting Standards. In April 2010, the FASB revised the authoritative guidance for research and development milestone recognition. The revised guidance is not required and does not represent the only acceptable method of revenue recognition. The revised guidance is effective for milestones achieved in fiscal years and interim periods beginning on or after June 15, 2010 and will not have a material impact on the Company's results of operations as it is consistent with its historical practice of milestone revenue recognition.

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

Effective January 1, 2010, the Company adopted the FASB's newly issued standard that requires the disclosure of separate amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reason for such transfers. This new standard also requires information related to purchases, sales, issuances, and settlements of Level 3 financial assets and liabilities to be presented separately in the reconciliation of fair value measurements for the period presented. In addition, this new guidance clarifies existing disclosure guidance with respect to the level of disaggregation for classes of financial assets and liabilities as well as valuation techniques and inputs used for both recurring and nonrecurring fair value measurements of Level 2 and Level 3 assets and liabilities. The Company has provided the additional required disclosures effective January 1, 2010.

NOTE 2. REVENUE RECOGNITION AND SIGNIFICANT COLLABORATIVE RESEARCH AND DEVELOPMENT AGREEMENTS

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

Abbott International Luxembourg S.à r.l. In June 2010, the Company announced an exclusive worldwide collaboration with Abbott International Luxembourg S.à r.l. (Abbott) to develop and commercialize elagolix and all next-generation gonadotropin-releasing hormone (GnRH) antagonists (collectively GnRH Compounds) for women's and men's health. Under the terms of the Company's agreement with Abbott, the Company and Abbott will work jointly to advance GnRH Compounds towards commercialization. Abbott made an upfront payment of $75 million and agreed to make additional development, regulatory and commercial milestone payments of up to approximately $530 million. Under the terms of the agreement, Abbott is responsible for all third-party development, marketing and commercialization costs. The Company will receive funding for certain internal collaboration expenses which includes reimbursement from Abbott for internal and external expenses related to the GnRH Compounds, which reimbursement includes up to approximately $24 million in personnel funding through the end of 2012. The Company will be entitled to a percentage of worldwide sales of GnRH Compounds for the longer of ten years or the life of the related patent rights. Under the terms of the Company's agreement

with Abbott, the collaboration effort between the parties to advance GnRH Compounds towards commercialization is governed by a joint development committee with representatives from both the Company and Abbott; provided, however, that final decision making authority rests with Abbott. Abbott may terminate the collaboration at its discretion upon 180 days' written notice to the Company. In such event, the Company would be entitled to specified payments for ongoing clinical development and related activities and all GnRH Compound product rights would revert to the Company. The Company's participation in the joint development committee has been determined to be a substantive deliverable under the contract, and therefore, the upfront payment has been deferred and is being recognized over the estimated term of the joint development committee which is expected to be through the end of 2012. As of December 31, 2010, the Company recorded revenues of $16.9 million in amortization of up-front license fees and $10.1 million in sponsored development related to the Abbott agreement. In addition, at December 31, 2010 the Company had $58.1 million of deferred revenue related to the Abbott agreement.

Boehringer Ingelheim International GmbH. In June 2010, the Company announced a worldwide collaboration with Boehringer Ingelheim International GmbH (Boehringer Ingelheim) to research, develop and commercialize small molecule GPR119 agonists for the treatment of Type II diabetes and other indications. Under the terms of the Company's agreement with Boehringer Ingelheim, the Company and Boehringer Ingelheim will work jointly to identify and advance GPR119 agonist candidates into pre-clinical development. Boehringer Ingelheim will then be responsible for the global development and commercialization of potential GPR119 agonist products. The Company received a $10 million upfront payment, and is currently receiving research funding to support discovery efforts and is eligible to receive up to approximately $225 million in development, regulatory and commercial milestone payments. The Company will be entitled to a percentage of any future worldwide sales of GPR119 agonists. Under the terms of the agreement, the collaboration effort between the parties to identify and advance GPR119 agonist candidates into pre-clinical development is governed by a steering committee with representatives from both the Company and Boehringer Ingelheim; provided, however, that final decision making authority rests with Boehringer Ingelheim. Boehringer Ingelheim may terminate the agreement at its discretion upon prior written notice to the Company. In such event, the Company may be entitled to specified payments and product rights would revert to the Company. The Company's participation in the steering committee has been determined to be a substantive deliverable under the contract, and therefore, the upfront payment has been deferred and is being recognized over the estimated term of the steering committee which is expected to be through June 2012. As of December 31, 2010, the Company recorded revenues of $2.7 million in amortization of up-front license fees and $0.8 million in sponsored research related to the Boehringer Ingelheim agreement. At December 31, 2010, the Company had $7.3 million of deferred license fees that will be amortized over the remaining term of the collaborative research period of the agreement.

Dainippon Sumitomo Pharma Co., Ltd. On October 31, 2007, the Company entered into an exclusive license agreement with Dainippon Sumitomo Pharma Co. Ltd. (DSP), under which the Company licensed rights to indiplon to DSP and agreed to collaborate with DSP on the development and commercialization of indiplon in Japan. Pursuant to the license agreement, among other things, the Company received an up-front license fee of $20 million. The Company is also eligible to receive additional milestone payments upon specified future events related to the development and commercialization of indiplon in Japan. Should all milestones be achieved, the Company may be entitled to payments totaling an additional $115 million. Additionally, the Company is entitled to royalties from DSP on future sales of indiplon in Japan. For each of the years ending December 31, 2010, 2009 and 2008, the Company amortized annually into revenue $2.9 million of the upfront license fee under the DSP agreement.

GlaxoSmithKline. In July 2001, the Company announced a worldwide collaboration with GlaxoSmithKline (GSK) to develop and commercialize CRF antagonists for psychiatric, neurological and gastrointestinal diseases. Under the terms of this agreement, the Company and GSK conducted a collaborative research program and collaborated in the development of Neurocrine's current lead CRF compounds, as well as novel back-up candidates and second generation compounds identified through the collaborative research. In addition, the

Company will be eligible to receive milestone payments as compounds progress through the research and development process, royalties on future product sales and co-promotion rights in the U.S. under some conditions. GSK may terminate the agreement at its discretion upon prior written notice to the Company. In such event, the Company may be entitled to certain payments and all product rights would revert to Neurocrine. For each of the years ended December 31, 2010, 2009 and 2008, the Company recognized $0.1 million, $0.1 million and $1.0 million, respectively, in revenue under the GSK agreement. The sponsored research portion of this collaboration agreement ended in 2005.

NOTE 3. INVESTMENTS

Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in comprehensive income (loss). The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in other income or expense. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income. The Company also had investments classified as trading securities as of December 31, 2009 (See Note 4).

Investments at December 31, 2010 and 2009 consist of the following (*in thousands*):

	Years Ended December 31,	
	2010	2009
Certificates of deposit	$ 2,397	$ 3,360
Commercial paper	27,650	—
Securities of government-sponsored enterprises	4,498	—
Corporate debt securities	42,008	—
Auction rate securities, available-for-sale	—	6,411
Auction rate securities, trading	—	11,569
Auction rate security rights, trading	—	1,206
Total investments	$76,553	$22,546

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

	Amortized Cost	Gross Unrealized Gains (1)	Gross Unrealized Losses (1)	Aggregate Estimated Fair Value
December 31, 2010				
Certificates of deposit	$ 2,400	$ —	$ (3)	$ 2,397
Commercial paper	27,657	1	(8)	27,650
Securities of government-sponsored enterprises	4,500	—	(2)	4,498
Corporate debt securities	42,044	7	(43)	42,008
Total available-for-sale securities	$76,601	$ 8	$(56)	$76,553
December 31, 2009				
Certificates of deposit	$ 3,360	$ 1	$ (1)	$ 3,360
Auction rate securities	5,031	1,380	—	6,411
Total available-for-sale securities	$ 8,391	$1,381	$ (1)	$ 9,771

(1) Unrealized gains and losses on available-for-sale securities are included as a component of other comprehensive income (loss).

The amortized cost and estimated fair value of debt securities classified as available-for-sale by contractual maturity at December 31, 2010 and December 31, 2009 are presented below (*in thousands*):

	Maturing in less than 12 months		Maturing in more than 12 Months	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
December 31, 2010				
Certificates of deposit	$ 2,160	$ 2,157	$ 240	$ 240
Commercial paper	27,657	27,650	—	—
Securities of government-sponsored enterprises	2,000	1,998	2,500	2,500
Corporate debt securities	41,047	41,009	997	999
Total available-for-sale securities	$72,864	$72,814	$3,737	$3,739
December 31, 2009				
Certificates of deposit	$ 3,360	$ 3,360	$ —	$ —
Auction rate securities classified as available-for-sale	—	—	5,031	6,411
Total available-for-sale securities	$ 3,360	$ 3,360	$5,031	$6,411

The following table presents certain information related to sales and maturities of available-for-sale investments (*in thousands*):

	Year Ended December 31,		
	2010	2009	2008
Proceeds from sales/maturities of available-for-sale securities	$22,064	$25,790	$82,132
Gross realized gains on sales of available-for-sale securities	1,320	124	—
Gross realized losses on sales of available-for-sale securities	—	—	16
Gains reclassified out of accumulated other comprehensive loss into earnings	1,289	—	8
Losses reclassified out of accumulated other comprehensive loss into earnings	—	—	—
Losses included in earnings from transfers of securities from available-for-sale to trading	—	—	(2,583)

The following table presents information about available-for-sale investments in an unrealized loss position (*in thousands*):

	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
December 31, 2010						
Certificates of deposit	$ 2,157	$ (3)	$—	$—	$ 2,157	$ (3)
Commercial paper	25,150	(8)	—	—	25,150	(8)
Securities of government-sponsored enterprises	1,998	(2)	—	—	1,998	(2)
Corporate debt securities	35,166	(43)	—	—	35,166	(43)
Total	$64,471	$(56)	$—	$—	$64,471	$(56)
December 31, 2009						
Corporate debt securities	$ 1,439	$ (1)	$—	$—	$ 1,439	$ (1)
Total	$ 1,439	$ (1)	$—	$—	$ 1,439	$ (1)

NOTE 4. AUCTION RATE SECURITIES

The Company's investments at December 31, 2009 included $19.2 million (at fair value) of auction rate securities and auction rate security rights. During 2010, the Company disposed of its entire auction rate security portfolio and the related auction rate security rights for $19.1 million. As a result of the disposal the Company realized a gain on the sale of these auction rate securities of $1.3 million in the consolidated statement of operations for the year ended December 31, 2010. This gain resulted from an other-than-temporary impairment charge recognized during the year ended December 31, 2009 of $1.4 million in the consolidated statement of operations.

NOTE 5. FAIR VALUE MEASUREMENTS

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a three-tier fair value hierarchy has been established, which prioritizes the inputs used in measuring fair value as follows:

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

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

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

The Company's assets which are measured at fair value on a recurring basis as of December 31, 2010 and 2009 were determined using the inputs described above (*in millions*):

	Carrying Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2010:				
Classified as current assets:				
Cash and money market funds	$ 56.4	$ 56.4	$ —	$ —
Certificates of deposit	2.2	—	2.2	—
Commercial paper	27.6	—	27.6	—
Securities of government-sponsored entities	2.0	—	2.0	—
Corporate bonds	44.8	—	44.8	—
Total	133.0	56.4	76.6	—
Less cash, cash equivalents and restricted cash	(60.2)	(56.4)	(3.8)	—
Short-term investments	72.8	—	72.8	—
Classified as non-current assets:				
Certificates of deposit	0.2	—	0.2	—
Securities of government-sponsored entities	2.5	—	2.5	—
Corporate bonds	1.0	—	1.0	—
Total	$ 76.5	$ —	$76.5	$ —
December 31, 2009:				
Money market funds	$ 43.6	$ 43.6	$ —	$ —
Certificates of deposit	3.3	—	3.3	—
Auction rate securities(Note 4)	11.6	—	—	11.6
Auction rate security rights(Note 4)	1.2	—	—	1.2
Total	$ 59.7	$ 43.6	$ 3.3	$12.8
Less cash, cash equivalents and restricted cash	(43.6)	(43.6)	—	—
Short-term investments	$ 16.1	$ —	$ 3.3	$12.8
Classified as non-current assets:				
Auction rate securities	6.4	—	—	6.4
Total	$ 22.5	—	—	$19.2

The following table sets forth the change in the estimated fair value for the Company's assets measured using significant unobservable inputs (Level 3) for the year ended December 31, 2010 (*in millions*):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Fair value measurement at December 31, 2009	$ 19.2
Transfers into Level 3	—
Sales and settlements, net	(19.1)
Total unrealized gains removed from other comprehensive income	(1.4)
Total realized gains included in other income	1.3
Fair value measurement at December 31, 2010	$ —

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment, net, at December 31, 2010 and 2009 consisted of the following (*in thousands*):

	2010	2009
Tenant improvements	1,118	1,118
Furniture and fixtures	1,217	1,309
Equipment	35,747	37,598
	38,082	40,025
Less accumulated depreciation	(36,550)	(37,330)
Property and equipment, net	$ 1,532	$ 2,695

For the years ended December 31, 2010, 2009 and 2008, depreciation expense was $1.4 million, $3.2 million and $7.6 million, respectively. During 2010, 2009 and 2008, the Company recognized a gain of approximately $294,000, $841,000 and $105,000, respectively, related to disposal of capital equipment.

NOTE 7. ACCRUED LIABILITIES

Accrued liabilities at December 31, 2010 and 2009 consist of the following (*in thousands*):

	2010	2009
Accrued employee related costs	$4,237	$ 877
Accrued restructuring costs	—	250
Accrued development costs	1,528	2,032
Other accrued liabilities	2,838	3,081
	$8,603	$6,240

NOTE 8. COMMITMENTS AND CONTINGENCIES

Real Estate. In December 2007, the Company closed the sale of its facility and associated real property for a purchase price of $109 million. Concurrent with the sale the Company retired the entire $47.7 million in mortgage debt previously outstanding with respect to the facility and associated real property, and received cash of $61.0 million net of transaction costs and debt retirement. Upon the closing of the sale of the facility and associated real property, the Company entered into a lease agreement (Lease) with DMH Campus Investors, LLC (DMH) whereby it leased back, for an initial term of 12 years, its corporate headquarters comprised of two buildings located at 12790 El Camino Real (Front Building) and 12780 El Camino Real (Rear Building) in San Diego, California. The Company entered into a first lease amendment (First Lease Amendment) in December 2008 and a second lease amendment (Second Lease Amendment) in September 2009 (collectively, Amendments). This Lease has been characterized as an operating lease for financial reporting purposes.

Under the terms of the Lease and the Amendments, the Company pays base annual rent (subject to an annual fixed percentage increase) plus a 3.5% annual management fee, property taxes and other normal and necessary expenses associated with the Lease such as utilities, repairs and maintenance, etc. In lieu of a cash security deposit under the Lease, Wells Fargo Bank, N.A. issued on the Company's behalf a letter of credit in the amount of $5.7 million. The letter of credit is secured by a deposit of $6.0 million with the same bank, which is carried as restricted cash on the consolidated balance sheet. The Company has the right to extend the Lease for two consecutive ten-year terms and will have the first right of refusal to lease, at market rates, any facilities built on the sold vacant lot. Additionally, the Company had a repurchase right to all of the properties which could have been exercised during the fourth year of the Lease, but this right was subsequently terminated.

At the close of the transaction, in accordance with authoritative guidance, the Company initially deferred the gain on the sale of the building and related vacant parcel due to the repurchase right. The Company also established a long-term liability of $108.7 million, essentially the gross proceeds from the real estate sale, and the conveyed real estate assets remained on the Company's balance sheet as of December 31, 2007.

Effective December 10, 2008, the Company entered into the First Lease Amendment which provided for the renovation of the Front Building in a manner that facilitates multiple tenant usage and also established a mechanism for the Company to terminate its use of the Front Building. The Company continues to occupy the Rear Building.

Pursuant to the terms of the First Lease Amendment, the Company is obligated to reimburse the landlord for the total cost of renovating a portion of the Front Building such that the Front Building becomes suitable for multiple tenant usage. The Company made a one-time payment of $1.0 million toward renovation costs in January 2009 and is reimbursing the landlord for the balance of the renovation costs over a four-year period through an increase in monthly rental payments (currently estimated at $108,000 per month) which began in October 2008. Furthermore, the First Lease Amendment provided that the landlord would seek to enter into leases with replacement tenants for portions of the Front Building. In connection with each replacement lease, the Company would be granted a pro rata reduction in rent under the Lease. The Company was required to pay all tenant improvement costs, lease termination costs and leasing commissions in connection with each replacement lease under the First Lease Amendment.

The First Lease Amendment also terminated the Company's right to repurchase any portion of the facility or real property. As a result of the termination of the repurchase right, during the fourth quarter of 2008, the Company removed from its balance sheet the long-term liability of $108.7 million and the related previously conveyed real estate related assets of $69.6 million. Additionally, in accordance with authoritative guidance, the Company began to recognize the deferred gain of $39.1 million on the sale of the real estate. During 2010, 2009 and 2008, the Company recognized $2.9 million, $2.8 million and $3.5 million, respectively, of the deferred gain and will recognize the balance of the deferred gain over the remaining lease term.

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

Effective September 25, 2009, the Company and DMH entered into the Second Lease Amendment which obligated the Company to vacate the Front Building and make an immediate payment of $4.0 million to DMH as an initial release fee, which was paid October 2, 2009. The Company continues to occupy the entire Rear Building. Upon payment of the initial release fee, the Company was released from its obligations with respect to the Front Building, except with respect to 1) certain indemnity obligations for events prior to the payment of the initial release fee, 2) certain operating expenses for the Front Building in accordance with the terms of the Lease through July 2011, and 3) 50% of tenant improvement costs between $65 and $100 per square foot in connection with initial leases between DMH and other third parties for space in the Front Building. As of December 31, 2009, the Company had completely satisfied its obligation with respect to payment of tenant improvement costs. Pursuant to the Second Lease Amendment, the Company is also obligated to pay DMH an amount equivalent to the rent on the Front Building through July 2011 and then approximately $44,000 per month beginning in August 2011 through December 2019 as a rent differential payment for the Front Building, which such rent

differential amounts may be prepaid by the Company at its sole discretion. Should the Company be in monetary default under the Lease beyond the normal cure periods and prior to repaying the entire rent differential balance, the rent differential payment will double.

In December 2010, we entered into a sublease agreement (Sublease) for approximately 16,000 square feet of the Rear Building. The Sublease is expected to result in approximately $0.6 million of rental income per year over the three year term of the sublease, with an option to extend for two one-year renewal periods. The income generated under the Sublease is lower than our financial obligation under our Lease for the Rear Building with DMH as determined on a per square foot basis. Consequently, at December 31, 2010 we were required to record a cease use liability for the net present value estimated difference between the expected income to be generated under the Sublease and future subleases and the Lease obligation over the remaining term of the Lease for the space that is occupied by the subtenant. This transaction resulted in approximately $2.3 million of cease use expense, net of a reversal of associated deferred rent of $173,000, being recorded in December 2010.

The following table sets forth changes to the accrued cease-use liability during 2010 and 2009 (*in thousands*):

	Years Ended December 31,	
	2010	2009
Beginning balance	$11,530	$15,397
Accrued cease use costs	506	5,984
Impact of sublease cease-use charge(1)	2,466	—
Payments	(4,537)	(9,851)
Ending balance	$ 9,965	$11,530

(1) Total sublease cease-use expense was offset by the related adjustment to deferred rent of approximately $173,000.

Rent Expense. Rent expense was $6.4 million, $6.5 million and $1.1 million for the years ended December 31, 2010, 2009 and 2008, respectively. Rent paid under the leaseback for the facility was treated as interest expense in accordance with authoritative guidance for the period where the repurchase right existed. This charge totaled $7.0 million in 2008. For financial reporting purposes, the Company recognizes rent expense on a straight-line basis over the term of the lease. Accordingly, rent expense recognized in excess of rent paid is reflected as a liability in the accompanying consolidated balance sheets.

Lease Commitments. The Company leases its office and research laboratories under an operating lease with an initial term of twelve years, expiring at the end of 2019. The Company is responsible for base rent, rent differential payments related to the Front Building, plus additional operating costs which comprise the estimated minimum lease payments. Additionally, the Company's facility lease agreement calls for it to maintain $50 million in cash and investments at all times, or to increase the security deposit by $5 million.

As of December 31, 2010, the total estimated future annual minimum lease payments under the Company's non-cancelable building lease for the years ending after December 31, 2010 are as follows (*in thousands*):

	Payment Amount
2011	$10,224
2012	8,347
2013	7,580
2014	7,792
2015	8,010
Thereafter	34,353
Total future minimum lease payments	$76,306

Product Liability. The Company's business exposes it to liability risks from its potential drug products. A successful product liability claim or series of claims brought against the Company could result in payment of significant amounts of money and divert management's attention from running the business. The Company may not be able to maintain insurance on acceptable terms, or the insurance may not provide adequate protection in the case of a product liability claim. To the extent that product liability insurance, if available, does not cover potential claims, the Company would be required to self-insure the risks associated with such claims. The Company believes that it carries reasonably adequate insurance for product liability claims.

Licensing and Research Agreements. The Company has entered into licensing agreements with various universities and research organizations, which are generally cancelable at the option of the Company with terms ranging from 0-180 days written notice. Under the terms of these agreements, the Company has received licenses to research tools, know-how and technology claimed, in certain patents or patent applications. The Company is required to pay fees, milestones and/or royalties on future sales of products employing the technology or falling under claims of a patent, and some of the agreements require minimum royalty payments. Some of the agreements also require the Company to pay expenses arising from the prosecution and maintenance of the patents covering the licensed technology. The Company continually reassesses the value of the license agreements and cancels them when research efforts are discontinued on these programs. If all licensed and research candidates are successfully developed, the Company may be required to pay milestone payments of approximately $13 million over the lives of these agreements, in addition to royalties on sales of the affected products at rates ranging up to 5%. Due to the uncertainties of the development process, the timing and probability of the milestone and royalty payments cannot be accurately estimated.

Related Party Transactions. The Company has entered into agreements with a research facility for certain technology. A director of the Company is an employee of this research facility. During the years ended December 31, 2010, 2009 and 2008, the Company paid approximately $83,000, $37,000 and $425,000, respectively, to the research facility for this technology.

Litigation. From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of business. The Company is not aware of any such proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on its business, financial condition or results of operations.

NOTE 9. SHARE-BASED COMPENSATION

Share-Based Compensation Plans. The Company grants stock options, restricted stock units and stock bonuses (collectively, share-based compensation) to its employees and directors under the 2003 Incentive Stock Plan, as amended (the 2003 Plan) and grants stock options to certain employees pursuant to Employment Commencement Nonstatutory Stock Option Agreements.

Since 1992, the Company has authorized approximately 15.2 million shares of common stock for issuance pursuant to its amended 1992 Incentive Stock Plan (the 1992 Plan), 1996 Director Option Plan, 1997 Northwest Neurologic, Inc. Restated Incentive Stock Plan, amended 2001 Stock Option Plan (the 2001 Plan), several Employment Commencement Nonstatutory Stock Option Agreements and the 2003 Plan (collectively, the Option Plans). The Option Plans provide for the grant of stock options, restricted stock, restricted stock units, and stock bonuses to officers, directors, employees, and consultants of the Company. Currently, all new grants of stock options are made from the 2003 Plan or through Employment Commencement Nonstatutory Stock Option Agreements. As of December 31, 2010, of the 15.2 million shares originally reserved for issuance under the Option Plans, 3.1 million of these shares were originally reserved for issuance pursuant to the terms of the Company's 1992 Plan, 1996 Director Stock Option Plan and 2001 Plan and would currently be available for issuance but for the Company's determination in 2003 not to make further grants under these plans; 7.4 million were issued upon exercise of stock options previously granted or pursuant to restricted stock or stock bonus awards; 4.3 million were subject to outstanding options and restricted stock units; and 0.4 million remained available for future grant under the 2003 Plan. Share awards made under the 2003 Plan that are later cancelled due to forfeiture or expiration return to the pool available for future grants.

The Company issues new shares upon the exercise of stock options, the issuance of stock bonus awards and vesting of restricted stock units.

Vesting Provisions of Share-Based Compensation. Stock options granted under the Option Plans have terms from seven to ten years from the date of grant, and generally vest over a three to four-year period. Stock bonuses granted under the Option Plans generally have vesting periods ranging from two to four years. Restricted stock units granted under the Option Plans generally have vesting periods of three years. However, certain retirement provisions in the Option Plans provide that employees who are age 55 or older, and have five or more years of service with the Company, will be entitled to accelerated vesting of all of the unvested stock option awards upon retirement from the Company. In these cases, share-based compensation expense may be recognized over a shorter period of time, and in some cases the entire share-based compensation expense may be recognized upon grant of the share-based compensation award. Effective January 1, 2006, the maximum contractual term for all options granted from the 2003 Plan was reduced to seven years.

Share-Based Compensation. The compensation cost that has been included in the statement of operations for all share-based compensation arrangements was as follows (*in thousands*):

	Years Ended December 31,		
	2010	**2009**	**2008**
General and administrative expense	$1,573	$3,193	$4,087
Research and development expense	1,560	2,346	3,906
Share-based compensation expense	$3,133	$5,539	$7,993

Authoritative guidance requires that cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for options exercised be classified as cash inflows provided by financing activities and cash outflows used in operating activities. Due to the Company's net loss position, no tax benefits have been recognized in the consolidated statements of cash flows.

Stock Options. The exercise price of all options granted during the years ended December 31, 2010, 2009 and 2008 was equal to the market value on the date of grant. The estimated fair value of each option award granted was determined on the date of grant using the Black-Scholes option-pricing valuation model with the following weighted-average assumptions for option grants during the three years ended December 31, 2010:

	Years Ended December 31,		
	2010	2009	2008
Risk-free interest rate	2.2%	2.3%	2.7%
Expected volatility of common stock	90%	83%	69%
Dividend yield	0.0%	0.0%	0.0%
Expected option term	4.6 years	5.4 years	4.8 years

The Company estimates the fair value of stock options using a Black-Scholes option-pricing model on the date of grant. The fair value of equity instruments that are ultimately expected to vest, net of estimated forfeitures, are recognized and amortized on a straight-line basis over the requisite service period. The Black-Scholes option-pricing model incorporates various and highly sensitive assumptions including expected volatility, expected term and interest rates. The expected volatility is based on the historical volatility of the Company's common stock over the most recent period commensurate with the estimated expected term of the Company's stock options. The Company used the simplified method to compute the expected option term for all options granted during 2008 and 2007 as was permitted by authoritative guidance as the decline in the Company's stock price had decreased the exercise activity of option holders and there was insufficient historical exercise data to provide a more reasonable basis upon which to estimate expected term. The risk-free rate for periods within the contractual life of the option is based upon observed interest rates appropriate for the expected term of the Company's employee stock options. The Company has never declared or paid dividends and has no plans to do so in the foreseeable future.

Authoritative guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Pre-vesting forfeitures for awards with monthly vesting terms were estimated to be 0% in 2010 based on historical experience. The effect of pre-vesting forfeitures for awards with monthly vesting terms has historically been negligible on the Company's recorded expense. Pre-vesting forfeitures for awards with annual vesting terms were estimated at 0% in 2010 based on historical employee turnover experience. The effect of the restructurings has been excluded from the historical review of employee turnover. The Company's determination of fair value is affected by the Company's stock price as well as a number of assumptions that require judgment. The weighted-average fair values of options granted during the years ended December 31, 2010, 2009 and 2008, estimated as of the grant date using the Black-Scholes option valuation model, were $1.80, $2.10 and $2.86, respectively.

A summary of the status of the Company's stock options as of December 31, 2010, 2009 and 2008 and of changes in options outstanding under the plans during the three years ended December 31, 2010 is as follows (*in thousands, except for weighted average exercise price data*):

	2010		2009		2008	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at January 1	2,809	$21.50	3,598	$21.78	4,144	$23.74
Granted/amended	2,019	2.65	111	3.15	626	4.99
Exercised	(42)	2.93	—	—	(8)	4.17
Canceled	(739)	27.34	(900)	20.37	(1,164)	19.85
Outstanding at December 31	4,047	$11.22	2,809	$21.50	3,598	$21.78

Options outstanding at December 31, 2010 have a weighted average remaining contractual term of 4.6 years.

For the year ended December 31, 2010, share-based compensation expense related to stock options was $1.6 million. As of December 31, 2010, there was approximately $2.5 million of unamortized compensation cost related to stock options. Compensation cost associated with unvested stock option awards as of December 31, 2010 is expected to be recognized over a remaining weighted-average vesting period of 2.0 years. As of December 31, 2010, there were approximately 2.4 million options exercisable with a weighted average exercise price of $17.11 and a weighted-average remaining contractual term of 3.4 years. The total intrinsic value, which is the amount (if any) by which the exercise price was exceeded by the sale price of the Company's common stock on the date of sale, of stock option exercises during the years ended December 31, 2010, 2009, and 2008 was $187,000, $0, and $13,000, respectively. As of December 31, 2010, the total intrinsic value of options outstanding and exercisable was $3.4 million. Cash received from stock option exercises for the years ended December 31, 2010, 2009 and 2008 was $124,000, $0 and $33,000, respectively.

On September 10, 2010 and August 28, 2009, the Company entered into Stock Option Cancellation Agreements with certain of its executive officers and directors, pursuant to which certain stock options previously granted to each such executive officer or director, were cancelled in exchange for a nominal payment by the Company of $100 in the aggregate. The Stock Option Cancellation Agreements indicated that other than such nominal payment, the applicable executive officer or director had not received, and would not receive, any additional consideration in exchange for the cancellation of such options. Accordingly, while each such executive officer or director will be eligible to receive future equity grants in connection with the Company's regular grant practices, no such executive officer or director will receive any future equity award in exchange for the cancellation of such options. The Company recognized no compensation expense in conjunction with the cancellations other than the $100 paid to each optionee because the cancelled options were all fully vested at the time of cancellation.

Restricted Stock Units. Beginning in January 2006, certain employees received restricted stock units under the 2003 Plan. The fair value of restricted stock units is estimated based on the closing sale price of the Company's common stock on the Nasdaq Global Select Market on the date of issuance. The total number of restricted stock awards expected to vest is adjusted by estimated forfeiture rates, which has been based on historical experience of restricted stock awards. As of December 31, 2010, there was approximately $0.2 million of unamortized compensation cost related to restricted stock units, which is expected to be recognized over a remaining weighted-average vesting period of 0.2 years. For the year ended December 31, 2010, share-based compensation expense related to restricted stock units was $1.5 million. The total intrinsic value of restricted stock units converted into common shares during the years ended December 31, 2010, 2009 and 2008 was $1.0 million, $2.0 million and $1.5 million, respectively. The total intrinsic value of restricted stock units outstanding at December 31, 2010 was $2.2 million based on the Company's closing stock price on that date.

A summary of the status of the Company's restricted stock units as of December 31, 2010, 2009, and 2008 and of changes in restricted stock units outstanding under the plan for the three years ended December 31, 2010 is as follows (*in thousands, except for weighted average grant date fair value per unit*):

	2010		2009		2008	
	Number of Units	Weighted Average Grant Date Fair Value per Unit	Number of Units	Weighted Average Grant Date Fair Value per Unit	Number of Units	Weighted Average Grant Date Fair Value per Unit
Restricted stock units outstanding at January 1	681	$5.88	1,450	$6.58	1,066	$11.12
Restricted stock units granted	—	—	—	—	1,212	5.07
Restricted stock units cancelled	(11)	5.62	(175)	6.48	(520)	9.55
Restricted stock units converted into common shares	(383)	6.49	(594)	7.42	(308)	11.09
Restricted stock units outstanding at December 31	287	$5.08	681	$5.88	1,450	$ 6.58

Warrants. The Company has outstanding warrants to purchase 3,940 shares of common stock at $52.05 that expire in December 2012.

The following shares of common stock are reserved for future issuance at December 31, 2010 (*in thousands*):

Share-based compensation plans	4,697
Warrants	4
Total	4,701

NOTE 10. STOCKHOLDERS' EQUITY

Equity Financing

In March 2010, the Company completed a public offering of common stock in which it sold approximately 10.5 million shares of its common stock at an offering price of $2.20 per share. The shares were sold pursuant to the Company's effective shelf registration statement with the Securities and Exchange Commission. The net proceeds generated from this transaction, after underwriting discounts and commissions and offering costs, were approximately $21.4 million.

In December 2009, the Company entered into a privately negotiated transaction to sell approximately 4.8 million shares of its common stock to an institutional investor at a price of $2.09 per share, raising total gross proceeds of approximately $10.0 million. The shares were sold pursuant to the Company's effective shelf registration statement with the Securities and Exchange Commission. Total stock issuance costs related to this financing were approximately $100,000.

Shelf Registration Statement

In December 2010, the Securities and Exchange Commission declared effective a shelf registration statement filed by the Company earlier in that month. The shelf registration statement allows the Company to issue shares of its common stock from time to time for an aggregate initial offering price of up to $125 million. The specific terms of future offerings, if any, under the shelf registration statement would be established at the time of such offerings.

Committed Equity Financing Facility

In September 2009, the Company entered into a Committed Equity Financing Facility (CEFF) with Kingsbridge Capital Limited (Kingsbridge) pursuant to which Kingsbridge committed to purchase, subject to certain conditions, up to the lesser of 7.8 million newly issued shares of the Company's common stock or an aggregate of $75.0 million newly issued shares over the three-year term of the CEFF. The Company may access capital under the CEFF by making draw downs up to a maximum of the lesser of (i) $15 million and (ii) the greater of (x) 1.75% of its market capitalization as of the date of delivery of the draw down notice once per calendar quarter and up to 1.25% of its market capitalization as of the date of delivery of the draw down notice for any additional draw downs during such calendar quarter and (y) the lesser of (a) 2.75% of its market capitalization as of the date of delivery of the draw down notice and (b) a number of shares determined by a formula based in part on the average trading volume and trading price of the Company's common stock prior to the delivery of the draw down notice issued by the Company with respect to that draw down pricing period, subject to certain conditions, including a minimum share price threshold of $1.00. Kingsbridge may purchase shares of common stock pursuant to the CEFF at discounts ranging from 5 to 10 percent, depending on the average market price of the Company's common stock during the applicable pricing period for a draw down. As of December 31, 2010, the Company had not issued any shares under the CEFF.

NOTE 11. INCOME TAXES

On January 1, 2007, the Company adopted the provisions of the FASB's authoritative accounting guidance, which, among other things, related to uncertain tax provisions. Under the accounting guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, the guidance provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

There were no unrecognized tax benefits as of the date of adoption. As a result of the implementation of the guidance, the Company did not recognize an increase in the liability for unrecognized tax benefits. There are no unrecognized tax benefits included in the balance sheet that would, if recognized, affect the effective tax rate. The adoption of the guidance did not impact the Company's financial condition, results of operations or cash flows.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accrual for interest or penalties on the Company's balance sheets at December 31, 2010 or December 31, 2009, and has not recognized interest and/or penalties in the statement of operations for the year ended December 31, 2010.

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

At December 31, 2010, the Company had net deferred tax assets of $76.4 million. Due to uncertainties surrounding the Company's ability to generate future taxable income to realize these assets, a full valuation has been established to offset the net deferred tax asset. Additionally, the future utilization of the Company's net operating loss and research and development credit carry forwards to offset future taxable income may be subject to an annual limitation, pursuant to Internal Revenue Code Sections 382 and 383, as a result of ownership changes that may have occurred previously or that could occur in the future. Although the Company determined that an ownership change had not occurred through September 30, 2010, it is possible that an ownership change occurred subsequent to that date. The Company has not completed an update of its Section 382 analysis subsequent to September 30, 2010. Until this analysis has been updated, the Company has removed the deferred

tax assets for net operating losses of $238.0 million and research and development credits of $40.7 million generated through 2010 from its deferred tax asset schedule and has recorded a corresponding decrease to its valuation allowance. When this analysis is finalized, the Company plans to update its unrecognized tax benefits. Due to the existence of the valuation allowance, future changes in the Company's unrecognized tax benefits will not impact the Company's effective tax rate. For the year ended 2010, the Company has utilized federal net operating losses of $43.2 million and state research and development credits of $2.6 million to offset potential tax liabilities. Such amounts management believes will not be subject to limitation under Section 382.

At December 31, 2010, the Company had Federal and California income tax net operating loss carry forwards of approximately $606.1 million and $570.7 million, respectively. The Federal and California tax loss carry forwards will begin to expire in 2015 and 2016, respectively, unless previously utilized. In addition, the Company has Federal and California research and development tax credit carry forwards of $28.8 million and $18.3 million, respectively. The Federal research and development tax credit carry forwards began expiring in 2007 and will continue to expire unless utilized. There were $682,000 of Federal research and development tax credit carryforwards that have expired through 2010. The California research and development tax credit carryforwards carry forward indefinitely. The Company also has Federal Alternative Minimum Tax credit carryforwards of approximately $257,000, which will carry forward indefinitely. The Company has net operating loss carry forwards related to stock option exercises, which will result in an increase to additional paid-in capital and a decrease in income taxes payable at the time when the tax loss carryforwards are utilized.

Significant components of the Company's deferred tax assets as of December 31, 2010 and 2009 are listed below. A valuation allowance of $76.4 million and $61.4 million at December 31, 2010 and 2009, respectively, has been recognized to offset the net deferred tax assets as realization of such assets is uncertain. Amounts are shown in thousands as of December 31, of the respective years (in thousands):

	2010	2009
Deferred tax assets:		
Capitalized research and development	$ 1,100	$ 1,900
Deferred compensation	—	400
FAS 123R expense	4,400	9,400
Deferred revenue	31,000	5,600
Deferred gain on sales leaseback	12,200	13,400
Intangibles	21,000	23,400
Cease-use expense	4,100	4,700
Fixed assets	200	200
Other	2,400	2,900
Total deferred tax assets	76,400	61,900
Deferred tax liabilities:		
Unrealized losses on investments	—	500
Total deferred tax liabilities	—	500
Net deferred tax asset	76,400	61,400
Valuation allowance	(76,400)	(61,400)
Net deferred tax assets	$ —	$ —

The provision for income taxes on earnings subject to income taxes differs from the statutory Federal rate at December 31, 2010, 2009 and 2008, due to the following (*in thousands*):

	2010	2009	2008
Federal income taxes at 35%	$ (2,789)	$(17,863)	$(31,014)
State income tax, net of Federal benefit	(177)	(2,935)	(5,095)
Tax effect on non-deductible expenses	5,212	1,586	785
Removal of net operating losses and R&D credits	—	29,708	34,237
Utilization of net operating losses and R&D credits	(16,429)	—	—
Change in valuation allowance	14,521	(7,923)	3,521
Other	(338)	(2,573)	(2,434)
	$ —	$ —	$ —

NOTE 12. RETIREMENT PLAN

The Company has a 401(k) defined contribution savings plan (401(k) Plan). The 401(k) Plan is for the benefit of all qualifying employees and permits voluntary contributions by employees up to 60% of base salary limited by the IRS-imposed maximum. Prior to July 1, 2009, the Company matched 50% of employee contributions up to 6% of eligible compensation, with cliff vesting of the employer match after three years. Effective July 1, 2009, the Company cancelled the matching contribution on the 401(k) Plan. Employer contributions were $0, $0.2 million and $0.4 million for the years ended December 31, 2010, 2009, and 2008, respectively. The Company has reinstated the employer match effective January 1, 2011 on the same terms as prior to July 1, 2009.

NOTE 13. SUBSEQUENT EVENTS

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

NOTE 14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the quarterly results of operations of the Company for the years ended December 31, 2010 and 2009 (*unaudited, in thousands, except for loss per share data*):

	Year Ended December 31, 2010				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Ended December 31
2010					
Revenues	$ 753	$ 4,643	$14,448	$13,657	$ 33,501
Operating expenses	10,922	10,533	11,982	13,786	47,223
Net (loss) income	(8,636)	(5,152)	3,333	2,487	(7,968)
Net (loss) income per share:					
Basic	$ (0.19)	$ (0.09)	$ 0.06	$ 0.05	$ (0.15)
Diluted	$ (0.19)	$ (0.09)	$ 0.06	$ 0.04	$ (0.15)
Shares used in the calculation of net (loss) income per share:					
Basic	46,618	54,836	54,844	54,869	52,820
Diluted	46,618	54,836	55,723	56,245	52,820
2009					
Revenues	$ 747	$ 733	$ 733	$ 740	$ 2,953
Operating expenses	19,871	16,576	10,456	9,720	56,623
Net loss	(19,665)	(15,280)	(8,177)	(7,916)	(51,038)
Net loss per share:					
Basic and diluted	$ (0.51)	$ (0.39)	$ (0.21)	$ (0.20)	$ (1.30)
Shares used in the calculation of net loss per share:					
Basic and diluted	38,669	39,046	39,096	39,727	39,137

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

Not applicable.

ITEM 9A. *CONTROLS AND PROCEDURES*

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

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

Management's Report on Internal Control Over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the company.

Management has used the framework set forth in the report entitled *Internal Control-Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission, known as COSO, to evaluate the effectiveness of our internal control over financial reporting. Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2010. Ernst & Young, LLP, our independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting as of December 31, 2010, which is included herein.

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

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Neurocrine Biosciences, Inc.

We have audited Neurocrine Biosciences, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Neurocrine Biosciences, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Neurocrine Biosciences, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2010 and 2009 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2010 of Neurocrine Biosciences, Inc. and our report dated February 10, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Diego, CA
February 10, 2011

ITEM 9B. ***OTHER INFORMATION***

None.

PART III

ITEM 10. ***DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***

Information required by this item will be contained in our Definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A with the Securities and Exchange Commission within 120 days of December 31, 2010. Such information is incorporated herein by reference.

We have adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, and to all of our other officers, directors, employees and agents. The code of ethics is available at the Corporate Governance section of the Investors page on our website at *www.neurocrine.com*. We intend to disclose future amendments to, or waivers from, certain provisions of our code of ethics on the above website within four business days following the date of such amendment or waiver.

ITEM 11. ***EXECUTIVE COMPENSATION***

Information required by this item will be contained in our Definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A with the Securities and Exchange Commission within 120 days of December 31, 2010. Such information is incorporated herein by reference.

ITEM 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS***

Information required by this item will be contained in our Definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A with the Securities and Exchange Commission within 120 days of December 31, 2010. Such information is incorporated herein by reference.

ITEM 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

Information required by this item will be contained in our Definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, with the Securities and Exchange Commission within 120 days of December 31, 2010. Such information is incorporated herein by reference.

ITEM 14. ***PRINCIPAL ACCOUNTANT FEES AND SERVICES***

Information required by this item will be contained in our Definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, with the Securities and Exchange Commission within 120 days of December 31, 2010. Such information is incorporated herein by reference.

PART IV

ITEM 15. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES***

(a) Documents filed as part of this report.

1. List of Financial Statements. The following are included in Item 8 of this report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2010 and 2009

Consolidated Statements of Operations for the years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008

Notes to the Consolidated Financial Statements (includes unaudited Selected Quarterly Financial Data)

2. List of all Financial Statement schedules. All schedules are omitted because they are not applicable or the required information is shown in the Financial Statements or notes thereto.

3. List of Exhibits required by Item 601 of Regulation S-K. See part (b) below.

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

Exhibit Number	Description
3.1	Certificate of Incorporation(1)
3.2	Certificate of Amendment to Certificate of Incorporation(15)
3.3	Bylaws(1)
3.4	Certificate of Amendment of Bylaws(8)
3.5	Certificate of Amendment to Bylaws(16)
3.6	Certificate of Amendment to Bylaws(25)
4.1	Form of Common Stock Certificate(1)
10.1**	Amended 1992 Incentive Stock Plan(6)
10.2**	1996 Director Option Plan, as amended, and form of stock option agreement(18)
10.3*	Research and License Agreement dated October 15, 1996, between the Company and Eli Lilly and Company(2)
10.4**	Form of incentive stock option agreement and nonstatutory stock option agreement for use in connection with Amended 1992 Incentive Stock Plan(18)
10.5*	Sub-License and Development Agreement dated June 30, 1998, by and between DOV Pharmaceutical, Inc. and the Company(3)
10.6*	Collaboration and License Agreement dated January 1, 1999, by and between American Home Products Corporation acting through its Wyeth Laboratories Division and the Company(4)
10.7*	Collaboration and License Agreement between the Company and Glaxo Group Limited dated July 20, 2001(7)
10.8**	2001 Stock Option Plan, as amended August 6, 2002 and October 15, 2002(9)

Exhibit Number	Description
10.9**	Neurocrine Biosciences, Inc. 2003 Incentive Stock Plan, as amended and form of stock option agreement and restricted stock unit agreement(20)
10.10**	Form of Indemnity Agreement entered into between the Company and its officers and directors(14)
10.11	Assignment and License Agreement dated February 26, 2004 by and among Wyeth Holdings Corporation and the Company(10)
10.12	Consent Agreement and Amendment dated February 25, 2004 by and among Wyeth Holdings Corporation, the Company and DOV Pharmaceutical, Inc.(10)
10.13	License Agreement dated February 25, 2004 by and among Wyeth Holdings Corporation and DOV Pharmaceutical, Inc.(10)
10.14**	Employment Commencement Nonstatutory Stock Option Agreement dated October 31, 2005 between the Company and Christopher O'Brien(13)
10.15*	Amendment dated February 7, 2006 to Collaboration and License Agreement between the Company and Glaxo Group Limited(17)
10.16*	License Agreement dated October 31, 2007 between the Company and Dainippon Sumitomo Pharma Co. Ltd.(19)
10.17*	Amendment dated October 29, 2007 to Sub-License and Development Agreement dated June 30, 1998, by and between DOV Pharmaceutical, Inc. and the Company(19)
10.18	Lease dated December 4, 2007, between the Company and DMH Campus Investors, LLC(12)
10.19	Letter of Credit dated December 3, 2007, issued by Wells Fargo Bank, N.A. for the benefit of DMH Campus Investors, LLC(12)
10.20**	Amended and Restated Employment Agreement effective August 1, 2007 between the Company and Kevin C. Gorman, Ph.D.(11)
10.21**	Amended and Restated Employment Agreement effective August 1, 2007 between the Company and Margaret E. Valeur-Jensen, Ph.D.(11)
10.22**	Amended and Restated Employment Agreement effective August 1, 2007 between the Company and Timothy P. Coughlin(11)
10.23**	Amended and Restated Employment Agreement effective August 6, 2007 between the Company and Christopher F. O'Brien M.D.(19)
10.24**	Amended and Restated Employment Agreement effective August 23, 2007 between the Company and Dimitri E. Grigoriadis, Ph.D.(19)
10.25**	Amended and Restated Employment Agreement effective August 14, 2007 between the Company and Haig Bozigian, Ph.D.(19)
10.26*	First Amendment to Lease dated December 10, 2008 between the Company and DMH Campus Investors, LLC(21)
10.27	Second Amendment to Lease dated September 25, 2009 between the Company and DMH Campus Investors, LLC(22)
10.28	Common Stock Purchase Agreement dated September 15, 2009 between the Company and Kingsbridge Capital Limited(23)

Exhibit Number	Description
10.29	Registration Rights Agreement dated September 15, 2009 between the Company and Kingsbridge Capital Limited(23)
10.30*	Collaboration and License Agreement dated June 16, 2010 by and between Boehringer Ingelheim International GmbH and the Company(24)
10.31*	Collaboration Agreement dated June 15, 2010 by and between Abbott International Luxembourg S.a.r.l. and the Company(24)
10.32**	Form of Amendment to Employment Agreement for executive officers
21.1	Subsidiaries of the Company
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934
32***	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-03172)
(2) Incorporated by reference to the Company's Annual Report on Form 10-K filed on March 31, 1997 (Commission File No. 333-03172)
(3) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 14, 1998
(4) Incorporated by reference to the Company's Annual Report on Form 10-K filed on March 31, 1999
(5) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 2, 2007
(6) Incorporated by reference to the Company's Registration Statement on Form S-8 filed on July 16, 2001 (Commission File No. 333-65198)
(7) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 14, 2001
(8) Incorporated by reference to the Company's Annual Report on Form 10-K filed on April 10, 1998
(9) Incorporated by reference to the Company's Annual Report on Form 10-K filed on March 4, 2003
(10) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 17, 2004
(11) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 3, 2007
(12) Incorporated by reference to the Company's Current Report on Form 8-K filed on December 10, 2007
(13) Incorporated by reference to the Company's Current Report on Form 8-K filed on November 1, 2005
(14) Incorporated by reference to the Company's Current Report on Form 8-K filed on September 1, 2009
(15) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 9, 2006
(16) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 9, 2004
(17) Incorporated by reference to the Company's Current Report on Form 8-K filed on February 13, 2006
(18) Incorporated by reference to the Company's Registration Statement on Form S-8 filed on June 26, 1998 (Commission File No. 333-57875)
(19) Incorporated by reference to the Company's Annual Report on Form 10-K filed on February 11, 2008
(20) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on July 30, 2009
(21) Incorporated by reference to the Company's Annual Report on Form 10-K filed on February 4, 2009
(22) Incorporated by reference to the Company's Current Report on Form 8-K filed on October 1, 2009
(23) Incorporated by reference to the Company's Current Report on Form 8-K filed on September 15, 2009
(24) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on July 29, 2010
(25) Incorporated by reference to the Company's Current Report on Form 8-K filed on February 9, 2010
* Confidential treatment has been granted with respect to certain portions of the exhibit.

** Management contract or compensatory plan or arrangement.

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

Except as specifically noted above, the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K have a Commission File Number of 000-22705.

(c) Financial Statement Schedules. See Item 15(a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEUROCRINE BIOSCIENCES, INC.

A Delaware Corporation

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

Date: February 10, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Kevin C. Gorman Kevin C. Gorman	President, Chief Executive Officer and Director (Principal Executive Officer)	February 10, 2011
/s/ Timothy P. Coughlin Timothy P. Coughlin	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 10, 2011
/s/ Joseph A. Mollica Joseph A. Mollica	Chairman of the Board of Directors	February 10, 2011
/s/ Gary A. Lyons Gary A. Lyons	Director	February 10, 2011
/s/ W. Thomas Mitchell W. Thomas Mitchell	Director	February 10, 2011
/s/ Corinne H. Nevinny Corinne H. Nevinny	Director	February 10, 2011
/s/ Richard F. Pops Richard F. Pops	Director	February 10, 2011
/s/ William H. Rastetter William H. Rastetter	Director	February 10, 2011
/s/ Stephen A. Sherwin Stephen A. Sherwin	Director	February 10, 2011
/s/ Wylie W. Vale Wylie W. Vale	Director	February 10, 2011

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Neurocrine Biosciences
Corporate Information

CORPORATE MANAGEMENT

Kevin C. Gorman, Ph.D.
President and Chief Executive Officer

Margaret E. Valeur-Jensen, Ph.D., J.D.
Executive Vice President, General Counsel and Corporate Secretary

Timothy P. Coughlin, CPA
Chief Financial Officer

Christopher F. O'Brien, M.D.
Chief Medical Officer

Haig Bozigian, Ph.D.
Senior Vice President, Pharmaceutical and Preclinical Development

Dimitri E. Grigoriadis, Ph.D.
Vice President, Research

Hernand W. Wilson
Vice President, Information Technology

BOARD OF DIRECTORS

Joseph A. Mollica, Ph.D.
Chairman of the Board, Neurocrine Biosciences, Inc. and Former Chairman of the Board, Pharmacopeia Drug Discovery, Inc.

Kevin C. Gorman, Ph.D.
President and Chief Executive Officer, Neurocrine Biosciences, Inc.

Gary A. Lyons
Former President and Chief Executive Officer, Neurocrine Biosciences, Inc.

Corinne H. Nevinny
Former Corporate Vice President, Cardiac Surgery Systems and Vascular Edwards Life Sciences Corporation

W. Thomas Mitchell
Former Chairman of the Board and Chief Executive Officer, Genencor International

Richard F. Pops
Chairman, President and Chief Executive Officer Alkermes, Inc.

William H. Rastetter, Ph.D.
Chairman and Chief Executive Officer, Receptos, Inc.

Stephen A. Sherwin, M.D.
Former Chairman and Chief Executive Officer, Cell Genesys, Inc.

Wylie W. Vale, Ph.D.
Professor & Head, The Clayton Foundation Laboratories for Peptide Biology, The Salk Institute

STOCKHOLDER INFORMATION

Transfer Agent
American Stock Transfer

Auditors
Ernst & Young LLP

12780 EL CAMINO REAL, SAN DIEGO, CA 92130 (858) 617-7600

WWW.NEUROCRINE.COM