

NEUROCRINE BIOSCIENCES INC  
Form DEF 14A  
April 18, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Neurocrine Biosciences, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Edgar Filing: NEUROCRINE BIOSCIENCES INC - Form DEF 14A

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**NEUROCRINE BIOSCIENCES, INC.**

**12780 El Camino Real**

**San Diego, CA 92130**

**Notice of Annual Meeting of Stockholders**

**To Be Held on May 22, 2014**

TO THE STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2014 Annual Meeting of Stockholders of Neurocrine Biosciences, Inc., a Delaware corporation (the Company), will be held on May 22, 2014, 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. To approve an amendment to the Company's 2011 Equity Incentive Plan to increase the number of shares of common stock reserved for issuance thereunder from 7,000,000 to 8,500,000;
4. 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, 2014; and
5. To transact such other business as may properly come before the Annual Meeting of Stockholders or any continuation, adjournment or postponement thereof.

Only stockholders of record at the close of business on April 1, 2014 are entitled to receive notice of and to vote at the Annual Meeting of Stockholders.

All stockholders are cordially invited to attend the Annual Meeting of Stockholders in person. However, to assure your representation at the Annual Meeting of Stockholders, 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 18, 2014

**Important Notice Regarding the Availability of Proxy Materials for the Stockholders**

**Meeting to be Held on May 22, 2014 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](http://www.proxyvote.com). Please have the control number on your proxy card available.**

**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 2014 Annual Meeting of Stockholders (the "Annual Meeting") to be held on May 22, 2014 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 18, 2014 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 Class III Director named herein, an advisory vote on the compensation paid to the Company's named executive officers, approval of an amendment increasing the number of shares of common stock reserved for issuance under the Company's 2011 Equity Incentive Plan from 7,000,000 to 8,500,000, 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, 2014. 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, 2014 (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, 75,858,681 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 continuations, 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, 75,858,681 shares of common stock, representing the same number of votes, were outstanding. Thus, the presence of the holders of common stock representing at least 37,929,341 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 Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, advisory votes on executive compensation is a non-routine matter 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 Four is considered a routine matter.

The vote on Proposal Two is advisory, the outcome of which will not 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 vote on Proposal Two in making future decisions about compensation of 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 21, 2014.

***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 does it mean if I receive more than one set of proxy materials?***

If you receive more than one set of proxy materials, your ordinary shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card to ensure that all of your shares are voted.

***What are the Board of Directors' 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 Directors' 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 Class III Director named herein (see Proposal One);

*for* the compensation paid to the Company's named executive officers (see Proposal Two);

*for* approval of the amendment to the Company's 2011 Equity Incentive Plan to increase the number of shares of common stock reserved for issuance thereunder from 7,000,000 to 8,500,000 (see Proposal Three); and

*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, 2014 (see Proposal Four).

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, 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. 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 Four. 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](http://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, 2014 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 75,850,194 shares of the Company's common stock were issued and outstanding as of March 15, 2014.

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	10,101,509		10,101,509	13.3%
T. Rowe Price Associates, Inc. (6) 100 East Pratt Street, Baltimore, MD 21202	9,311,939		9,311,939	12.3%
BlackRock, Inc. (7) 40 East 52 <sup>nd</sup> Street, New York, NY 10022	4,601,027		4,601,027	6.1%
Perceptive Advisors LLC (8) 499 Park Avenue, 25 <sup>th</sup> Floor, New York, NY 10022	3,960,737		3,960,737	5.2%
Kevin C. Gorman, Ph.D.	180,952	661,490	842,442	1.1%
Timothy P. Coughlin	97,874	415,150	513,024	*
Christopher F. O'Brien, M.D.	96,544	425,150	521,694	*
Dimitri E. Grigoriadis, Ph.D.	77,058	259,130	336,188	*
Haig P. Bozigian, Ph.D.	78,579	259,130	337,709	*
William H. Rastetter, Ph.D.		83,333	83,333	*
Gary A. Lyons	304,164	88,749	392,913	*
Corinne H. Nevinny	1,531	100,749	102,280	*
W. Thomas Mitchell	1,000	100,749	101,749	*
Joseph A. Mollica, Ph.D.	1,914	118,749	120,663	*
Richard F. Pops	1,531	100,749	102,280	*
Stephen A. Sherwin, M.D.	1,531	100,749	102,280	*
All current executive officers and directors as a group (13 persons)	866,416	2,900,062	3,766,478	4.8%

\* Represents beneficial ownership of less than one percent (1%) of the outstanding shares of the Company's common stock as of March 15, 2014.

(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, 2014.

(3)

## Edgar Filing: NEUROCRINE BIOSCIENCES INC - Form DEF 14A

Shares of common stock subject to stock options currently exercisable or exercisable within 60 days of March 15, 2014, 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 Company believes that 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. 4 to Schedule 13G filed by FMR LLC ( FMR ) on February 14, 2014, reporting ownership as of December 31, 2013. According to such filing, FMR beneficially owns 10,101,509 shares of common stock and sole voting power as to 808,710 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.
- (6) Based on Amendment No. 2 to Schedule 13G filed by T. Rowe Price Associates, Inc. ( Price Associates ) filed on February 11, 2014, reporting ownership as of December 31, 2013. These securities are owned by various individual and institutional investors which Price Associates serves as an investment adviser with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act ), Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (7) Based on Amendment No. 1 to Schedule 13G filed by BlackRock, Inc. ( BlackRock ) on January 30, 2014, reporting ownership as of December 31, 2013. 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 the Company s total outstanding common stock.
- (8) Based on Amendment No. 2 to Schedule 13G filed by Perceptive Advisors, LLC ( Perceptive ) on February 14, 2014, reporting ownership as of December 31, 2013. The shares are beneficially owned by Perceptive and Joseph Edelman. For the purposes of the reporting requirements of the Exchange Act, Perceptive and Joseph Edelman are deemed to be beneficial owners of such securities; however, Perceptive and Joseph Edelman expressly disclaim that either is, in fact, the beneficial owner of such securities.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of 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, 2013.

---

## BOARD OF DIRECTORS AND COMMITTEES

### General

The Company's bylaws, as amended, provide that the Board of Directors will be comprised of eight directors. The Company's Certificate of Incorporation provides that the Board of Directors is divided into three classes. There are currently two directors in Class I (W. Thomas Mitchell and Joseph A. Mollica, 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 2015 Annual Meeting of Stockholders, the directors in Class II hold office until the 2016 Annual Meeting of Stockholders and the directors in Class III hold office until the 2014 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 2014 Annual Meeting. At the 2014 Annual Meeting, the stockholders will elect three Class III directors for a term of three years.

### 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.

**William H. Rastetter, Ph.D.** has served on the Board of Directors since February 2010 and as Chairman of the Board of Directors since May 2011. Currently, he serves as the Chairman of the Board of Directors for Fate Therapeutics, a publicly traded company focused on stem cell research and as Chairman of the Board of Directors of Receptos, Inc., a publicly traded company focused on small molecule drug discoveries. Dr. Rastetter also serves on the Board of Directors at Regulus Therapeutics, a publicly traded company focused on RNA based therapeutics and as the Lead Outside Director for Cerulean Pharma, Inc., a private company focused on innovative oncology therapies. Dr. Rastetter has served on the Board of Directors of Illumina, Inc. since November 1999 and has been the non-executive Chairman at Illumina since January 2005. In early 2014, he became a member of the Leerink Advisory Council, where he provides strategic guidance to Leerink, a healthcare focused investment bank. He was a partner in the venture capital firm, Venrock, from 2006 through early 2013 and 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.

**Gary A. Lyons** has served on the Board of Directors 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, Cytori Therapeutics, a company focused on stem cell therapies, and KaloBios Pharmaceuticals, Inc., a company developing patient targeted, first in-class monoclonal antibodies. Mr. Lyons was previously a director of PDL BioPharma, Inc., Poniard Pharmaceuticals, Inc., Neurogesx, 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 the Board of Directors since November 2002. Mr. Mitchell 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 on the Board of Directors since June 1997 and as Chairman of the Board from 1998 until 2011. From 2004 to 2008, Dr. Mollica served as the Chairman of the Board of Pharmacoepia 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 Pharmacoepia 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. Ms. Nevinny is currently a General Partner of LMNVC LLC, a privately held venture firm. From 2003 to 2010, 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 was previously on the Board of Directors of Onyx Pharmaceuticals, Inc., a biopharmaceutical company focused on the treatment of cancer that was sold to Amgen during 2013, and is currently on the Board of Directors at Avanir Pharmaceuticals, Inc., a biopharmaceutical company focused on central nervous system disorders. 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 the Chairman and Chief Executive Officer 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 an international, publicly traded pharmaceutical company with more than 1,200 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; and the Pharmaceutical Research and Manufacturers of America (PhRMA). He holds a B.A. in economics from Stanford University.

**Stephen A. Sherwin, M.D.** has served on the Board of Directors since April 1999. Dr. Sherwin currently divides his time between advisory work in the life science industry and patient care and teaching in his specialty of medical oncology. He is a Clinical Professor of Medicine at the University of California, San Francisco, and a volunteer Attending Physician in Hematology-Oncology at San Francisco General Hospital. Dr. Sherwin currently serves on the Board of Directors of Biogen Idec, Rigel Pharmaceuticals, Verastem, Inc. and Vical Incorporated and is also a member of the board and chairman emeritus of the Biotechnology Industry Organization. Previously Dr. Sherwin was chairman and chief executive officer of Cell Genesys, a cancer immunotherapy company, from 1990 until the company's merger with BioSante Pharmaceuticals in 2009. He was also a co-founder and chairman of Abgenix, an antibody company which was acquired by Amgen in 2006, and co-founder and chairman of Ceregene, a gene therapy company which was acquired by Sangamo Biosciences in 2013. From 1983 to 1990, Dr. Sherwin held various positions in clinical research at Genentech, most recently that of Vice President. Prior to 1983, he was on the staff of the National Cancer Institute. 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.

## 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 stockholders. 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](http://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 and the balance of the Board of Directors set Company goals with the Chief Executive Officer providing 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 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.



***How often did the Board meet during fiscal 2013?***

The Board of Directors held a total of five meetings during 2013. For 2013, 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](http://www.neurocrine.com). During 2013, 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 are 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 consists of directors Richard F. Pops, W. Thomas Mitchell and Joseph Mollica, Ph.D. This committee met nine times during 2013. 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 Gary A. Lyons, 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 applies to all of the Company's officers, directors and employees, and is available on the Company's website at [www.neurocrine.com](http://www.neurocrine.com). The functions of this committee also include consideration of the composition of the Board of Directors 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 once during 2013 and also met in early 2014 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 III Directors Nominated for Re-election at the 2014 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 Company's 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.

#### **Class I Directors Continuing Until 2015 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.

#### **Class II Directors Continuing Until 2016 Annual Meeting**

The continued service of *Corinne H. Neviny* 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 and the Pharmaceutical Research and Manufacturers of America. 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 former chairman and co-founder of Abgenix, Inc., the chairman and co-founder of Ceregene, Inc., and his positions at Genentech, Inc. and the National Cancer Institute. Dr. Sherwin is also currently Chairman Emeritus 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.

#### **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 service and who are willing to continue are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining members who would offer 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 2013, the Compensation Committee, in conjunction with the Board of Directors, continued 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 William H. Rastetter, Ph.D. attended the 2013 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, 2013.

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, 2013, 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, 2013 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 Auditing Standard No. 16, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board (United States) (the PCAOB). 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, 2013, 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, 2014.

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:

	2013	2012
Audit fees (1)	\$ 400,190	\$ 397,353
Audit related fees (2)		
Tax fees (3)	41,000	48,500
All other fees (4)		
<b>Total</b>	<b>\$ 441,190</b>	<b>\$ 445,853</b>

- (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 2013, these fees included \$26,000 for tax preparation services and \$15,000 for services related to Section 382 studies for net operating loss utilization. For 2012, these fees included \$33,500 for tax preparation services and \$15,000 for services related to Section 382 studies for net operating loss utilization.
- (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.

**COMPENSATION COMMITTEE REPORT**

*The following Report of the 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

Joseph A. Mollica



**PROPOSAL ONE: ELECTION OF DIRECTORS**

The Company's bylaws, as amended, provide that the Board of Directors will be comprised of eight directors. The Company's Certificate of Incorporation provides that the Board of Directors is divided into three classes. There are currently two directors in Class I (W. Thomas Mitchell and Joseph A. Mollica, 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 2015 Annual Meeting of Stockholders, the directors in Class II hold office until the 2016 Annual Meeting of Stockholders and the directors in Class III hold office until the 2014 Annual Meeting of Stockholders (or, in each case, until their earlier resignation, removal from office, or death). After each such election, the elected directors 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 2014 Annual Meeting. At the 2014 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.	56	President, Chief Executive Officer and Director	2008
Gary A. Lyons (1)	63	Director	1993
William H. Rastetter, Ph.D.	66	Chairman of the Board	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 2014 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
W. Thomas Mitchell (1)(2)	68	Director	2002
Joseph A. Mollica, Ph.D. (1)(2)	73	Director	1997
Corinne H. Nevinny (3)	54	Director	2004
Richard F. Pops (2)(3)	52	Director	1998
Stephen A. Sherwin, M.D. (3)	65	Director	1999

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

(2) Member of the Compensation Committee.

(3) Member of the Audit Committee

**Vote Required**

The nominees receiving the highest number of affirmative votes of the shares present in person or represented by proxy at the 2014 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**

At the 2011 Annual Meeting of Stockholders, the Board of Directors, as a matter of good corporate governance, recommended that the stockholders approve an advisory vote on Named Executive Officer compensation (say-on-pay) on an annual basis. Approximately 91% of the shareholder votes cast at the 2011 Annual Meeting of Stockholders were for the Company's recommendation, and in response the Company holds an annual say-on-pay vote. This annual 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**

The Compensation Committee of the Board of Directors (the 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. The philosophy of the Committee in establishing the Company's compensation policy for executive officers as well as all other employees is to:

align compensation plans with both short-term and long-term goals and objectives of the Company and stockholder interests;

attract and retain highly skilled individuals by offering compensation that compares favorably to other employers who are competing for available employees;

incentivize employees through a mix of base salary, bonus amounts based on achievement of defined corporate and personal goals and long-term equity awards to generate returns for stockholders; and

pay for performance by ensuring that an ever increasing percentage of an individual's compensation is performance-based as they progress to higher levels within the Company.

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 historical approval rates, on an advisory basis, for the Company's executive compensation program have been approximately 97%, 95% and 94% for each of the 2011, 2012 and 2013 Annual Meetings of Stockholders, respectively. The Committee and our Board of Directors believe that this level of approval of our executive compensation program is indicative of our stockholders' strong support of our compensation philosophy and goals as well as the overall administration of executive compensation by the Committee and the Board of Directors.

You 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.

**Vote Required**

The say-on-pay vote is advisory and therefore not binding on the Company, the Committee or the Board of Directors. However, we value the opinions of our stockholders and will review and will continue to 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 Officers compensation.**



---

**PROPOSAL THREE: APPROVAL OF AN AMENDMENT TO THE 2011 EQUITY INCENTIVE PLAN**

**General**

The Neurocrine Biosciences, Inc. 2011 Equity Incentive Plan, as amended (the "2011 Plan") was originally approved by the Board of Directors and the stockholders of the Company in 2011. The Board has approved an increase in the number of shares of common stock reserved for issuance under the 2011 Plan from 7,000,000 to 8,500,000, subject to stockholder approval at the 2014 Annual Meeting.

The Board believes that the proposed increase in the number of shares of common stock reserved for issuance under the 2011 Plan will allow the Company to attract and retain valuable employees and continue to provide its employees, consultants and directors with a proprietary interest in the Company. Within the Company, equity awards foster an ownership culture and are a critical tool for driving shareholder value and for recruiting, retaining and motivating employees. The Company grants annual equity awards to employees as an incentive to retain its work force and remain competitive. The terms of the Company's annual equity awards and the Company's employee policies are designed to align employee and shareholder interests. The Company grants equity awards to a broad group of employees and such awards constitute a significant component of the Company's employees' total compensation. The Company's equity awards contain long-term vesting, performance-based vesting, and provisions designed to encourage employees to focus on the Company's long-term goals and success. If our stockholders do not approve the amendment to the 2011 Plan, the Company strongly believes that it will be unable to successfully use equity as part of its compensation program, as most of its competitors in the industry do, putting the Company at a significant disadvantage and compromising its ability to enhance shareholder value.

The 2011 Plan authorizes the grant to our employees of options that qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The 2011 Plan also authorizes the grant of nonstatutory stock options, restricted stock awards, restricted stock units and stock bonus awards (collectively "Equity Awards") to our employees, directors and consultants. The 2011 Plan also provides that certain nonstatutory stock options will be automatically granted to non-employee directors and the Chairman of the Board of Directors of the Company, as described below. As of April 1, 2014, under the 2011 Plan there were options outstanding to purchase 4,215,083 shares of common stock, and 1,304,107 shares were available for future equity awards; 1,144,475 shares were subject to outstanding restricted stock units; and 193,010 shares previously issued upon exercise of options granted and 143,325 shares previously issued upon vesting of restricted stock units under the 2011 Plan are now outstanding shares of common stock. As of April 1, 2014, there were approximately 90 employees and directors eligible to receive grants under the 2011 Plan.

As of the Record Date, an aggregate of 6,160,219 shares are issuable upon exercise of outstanding options with a weighted average exercise price of \$8.97 and a weighted average remaining contractual term of 6.4 years; and 1,144,475 shares are subject to unvested restricted stock units with a weighted average remaining contractual term of 3.9 years. The closing price of the Company's common stock on April 1, 2014 was \$15.99, with 75,858,681 shares outstanding.

**Vote Required**

At the Annual Meeting, the stockholders are being asked to approve the amendment to the 2011 Plan to increase the number of shares reserved for issuance thereunder. 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 amendment of the 2011 Plan. **The Board of Directors recommends voting FOR the approval of the amendment to the 2011 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. The 2011 Plan, as amended in accordance with this Proposal Three, is attached as Appendix A to this proxy statement and is incorporated herein by reference.

**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 summarized below) 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 April 1, 2014, we had approximately 90 employees and directors who were eligible to participate in the 2011 Plan.

### **Stock Subject to the 2011 Plan**

Subject to stockholder approval of this Proposal Three, an aggregate of 8,500,000 shares of common stock will be reserved for issuance under the 2011 Plan. 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, subject to stockholder approval of this Proposal Three, is 8,500,000 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 our capitalization or in connection with a merger or other similar event, 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.

**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, or otherwise set forth in an employment 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, as amended, 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, 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**

The following table sets forth information as of the Record Date about grants under the 2011 Plan during the fiscal year ended December 31, 2013 to the executive officers, directors and employees identified below.

<b>Name and Position</b>	<b>Number of Restricted Stock Unit Awards Subject to Vesting</b>	<b>Dollar Value of Restricted Stock Unit Awards (1)</b>	<b>Number of Shares of Stock Bonus Awards Subject to Vesting</b>	<b>Dollar Value of Shares of Stock Bonus Award</b>	<b>Number of Shares Subject to Options Granted</b>
Kevin C. Gorman, Ph.D. President, Chief Executive Officer and Director	30,000	\$ 280,200			175,000
Timothy P. Coughlin Chief Financial Officer	14,000	\$ 130,760			86,000
Christopher F. O'Brien, M.D. Chief Medical Officer	14,000	\$ 130,760			86,000
Dimitri E. Grigoriadis, Ph.D. Chief Research Officer	13,000	\$ 121,420			75,000
Haig P. Bozigian, Ph.D. Chief Development Officer	13,000	\$ 121,420			75,000
All current executive officers as a group	94,000	\$ 877,960			557,000
All current non-employee directors as a group (2)					110,000
All current non-executive officer employees as a group	285,400	\$ 2,665,636			104,000

(1) Value based on the closing price of the Company's common stock on December 31, 2013 of \$9.34.

(2) Pursuant to the terms of the 2011 Plan, non-employee directors are entitled to receive options as described in Non-Discretionary Grant Program above. Currently the Company has seven non-employee directors, all of whom are eligible to receive options on the day of the Annual Meeting. The actual value realized upon exercise of an option will depend on the excess, if any, of the stock price over the exercise prices on the date of exercise. Only non-employee directors of the Company are eligible to receive non-discretionary grants under the 2011 Plan. All other grants under the 2011 Plan are within the discretions of the Board or its Compensation Committee and the benefits of such grants are, therefore, not determinable.

---

**EQUITY COMPENSATION PLANS**

The following table sets forth information regarding all of the Company's equity compensation plans as of December 31, 2013:

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)</b>	<b>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column a) (c)</b>
Equity compensation plans approved by security holders (1)	5,797,711	\$ 7.11	2,943,607
Equity compensation plans not approved by security holders (2)	55,000	\$ 52.82	
<b>Total</b>	<b>5,852,711</b>	<b>\$ 7.54</b>	<b>2,943,607</b>

- (1) The number of securities remaining available for future issuance under equity compensation plans as of December 31, 2013 are from the 2011 Plan. In January 2014, the Company issued options to purchase approximately 0.8 million shares of common stock that vest monthly over a four year period with a strike price of \$19.59, restricted stock units representing approximately 0.4 million shares of common stock that vest annually over a four year period and restricted stock units representing approximately 0.5 million shares of common stock that are subject to performance-based vesting. The shares available for issuance under the 2011 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 2011 Plan. In addition to the above, the Company had 373,300 restricted stock units outstanding as of December 31, 2013.
- (2) Consists of shares of common stock issuable pursuant to an employment commencement nonstatutory stock option award.



**PROPOSAL FOUR: 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, 2014. 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 Named Executive Officers of the Company were as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Kevin C. Gorman, Ph.D.	56	President, Chief Executive Officer and Director
Timothy P. Coughlin	47	Chief Financial Officer
Christopher F. O'Brien, M.D.	57	Chief Medical Officer
Dimitri E. Grigoriadis, Ph.D.	56	Chief Research Officer
Haig P. Bozigian, Ph.D.	56	Chief Development Officer
See above for biographical information concerning Kevin C. Gorman, Ph.D.		

**Timothy P. Coughlin** was appointed 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 currently serves on the Board of Directors of Fate Therapeutics, a publicly traded company focused on stem cell research. 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 and is a certified public accountant in both California and Pennsylvania.

**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.

**Dimitri E. Grigoriadis, Ph.D.** became Chief Research Officer 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.

**Haig P. Bozigian, Ph.D.** was appointed Chief Development Officer 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.

---

## COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes Neurocrine's executive compensation program for 2013 and certain elements of the 2014 program. It provides qualitative information on the factors relevant to these decisions and the manner in which compensation is awarded to the following individuals who are our Named Executive Officers (NEO):

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

Chief Financial Officer, Timothy P. Coughlin;

Chief Medical Officer, Christopher F. O'Brien, M.D.;

Chief Research Officer, Dimitri E. Grigoriadis, Ph.D.; and

Chief Development Officer, Haig P. Bozigian, Ph.D.

### ***Introduction and Role of the Compensation Committee***

The Compensation Committee of the Board of Directors (the Committee) reviews and approves all of the Company's compensation policies. During 2013, the Committee consisted of Richard F. Pops, W. Thomas Mitchell and Joseph A. Mollica. As discussed in greater detail below, the Committee takes into consideration peer groups, survey data and advice from independent compensation consultants when setting the compensation structure and compensation philosophy for the Company. The Committee's complete roles and responsibilities are set forth in a written charter which was adopted by the Board of Directors and is available at [www.neurocrine.com](http://www.neurocrine.com). Some of the significant roles and responsibilities 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 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 employment and severance agreements for executive officers;

reviewing and approving all promotions to executive officer positions and all new hires of executive officers;

reviewing and approving director compensation;

reviewing and approving equity grants to non-employees of the Company;

## Edgar Filing: NEUROCRINE BIOSCIENCES INC - Form DEF 14A

making recommendations to the Board of Directors with regard to equity incentive plans and administering stock option, employee pension and benefit plans;

managing and reviewing the grant of perquisite benefits, if any;

managing and reviewing executive officer and director indemnification and insurance matters;

retaining compensation consultants and independent advisors from time to time to advise the Committee on compensation policies and plans;

complying with requirements established by the SEC, assessing the risks arising from the Company's compensation policies and taking any actions required as a result thereof; and

preparing and approving the Compensation Discussion and Analysis to be included as part of the Company's annual proxy statement.

### *Overall Compensation Determination Process*

The market for talented individuals in the life sciences industry is highly competitive. Our compensation philosophy for executive officers provides that cash compensation should be structured such that between base salary and cash bonuses, at least one-third of the executive officer's total cash compensation is at risk. Non-cash long-term equity compensation for executive officers should be designed to reward and retain key employees as well as motivate executive officers to increase stockholder value. The Committee believes that this approach provides an appropriate blend of short-term and long-term incentives to maximize stockholder value.

The implementation of the compensation philosophy is carried out under the supervision of the Committee. The Committee uses the services of an independent compensation consultant who is retained by and reports directly to the Committee. The compensation for our President and Chief Executive Officer, Dr. Gorman, as well as the other executive officers, is approved by the Committee in consultation with the independent directors of the Board of Directors. Management, under guidelines and procedures approved by the Committee, makes decisions regarding compensation of non-executive officer employees.

The Committee meets at least six times per year. In the first quarter of the year, the performance of each executive officer for the prior year and peer group compensation data are reviewed by the Committee, and base salary adjustments, bonus payouts and annual equity grants are discussed and approved. In addition, Company-wide performance goals for the then current year are finalized by the Board of Directors. At mid-year meetings the Committee reviews the Company's compensation philosophy, policies and procedures. Meetings in the fourth quarter of the year generally focus on Company goal achievement, selection of the peer group for the following year and the structure of executive officer performance reviews.

### *Components of Compensation*

The Company's compensation for executive officers consists of six components: base salary, cash bonuses, long-term equity awards, retirement benefits as provided under the Company's 401(k) plan, severance agreements and other benefits. The Company uses the peer group established by the Committee as a guideline for establishing base salaries, cash bonuses and long-term equity award components of compensation. The President and Chief Executive Officer annually reviews the performance of each executive officer (other than himself) and reports the results of the reviews to the Committee. The Committee, in consultation with the independent members of the Board of Directors, annually reviews the performance of the President and Chief Executive Officer.

The Committee considers each executive officer's performance, contribution to goals, responsibilities, experience, qualifications, and where in the range he compares to the Company's identified peer group when determining the appropriate compensation for each executive officer. The Committee considers each component of compensation independently and therefore there is no direct correlation between any of the components. Each of the components of the Company's NEO 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 life sciences industry. As a general matter, the base salary for each executive officer is based on the scope of each executive officer's responsibilities, as well as their qualifications, breadth of experience, performance record and depth of applicable functional expertise. The base salary is established and adjusted to be within the range of the applicable peer group, enabling the Company to attract, motivate, reward and retain highly skilled executives. Base salaries of the executive officers are reviewed by the Committee, in consultation with the independent members of the Board of Directors, annually in light of personal and Company goal attainment, executive officer performance and peer group data. Year-to-year adjustments to each executive officer's base salary are based upon sustained superior performance, 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. Adjustments may also be made during the fiscal year for promotions, highly urgent competitive reasons, superior performance in response to changed or challenging circumstances and similar special circumstances. The adjustment to base salary for our NEOs for 2013 was a three percent increase over 2012 base salary levels, with the exception of Dr. Bozigian who received a five percent increase over 2012 levels based on the foregoing consideration and analysis. The NEOs' annualized base salaries for 2013 were as follows: Dr. Gorman, Ph.D., \$541,100; Mr. Coughlin, \$397,800; Dr. O'Brien, M.D., \$445,600; Dr. Bozigian, Ph.D., \$352,800; and Dr. Grigoriadis, Ph.D., \$321,500.

Effective January 1, 2014, a three percent increase to base salaries for our NEOs was established based on an analysis of expected market trends for merit increases and a consideration of each officer's performance and base salary relative to his peer group. The NEOs' annualized base salaries for 2014 are as follows: \$557,300 for Dr. Gorman, \$409,700 for Mr. Coughlin, \$459,000 for Dr. O'Brien, \$363,400 for Dr. Bozigian, and \$331,100 for Dr. Grigoriadis.

Cash Bonuses

The Committee's philosophy in establishing the Company's bonus element of the compensation strategy for executive officers is to provide a mix of compensation between base salary and total cash compensation such that at least one-third of the total target cash compensation is at risk for executive officers each year. The bonus program, including corporate goals and target payouts, are reviewed and approved by the Board of Directors, annually and may include individual performance targets for each executive officer. The goals are prepared in an interactive process between Company management and the Board of Directors based on the Company's business plan and budget for the year. Bonus payments are linked to the attainment of overall corporate and personal goals. The Committee establishes the target and maximum potential amount of each executive officer's bonus payment annually.

In February 2013, the Board of Directors approved the Company's executive officer eligible bonus percentages and performance goals for 2013. The table below sets forth the target and maximum executive officer eligible bonus levels for 2013. Both the target and maximum levels were similar to the applicable peer group data for the President and Chief Executive Officer as well as the other executive officers.

Executive Officer	Minimum Payout	Target Percentage	Maximum Bonus Payout
President and Chief Executive Officer	0%	60%	72%
All Other Executive Officers	0%	50%	60%

In general, achievement of the Company's goals determines the initial bonus pool for executive officers of 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, in 2013 the executive officer bonuses were awarded based upon pre-established goals of the Company. The Board of Directors 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 officer 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.

The performance goals for 2013 related primarily to the Company's VMAT2 program. Some of the specific 2013 goals were as follows: overall progression of the Company's VMAT2 program, specifically the Kinect and Kinect 2 Phase IIb clinical studies and related Phase I studies. Other goals related to advancing lead research compounds through preclinical studies and achieving certain administrative goals and financial metrics. The Board of Directors and the Committee assigned relative weightings to the goals by functional area (but not individual NEO) for 2013.

In January 2014, the Committee, in consultation with the independent members of the Board of Directors, approved the Company's goal achievement for 2013. Goal achievement (with relative weightings at target) included:

(50%) advancing NBI-99854 in both Kinect and Kinect 2 Phase IIb studies to enable an end of Phase II meeting with the U.S. Food and Drug Administration (the FDA) in the first-half of 2014;

(25%) rapidly developing multiple research and development programs, which included three compounds progressing into late stage preclinical testing; and

(25%) attaining certain corporate, business development and financial goals, including maintaining a strong capital structure, maintaining appropriate burn levels, and other business development goals.

Based on these achievements, the Committee awarded bonus payouts for our NEOs at 55% of targeted Company goal achievement. For example, this 55% achievement rate yielded Dr. Gorman a bonus award of 33% of his 2013 base salary (55% of the 60% eligible target bonus percentage). The individual amounts approved by the Committee were: Dr. Gorman, \$178,600; Mr. Coughlin, \$109,400; Dr. O'Brien, \$122,500; Dr. Bozgian, \$97,000; and Dr. Grigoriadis, \$88,400.

In February 2014, the Board of Directors approved the Company's performance goals for 2014 along with eligible bonus percentages for executive officers. The 2014 target and maximum levels are the same as the target and maximum levels for 2013 outlined in the table above, and remain substantially similar to the applicable peer group data for the President and Chief Executive Officer as well as the other NEOs. The performance goals for 2014 consist of goals for the lead development programs, research, clinical and general administrative activities. The Board of Directors and the Committee did not assign relative weightings to the goals for 2014. The Committee does place emphasis on results having greater impact on the long-term success of the Company. The 2014 goals are as follows:

advance the Company's clinical pipeline, which includes initiating Phase III clinical trials for NBI-99854 in tardive dyskinesia and filing an Investigational New Drug application for Tourette syndrome coupled with initiating clinical studies in Tourette syndrome;

rapidly develop multiple research and development programs, including Investigational New Drug application enabling studies in at least one program, and to advance at least one new lead compound into preclinical development; and

attain certain corporate, business development and financial goals, including maintaining a strong capital structure.

#### Long-Term 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 create a strong link to the Company's long-term financial and stock market performance, create an ownership culture and closely align the interests of our executive officers with those of stockholders. The Committee believes that these grants directly motivate an executive officer to maximize long-term stockholder value and serves as an effective tool for incentivizing and retaining those executive officers who are most responsible for influencing stockholder value. The grants also utilize vesting

periods, both performance-based and time-based, that encourage key executive officers 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 the ability of such grants to retain and motivate key executive officers. The equity awards for each year are set to be competitive with the applicable peer group to enable the Company to attract, motivate, and retain highly skilled executive officers. 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 the Company's practice to make equity-based awards to our executive officers on an annual basis. Recent grants of annual stock option awards vest on a monthly basis, ratably, over four years and have a ten 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. Recent grants of RSUs vest on an annual basis, ratably over four years, or are performance-based. Equity-based awards to our executive officers are reviewed by the Committee annually in light of Company goal attainment, executive officer performance evaluations and peer group data. Prior year actual gains from the exercise of vested equity grants are not considered in the determination of current year compensation.

The Committee also considers the Company's annual burn rate of equity grants as compared to industry standards when determining the long-term equity component of compensation. Burn rate is defined as the number of shares underlying the equity grant for a given year divided by the total shares outstanding at the end of that same year. The Company's historical burn rate has approximated 2% to 3% per annum which is below the industry average for life sciences companies.

On January 10, 2013, the Committee, in consultation with the independent members of the Board of Directors, approved stock option awards and RSUs to the executive officers under the Company's 2011 Equity Incentive Plan (the "2011 Plan"). The equity based awards were determined based on 2012 individual performance and contribution to long-term strategic and performance goals as well as retention and motivation of the executive officers. The individual grants of stock options and RSUs to NEOs were: Dr. Gorman 175,000 stock options and 30,000 RSUs; Mr. Coughlin and Dr. O'Brien each 86,000 stock options and 14,000 RSUs; Dr. Bozigian and Dr. Grigoriadis each 75,000 stock options and 13,000 RSUs.

The Committee, in consultation with the independent members of the Board of Directors, determined with respect to the January 10, 2013 equity grants that the use of both stock options which vest monthly, on a pro-rata basis, over a four year period and RSUs which vest annually, on a pro-rata basis, over a four year period were the appropriate equity compensation vehicles. The Committee and Board of Directors believe that the long-term equity based compensation awards closely align stockholder and management interests.

On January 16, 2014, the Committee, in consultation with the independent members of the Board of Directors, approved stock option awards and RSUs to the executive officers under the 2011 Plan. The equity based awards were determined based on the 2013 individual performance and contribution to long-term strategic and performance goals as well as retention and motivation of the executive officers. The individual grants of stock options and RSUs to NEOs were: Dr. Gorman 175,000 stock options and 30,000 RSUs; Mr. Coughlin and Dr. O'Brien each 86,000 stock options and 14,000 RSUs; Dr. Bozigian and Dr. Grigoriadis each 75,000 stock options and 13,000 RSUs. The vesting terms of these grants are the same as the January 10, 2013 grants.

On January 16, 2014, the Committee, in consultation with the independent members of the Board of Directors, also approved a grant of performance-based RSUs for the executive officers. These performance-based RSUs represent a multi-year grant. These awards are designed to require several years of effort, coupled with the Company's success in clinical development, for the executive officers to realize any value from these grants. Additionally, these performance-based RSUs have a limited term of five years for the Company to achieve the clinical and regulatory milestones. Approximately two-thirds of these performance-based RSUs vest upon the



Company achieving the primary endpoint in an FDA approved Phase III study, while the remaining performance-based RSUs vest upon the Company obtaining FDA approval of a New Drug Application. These vesting provisions are entirely exclusive of the Company's elagolix program, thus these performance-based RSUs provide direct motivation to our executive officers to achieve success with the Company's wholly-owned compounds. In consultation with their compensation consultant, the Committee determined that the estimated value to the executive officers of these performance-based RSUs upon vesting, relative to the anticipated increase in share price that would benefit all stockholders upon achieving the clinical and regulatory milestones was balanced. The individual performance-based RSUs approved for the Company's NEOs were: Dr. Gorman 100,000 performance-based RSUs; and Mr. Coughlin, Dr. O'Brien, Dr. Bozigian and Dr. Grigoriadis each 75,000 performance-based RSUs.

#### Retirement Benefits

The terms of the Company's 401(k) Savings Plan (the "401(k) Plan") provide for executive officer and broad-based employee participation on the same general terms. Under the 401(k) Plan, all Company employees are eligible to receive basic matching contributions from the Company that vest three years from date of hire and monthly thereafter. The Company's matching contribution to the 401(k) Plan for 2013 was 50% of eligible participant contributions, subject to applicable federal limits. The Company made no additional discretionary contributions to the 401(k) Plan in 2013.

#### 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 allow the executive officers to realize the full benefit of the other elements of compensation we provide. These benefits include disability insurance premiums, an annual physical examination, and tax gross-ups in the event of a change in control. The change in control gross-ups are part of pre-existing executive officer agreements and no new change in control gross-ups have been implemented for executive officers since 2007. 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 who were employed as of December 31, 2011, are eligible to receive a one-time additional two week vacation benefit after ten years of service.

#### Severance Benefits

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 officer 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, pro-rata 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, pro-rata 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, the Company does not provide for such benefits solely in the event of a change-in-control because we believe that our executive officers are materially harmed only if a change-in-control results in our executive officers' involuntary loss of employment, reduced responsibilities, reduced compensation, or other adverse change in the nature of the employment relationship.

#### ***Compensation Consultants and Peer Group***

The Committee uses the services of an independent compensation consultant who is retained by and reports directly to the Committee. The Committee selected Radford, an AON Hewitt Company, as a third party compensation consultant to assist the Committee in establishing 2012, 2013 and 2014 overall compensation levels. Radford conducted analyses and provided advice on, among other things, the appropriate peer group, executive compensation for our executive officers and compensation trends in the life sciences industry. The Committee annually assesses the independence of Radford under the guidelines promulgated by the SEC and has determined that Radford is independent and has not provided the Company with any other services other than those requested by the Committee.

In order to evaluate the Company's competitive position in the industry related to executive officer compensation, the Committee has historically reviewed and analyzed the compensation packages, including base salary levels, cash bonus awards and equity awards, offered by biotechnology and pharmaceutical companies within a designated peer group, and with data from Radford's Global Life Sciences Survey for similarly sized companies. The Committee believes selection of a broad peer group on an annual basis provides the best long-term trend data for companies that compete with the Company for talent. The peer group is established annually by the Committee based on the advice of its independent compensation consultant taking into consideration various factors including size, market capitalization, location to key talent hubs and stage of development.

For equity awards granted and cash based compensation paid during 2013, the peer group consisted of: Achillion Pharmaceuticals, Inc., Affymax, Inc., Alnylam Pharmaceuticals, Inc., ArQule, Inc., Array BioPharma, Inc., AVEO Pharmaceuticals, Inc., Clovis Oncology, Inc., Corcept Therapeutics, Inc., Dynavax Technologies, Geron Corporation, Infinity Pharmaceuticals, Inc., Ligand Pharmaceuticals, Inc., MAP Pharmaceuticals, Inc., Novavax, Inc., NPS Pharmaceuticals, Inc., Optimer Pharmaceuticals, Inc., Osiris Therapeutics, Inc., Rigel Pharmaceuticals, Inc., Sangamo BioSciences, Inc., Vical Incorporated, Xenoport, Inc., and ZIOPHARM Oncology, Inc.

For equity awards granted and cash based compensation paid during 2014, the peer group consists of: Achillion Pharmaceuticals, Inc., Array BioPharma, Inc., Clovis Oncology, Inc., Geron Corporation, Immunomedics, Inc., Infinity Pharmaceuticals, Inc., Intercept Pharmaceuticals, Inc., KYTHERA Biopharmaceuticals, Inc., Lexicon Pharmaceuticals, Inc., Ligand Pharmaceuticals, Inc., NewLink Genetics Corporation, Novavax, Inc., Orexigen Therapeutics, Inc., Osiris Therapeutics, Inc., Rigel Pharmaceuticals, Inc., Sangamo BioSciences, Inc., Sarepta Therapeutics, Inc., Synta Pharmaceuticals, Inc., TESARO, Inc., Xoma Corporation and ZIOPHARM Oncology, Inc.

Changes to the 2014 peer group include elimination of Affymax, Inc., Alnylam Pharmaceuticals, Inc., ArQule, Inc., AVEO Pharmaceuticals, Inc., Corcept Therapeutics, Inc., Dynavax Technologies, NPS Pharmaceuticals, Inc., Vical Incorporated and Xenoport, Inc. whose market capitalizations were determined by the Committee to no longer be comparable, as well as MAP Pharmaceuticals, Inc. and Optimer Pharmaceuticals, Inc., both of which were acquired during 2013. Immunomedics, Inc., Intercept Pharmaceuticals, Inc., KYTHERA Biopharmaceuticals, Lexicon Pharmaceuticals, Inc., NewLink Genetics Corporation, Orexigen Therapeutics, Inc., Sarepta Therapeutics, Inc., Synta Pharmaceuticals, Inc., TESARO, Inc., and Xoma Corporation were added to the peer group.

***Equity Ownership Guidelines***

In March 2014, the Committee approved equity ownership guidelines for our NEOs and other executives who are required to file reports under Section 16(a) of the Exchange Act. The equity ownership guidelines are designed to further align the interests of the executive officers with those of our stockholders by ensuring that our executive officers have a meaningful financial stake in the Company's long-term success. The equity ownership guidelines establish a minimum equity ownership level by position, with such values determined based on the value of our ordinary shares owned by such persons as of certain measurement dates. All shares directly or beneficially owned by the executive officer, including the net exercisable value of outstanding vested stock options (where the market price of our common shares exceeds the strike price of such option) are included in determining the value of equity owned under our equity ownership guidelines. The guidelines are as follows:

Chief Executive Officer	3 times base salary
All other executive officers	1 times base salary

Annual compliance with the equity ownership guidelines is assessed during the first quarter of each year. As of March 15, 2014, each of our NEOs owned outright Company common stock such that the Company's equity ownership guidelines were met prior to the consideration of the value of any outstanding vested option awards.

New executive officers are granted a five year period to become compliant with the equity ownership guidelines; and are expected to make annual progress toward the equity ownership guidelines during this five year period. When an executive officer is not compliant with the equity ownership guidelines, they are restricted from selling any held shares until compliance is attained. Additionally, should an executive officer who is not in compliance with the equity ownership guidelines choose to exercise a stock option or vest in any RSUs, they are required to retain all shares acquired through those transactions, aside from any shares necessary to fulfill such transaction related tax obligations, until full compliance with the equity ownership guidelines is attained.

***Equity Trading Policies and Procedures***

The Company has policies and procedures to prohibit direct or indirect participation by employees of the Company in transactions involving trading activities in Company common stock which by their aggressive or speculative nature may give rise to an appearance of impropriety. Such prohibited activities would include the purchase of put or call options, or the writing of such options as well as short sales, hedging transactions such as cashless collars, forward sales, equity swaps and other related arrangement which may indirectly involve short-sale and any other transactions designed for profit from short-term movement in the Company's stock price.

Additionally, transactions in which Company common stock is margined or pledged to secure a loan must be pre-approved by the Company's Chief Financial Officer or General Counsel based on guidelines adopted by the Nominating/Corporate Governance Committee.

There are no transactions involving pledging or margining Company common stock as of the Record Date.

The Company also requires executive officers and directors to complete all equity related open-market purchase and sale transactions via a 10b5-1 plan. The 10b5-1 plans typically cover, among other transactions, direct sales and purchases of Company stock as well as same-day-sales related to option exercises and sales of stock upon the vesting of restricted stock units. All 10b5-1 plans are required to have a 90-day waiting period from the election date to the date of the first transaction. Additionally, Company policy restricts the executive officers and directors from amending, canceling, suspending or otherwise modifying any 10b5-1 trading plan subsequent to adoption of the plan.

### *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 officer 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 external counsel and determined that the programs are compliant with Section 409A.

#### ***Compensation Committee interlocks and insider participation***

During 2013, the Committee consisted of Richard F. Pops, W. Thomas Mitchell and Joseph A. Mollica, Ph.D. No interlocking relationship existed between any member of the 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, 2011, 2012 and 2013 to the NEOs named below.

## 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. President and Chief Executive Officer	2011	\$ 510,000	\$ 198,900	\$ 1,025,000	\$	\$ 44,817	\$ 1,778,717
	2012	\$ 525,300	\$ 220,600	\$ 1,495,200	\$	\$ 42,563	\$ 2,283,663
	2013	\$ 541,100	\$ 178,600	\$ 1,092,000	\$ 259,500	\$ 38,798	\$ 2,109,998
Timothy P. Coughlin Chief Financial Officer	2011	\$ 375,000	\$ 121,875	\$ 512,500	\$	\$ 34,021	\$ 1,043,396
	2012	\$ 386,250	\$ 135,200	\$ 747,600	\$	\$ 36,545	\$ 1,305,595
	2013	\$ 397,800	\$ 109,400	\$ 536,640	\$ 121,100	\$ 35,739	\$ 1,200,679
Christopher F. O'Brien, M.D. Chief Medical Officer	2011	\$ 420,000	\$ 136,500	\$ 512,500	\$	\$ 26,263	\$ 1,095,263
	2012	\$ 432,600	\$ 151,400	\$ 747,600	\$	\$ 26,050	\$ 1,357,650
	2013	\$ 445,600	\$ 122,500	\$ 536,640	\$ 121,100	\$ 23,869	\$ 1,249,709
Dimitri E. Grigoriadis, Ph.D. Chief Research Officer	2011	\$ 303,000	\$ 98,475	\$ 512,500	\$	\$ 31,222	\$ 945,197
	2012	\$ 312,090	\$ 109,200	\$ 623,000	\$	\$ 36,290	\$ 1,080,580
	2013	\$ 321,500	\$ 88,400	\$ 468,000	\$ 112,450	\$ 38,199	\$ 1,028,549
Haig P. Bozigian, Ph.D. Chief Development Officer	2011	\$ 307,250	\$ 99,856	\$ 512,500	\$	\$ 31,295	\$ 950,901
	2012	\$ 336,000	\$ 117,600	\$ 623,000	\$	\$ 35,878	\$ 1,112,478
	2013	\$ 352,800	\$ 97,000	\$ 468,000	\$ 112,450	\$ 37,844	\$ 1,068,094

- (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).
- (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 8 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, 2013 filed with the SEC on February 11, 2014. The grant date fair values of option awards for 2011, 2012 and 2013 are based on per share Black-Scholes values of \$4.10, \$6.23 and \$6.24, respectively.
- (4) Stock awards consist of restricted stock units and may be subject to deferred delivery arrangements. The amounts shown are the full grant date fair value in accordance with ASC 718. The fair values of restricted stock units granted in 2013 are based on the Company's closing market price per share of \$8.65 on such grant date. The Company did not grant any stock awards in 2011 or 2012.
- (5) Includes all other compensation as described in the table below.

## All Other Compensation Table

Name	Year	401(k) Employer Match	Insurance Premiums (1)	Physical Exams	Total Other
Kevin C. Gorman, Ph.D.	2011	\$ 7,350	\$ 34,294	\$ 3,173	\$ 44,817
	2012	\$ 7,500	\$ 35,063	\$	\$ 42,563
	2013	\$ 7,650	\$ 31,148	\$	\$ 38,798
Timothy P. Coughlin	2011	\$ 7,350	\$ 26,671	\$	\$ 34,021
	2012	\$ 7,438	\$ 29,107	\$	\$ 36,545
	2013	\$ 7,650	\$ 25,243	\$ 2,846	\$ 35,739
Christopher F. O'Brien, M.D.	2011	\$ 7,350	\$ 18,913	\$	\$ 26,263
	2012	\$ 7,500	\$ 18,550	\$	\$ 26,050
	2013	\$ 7,650	\$ 16,219	\$	\$ 23,869
Dimitri E. Grigoriadis, Ph.D.	2011	\$ 7,350	\$ 23,872	\$	\$ 31,222
	2012	\$ 7,500	\$ 28,790	\$	\$ 36,290
	2013	\$ 7,650	\$ 30,549	\$	\$ 38,199
Haig P. Bozigian, Ph.D.	2011	\$ 7,350	\$ 23,945	\$	\$ 31,295
	2012	\$ 7,500	\$ 28,378	\$	\$ 35,878
	2013	\$ 7,650	\$ 30,194	\$	\$ 37,844

(1) The amounts in this column represent the costs for medical insurance for Company-wide plans, as well as disability insurance premiums and related tax gross-up amounts.

*Grant of Plan Based Awards During the Fiscal Year Ended December 31, 2013*

The following table sets forth certain information regarding option awards granted by the Company pursuant to the 2011 Plan during the year ended December 31, 2013 to the NEOs below:

Name	Grant Date	All Other Option Awards: No. of Shares or Units (1)	All Other Option Awards: No. of Securities Underlying Options (1)	Exercise or Base Price of Awards (1)	Grant Date Fair Value of Stock and Option Awards (2)
Kevin C. Gorman, Ph.D.	01/10/2013		175,000	\$ 8.65	\$ 1,092,000
	01/10/2013	30,000		\$ 8.65	\$ 259,500
Timothy P. Coughlin	01/10/2013		86,000	\$ 8.65	\$ 536,640
	01/10/2013	14,000		\$ 8.65	\$ 121,100
Christopher F. O'Brien, M.D.	01/10/2013		86,000	\$ 8.65	\$ 536,640
	01/10/2013	14,000		\$ 8.65	\$ 121,100
Dimitri E. Grigoriadis, Ph.D.	01/10/2013		75,000	\$ 8.65	\$ 468,000
	01/10/2013	13,000		\$ 8.65	\$ 112,450
Haig P. Bozigian, Ph.D.	01/10/2013		75,000	\$ 8.65	\$ 468,000
	01/10/2013	13,000		\$ 8.65	\$ 112,450

(1) All options and restricted stock units were granted and approved on the same date with option awards having an exercise price equal to the closing market price of the Company's common stock on the date of grant. All restricted stock unit awards are time-based which vest annually, on a pro-rata basis, over a four year period. All option awards are time-based awards, which vest monthly, on a pro-rata basis, over four years and have an option term of ten years.

Edgar Filing: NEUROCRINE BIOSCIENCES INC - Form DEF 14A

- (2) Reflects the grant date per share Black-Scholes value of \$6.24 for option awards and the grant date per share value of \$8.65 for restricted stock units granted on January 10, 2013 which was calculated in accordance with ASC 718.

*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 base salary for 2014 is \$557,300); (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 (Mr. Coughlin's annual base salary for 2014 is \$409,700); (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.

**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 (Dr. O'Brien's annual base salary for 2014 is \$459,000); (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 (Dr. Grigoriadis' annual base salary for 2014 is \$331,100); (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 (Dr. Bozigian's annual base salary for 2014 is \$363,400); (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.



Edgar Filing: NEUROCRINE BIOSCIENCES INC - Form DEF 14A

**Outstanding Equity Awards.** The following table sets forth the outstanding equity awards held by the NEOs at December 31, 2013.

Name	Award Grant and Commencement of Vesting Date	Number of Securities Underlying Unexercised Options Exercisable	Option Awards				Stock Awards	
			Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (6)	Market Value of Shares or Units of Stock That Have Not Vested (6)
Kevin C. Gorman, Ph.D.	01/11/2007	108,000(5)			\$ 11.44	01/11/2014		
	02/27/2008	45,000(5)			\$ 5.12	02/27/2015		
	05/11/2010	185,000(4)			\$ 2.59	05/11/2017		
	08/25/2011	194,446(4)	55,554(4)		\$ 5.76	08/25/2021		
	01/12/2012	114,998(2)	125,002(2)		\$ 8.66	01/12/2022		
	01/10/2013	40,103(2)	134,897(2)		\$ 8.65	01/10/2023	30,000(3)	\$ 280,200
Timothy P. Coughlin	01/11/2007	70,000(5)			\$ 11.44	01/11/2014		
	02/27/2008	30,000(5)			\$ 5.12	02/27/2015		
	05/11/2010	170,000(4)			\$ 2.59	05/11/2017		
	08/25/2011	97,223(4)	27,777(4)		\$ 5.76	08/25/2021		
	01/12/2012	57,499(2)	62,501(2)		\$ 8.66	01/12/2022		
	01/10/2013	19,708(2)	66,292(2)		\$ 8.65	01/10/2023	14,000(3)	\$ 130,760
Christopher F. O'Brien, M.D.	10/31/2005	55,000(1)			\$ 52.82	10/31/2015		
	02/27/2008	10,000(5)			\$ 5.12	02/27/2015		
	05/11/2010	155,000(4)			\$ 2.59	05/11/2017		
	08/25/2011	97,223(4)	27,777(4)		\$ 5.76	08/25/2021		
	01/12/2012	57,499(2)	62,501(2)		\$ 8.66	01/12/2022		
	01/10/2013	19,708(2)	66,292(2)		\$ 8.65	01/10/2023	14,000(3)	\$ 130,760
Dimitri E. Grigoriadis, Ph.D.	02/27/2008	20,000(5)			\$ 5.12	02/27/2015		
	05/11/2010	90,000(4)			\$ 2.59	05/11/2017		
	08/25/2011	97,223(4)	27,777(4)		\$ 5.76	08/25/2021		
	01/12/2012	47,915(2)	52,085(2)		\$ 8.66	01/12/2022		
	01/10/2013	17,187(2)	57,813(2)		\$ 8.65	01/10/2023	13,000(3)	\$ 121,420
Haig P. Bozigian, Ph.D.	02/27/2008	20,000						