NEUROCRINE BIOSCIENCES INC
Form 424B5
September 04, 2003

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The information in this prospectus supplement is not complete and may be changed. The registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

This filing is made pursuant to Rule 424(b)(5) under the Securities Act of 1933 in connection with Registration No. 333-105917

Prospectus Supplement (Subject to Completion)
(To Prospectus dated June 12, 2003)

Issued September 4, 2003

3,000,000 Shares
Common Stock

We are offering 3,000,000 shares of our common stock.

Our common stock is quoted on the Nasdaq National Market under the symbol NBIX. On September 2, 2003, the reported last sale price of our common stock on the Nasdaq National Market was $53.58 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-6 of this prospectus supplement.

PRICE $ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Neurocrine
Per Share	$	$	$
Total	$	$	$

We have granted the underwriters the right to purchase up to an additional 450,000 shares to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on , 2003.

Joint Book-Running Managers

Morgan Stanley **Merrill Lynch & Co.**

Deutsche Bank Securities

UBS Investment Bank
Bear, Stearns & Co. Inc.

CIBC World Markets

Banc of America Securities LLC

Credit Suisse First Boston

, 2003

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Prospectus Supplement

Prospectus

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus and the information incorporated by reference in the accompanying prospectus. We have not authorized anyone to provide you with information that is different. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in these documents is accurate only as of the date thereof, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sale of our common stock.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of common stock and also supplements and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the common stock. If the description of the offering of common stock varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

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PROSPECTUS SUPPLEMENT SUMMARY

You should read the following summary together with the entire prospectus supplement and accompanying prospectus carefully, including the documents identified under Where You Can Find More Information. You should carefully consider, among other things, the matters discussed under Risk Factors.

NEUROCRINE BIOSCIENCES

We discover, develop and intend to commercialize drugs for the treatment of neurological and endocrine-related diseases and disorders. Our product candidates address some of the largest pharmaceutical markets in the world, including insomnia, anxiety, depression, various female and male health disorders, multiple sclerosis, diabetes and other neuro-endocrine related diseases and disorders. We currently have 17 programs in various stages of research and development, including seven programs in clinical development. While we independently develop many of our product candidates, we have entered into collaborations for six of our programs. Our lead clinical development program, indiplon, is a drug for the treatment of insomnia and is currently being evaluated in Phase III clinical trials in collaboration with Pfizer Inc. We anticipate filing a new drug application, or NDA, for indiplon in the first half of 2004.

Indiplon

Insomnia is a neurological disorder with over 80 million adults in the United States reporting trouble sleeping a few nights per week or more according to Mattson Jack, which publishes an epidemiological database used to determine the prevalence of a disease or disorder. Despite this widespread prevalence, insomnia remains a disorder without a satisfactory therapeutic option. There is currently no approved therapy that induces and maintains sleep throughout the night without next-day residual effects. According to IMS Health, the United States insomnia market was $1.7 billion in 2002. However, insomnia remains significantly undertreated as only an estimated one-third of insomnia sufferers are diagnosed, and only one-half of those diagnosed receive prescription drug treatment. In addition, according to the National Sleep Foundation, frequent sleep problems in individuals that are 55 to 84 years old, if ignored, can complicate the treatment of other medical conditions, including arthritis, diabetes, heart and lung disease and depression. A class of drugs known as non-benzodiazepines represents the current standard of care in the United States for the treatment of insomnia.

Indiplon acts via the same mechanism as currently marketed non-benzodiazepine therapeutics, including Sanofi-Synthelabo s Ambien® and Wyeth-Ayerst Laboratories Sonata®. Ambien® is the current market leader, with approximately $1.3 billion in worldwide sales in 2002, according to Sanofi-Synthelabo. Non-benzodiazepines target a specific site of action on a natural brain chemical involved in promoting and maintaining sleep. This chemical is called gamma-amino-butyric acid, or GABA, and the site of action is called the GABA-A receptor. Preclinical studies suggest that indiplon, a GABA-A receptor agonist, has fewer side effects than the currently marketed non-benzodiazepines, including Ambien® and Sonata®. In our Phase II and III clinical studies, indiplon demonstrated efficacy with no significant effects of next-day residual sedation at clinically relevant doses.

We are developing both a short and a longer acting formulation of indiplon. The short acting formulation can be used by patients who have trouble falling asleep or who wake up in the middle of the night and cannot get back to sleep. The longer acting formulation can be used by patients to rapidly induce sleep and maintain sleep through the night. If approved by the Food and Drug Administration, or FDA, the longer acting formulation would represent the first non-benzodiazepine GABA-A receptor agonist approved for maintaining, rather than simply inducing, sleep. In addition, if both formulations are approved by the FDA, indiplon will be the first non-benzodiazepine on the market to offer two formulations.

To date, we have completed approximately 30 clinical trials including three Phase III clinical trials. The results of these trials demonstrated that indiplon was safe, well tolerated and effective in achieving rapid sleep induction without next-day residual effects. In addition, these clinical trials have shown that indiplon users do not exhibit tolerance, which is the need for increasing dosages after chronic use, or rebound liability, which is a

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worsening of the pre-treatment condition after use of the product candidate is discontinued. In total, our Phase III program will consist of 13 studies with approximately 4,000 subjects, all of which are currently underway or completed. At completion, we will have included over 6,000 subjects with insomnia in our studies.

In December 2002, we announced an exclusive worldwide collaboration with Pfizer to develop and commercialize indiplon. Pfizer made an upfront payment to us of $100 million and agreed to make additional pre-commercialization milestone payments of up to $300 million. Under the terms of the agreement, Pfizer is also responsible for all future third-party development, marketing and commercialization costs, with the exception of $30 million for specified development costs which we will bear. Following the filing of an NDA, Pfizer is obligated to pay for and support the creation of a 200-person Neurocrine sales force that will initially promote Pfizer s leading antidepressant drug, Zoloft®, to psychiatrists in the United States and, upon approval of the indiplon NDA, will co-promote indiplon in the United States. We will be entitled to a percentage of worldwide sales of indiplon for the longer of 10 years or the life of the indiplon patent rights as well as co-promotion payments on sales of indiplon and Zoloft® in the United States. In addition, subject to FDA approval of indiplon and various other conditions, Pfizer has committed to loan us up to $175 million, at commercial terms, pursuant to a secured credit facility. We have granted Pfizer an exclusive license to develop and market indiplon in all markets outside the United States. In June 1998, we sublicensed exclusive worldwide rights to indiplon from DOV Pharmaceutical, Inc.

Our Other Product Candidates

We have an extensive product pipeline focused on neurological and endocrine-related diseases and disorders.

GnRH Antagonist We completed two Phase I clinical studies for our gonadotropin-releasing hormone, or GnRH, antagonist, NBI-42902, for the treatment of endometriosis. The results of these trials demonstrated that GnRH reduced gonadotropin production, which is a surrogate parameter for efficacy, and that the product candidate was safe and well tolerated. We have selected a second development candidate that we expect to advance into clinical trials during the second half of 2003 for the treatment of uterine fibroids. According to Med Ad News, these markets had worldwide sales in 2002 of approximately $2.5 billion.

Altered Peptide Ligand We are currently conducting a Phase II study and have recently completed enrollment in another Phase II study to access safety and efficacy of our novel altered peptide ligand, NBI-6024, for new onset Type 1 diabetes. We also have initiated a Phase II study to determine the optimal dosing and frequency of administration of NBI-5788 in the treatment of relapsing multiple sclerosis. Diabetes and multiple sclerosis represented $4.5 billion and $2.9 billion markets, respectively, in 2002.

D_2 Receptor Agonist In the first quarter of 2003, we acquired the rights from Pharmacia to develop a selective dopamine D_2 receptor agonist, which is now designated as NBI-69733, for the treatment of male and female sexual dysfunction. We plan to conduct a Phase II proof of concept clinical study in erectile dysfunction to determine potential efficacy in early 2004. Viagra, which acts via a different mechanism of action than our product candidate, is the market leader for erectile dysfunction with 2002 sales of $1.7 billion according to Pfizer.

Corticotropin-Releasing Factor Receptor We are currently in advanced preclinical development in preparation for Phase I clinical trials for our corticotropin-releasing factor receptor-1, or CRF-R_1, antagonist for the treatment of neurological disorders such as depression and anxiety. In July 2001, we announced a worldwide collaboration with GlaxoSmithKline PLC to develop and commercialize CRF antagonists for psychiatric, neurological and gastrointestinal diseases. In 2003, the market for depression therapeutics alone is expected to be approximately $14.0 billion according to Datamonitor.

IL-4 Fusion Toxin Our interleukin 4, or IL-4, product candidate, NBI-3001, has completed Phase I/ II trials for solid tumor cancers and malignant glioma. In October 1999, the FDA granted us fast track designation for NBI-3001. We currently plan to outsource the development and commercialization of NBI-3001 to allow us to focus on neurological and endocrine-related diseases and disorders.

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Research Our research focus addresses diseases and disorders of the central nervous system and endocrine system, which includes stress-related disorders and neurodegenerative diseases, as well as prostate cancer, eating disorders and cardiovascular diseases. Central nervous system drug therapies represent the second largest sector of the worldwide drug market, accounting for over $55 billion in worldwide drug sales in 2002 according to Datamonitor.

Our Strategy

Our goal is to become the leading biopharmaceutical company focused on discovering, developing and commercializing therapeutics for the treatment of neurological and endocrine diseases and disorders. The key elements of our business strategy to realize this goal include:

- completing the development and commercialization of our lead product candidate, indiplon;
- continuing to advance and build our product portfolio focused on neurological and endocrine-related diseases and disorders;
- identifying novel drug targets to address large unmet market opportunities;
- selectively establishing corporate collaborations with global pharmaceutical companies to assist in the development of our products and mitigate financial risk while retaining significant commercial upside; and
- acquiring rights to complementary drug candidates and technologies.

Other Information

We were incorporated in California in 1992 and reincorporated in Delaware in 1996. Our common stock began trading publicly in May 1996. As of June 30, 2003, we had 326 employees, consisting of 293 full-time and 33 part-time employees. Of the full-time employees, approximately 105 hold Ph.D., M.D. or equivalent degrees. Our headquarters are located at 10555 Science Center Drive, San Diego, California 92121. Our telephone number is (858) 658-7600. Our website is www.neurocrine.com, but the information on our website does not constitute a part of this prospectus supplement.

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THE OFFERING

Common stock offered	3,000,000 shares
Common stock to be outstanding after this offering	34,461,943 shares
Over-allotment option	450,000 shares
Use of proceeds	For research and product development, including late-stage clinical trials, potential acquisitions of companies and technologies, working capital and general corporate purposes.
Nasdaq National Market symbol	NBIX

The number of shares of our common stock outstanding after the offering is based on the number of shares outstanding as of June 30, 2003, and excludes as of June 30, 2003:

- 4,980,233 shares of common stock reserved for the exercise of options outstanding at a weighted average exercise price of $30.76 per share;
- 376,021 shares of common stock reserved for the exercise of warrants outstanding at a weighted average exercise price of $16.81 per share;
- 171,360 shares of common stock reserved for issuance under our employee stock purchase plan; and
- 5,455,083 shares of common stock reserved for issuance under our stock incentive plans.

Unless otherwise indicated, the information in this prospectus supplement assumes no exercise of the underwriters over-allotment option.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following table is a summary of our consolidated financial data for the periods presented. You should read this data along with Management s Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus supplement, and our financial statements and related notes in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, each filed with the Securities and Exchange Commission and incorporated by reference in this prospectus supplement and the accompanying prospectus. Historical results are not necessarily indicative of results to be expected for any future period.

	Six Months Ended June 30,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999[1]	1998[1][2]
	(Unaudited)		(In thousands, except per share data)				
Consolidated Statement of Operations Data:							
Revenues:							
Sponsored research and development	$ 64,071	$ 7,138	$ 12,364	$ 16,880	$ 6,881	$ 12,662	$ 12,361
Milestones and license fees	17,987	1,166	3,516	22,937	6,345	3,000	2,500
Grant income and other revenues	626	880	2,165	1,425	1,362	1,129	1,176
Total revenues	82,684	9,184	18,045	41,242	14,588	16,791	16,037
Operating expenses:							
Research and development	100,647	43,143	108,939	74,267	40,227	29,169	21,803
General and administrative	9,879	5,882	12,721	10,857	9,962	7,476	6,594
Write-off of acquired in-process research and development and licenses							4,910
Total operating expenses	110,526	49,025	121,660	85,124	50,189	36,645	33,307
Loss from operations	(27,842)	(39,841)	(103,615)	(43,882)	(35,601)	(19,854)	(17,270)
Other income and (expenses):							
Interest income, net	4,276	4,135	8,864	6,662	6,048	2,851	4,000
Other income, net	104	191	215	430	1,047	1,066	504
Equity in NPI losses and other adjustments, net						(885)	(7,188)
Total other income and (expenses)	4,380	4,326	9,079	7,092	7,095	3,032	(2,684)
Loss before income taxes	(23,462)	(35,515)	(94,536)	(36,790)	(28,506)	(16,822)	(19,954)
Income taxes	153			120	302		1
Net loss	$ (23,615)	$ (35,515)	$ (94,536)	$ (36,910)	$ (28,808)	$ (16,822)	$ (19,955)
Net loss per share:							
Basic and diluted	$ (.76)	$ (1.17)	$ (3.10)	$ (1.42)	$ (1.30)	$ (.88)	$ (1.10)
Shares used in calculation of net loss per share:							
Basic and diluted	31,063	30,408	30,488	26,028	22,124	19,072	18,141

	As of June 30, 2003	
	Actual	As Adjusted[3]
	(Unaudited) (In thousands)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and short-term investments	$ 272,814	$ 424,313
Working capital	212,686	364,185
Total assets	372,762	524,261
Long-term debt, net of current portion	19,123	19,123
Accumulated deficit	(225,541)	(225,541)
Stockholders equity	209,969	361,468

(1) Sponsored research and development includes $491,000 and $3,610,000 in revenues from a related party for the years ended December 31, 1999 and 1998, respectively.

(2) Includes results of operations and financial position of Northwest NeuroLogic, Inc. from May 28, 1998, the date of acquisition.

(3) The as adjusted balance sheet data summarized above reflects the application of the net proceeds from the sale of the 3,000,000 shares of common stock offered by us at an assumed public offering price of $53.58 per share after deducting the underwriting discounts and commissions and estimated offering expenses.

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RISK FACTORS

You should consider carefully the risks described below, together with the other information in this prospectus supplement, the accompanying prospectus and the information incorporated by reference therein, before you make a decision to invest in our securities. If any of the following risks actually occur, our business, operating results, prospects or financial condition could be harmed. Additional risks not presently known to us or that we currently deem immaterial may also affect our business operations.

Risks Relating to Our Business

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

Any failure or substantial delay in completing clinical trials for our product candidates may severely harm our business. Before obtaining regulatory approval for the sale of any of our potential products, we must subject these product candidates to extensive preclinical and clinical testing to demonstrate their safety and efficacy for humans. Clinical trials are expensive, time-consuming and may take years to complete. We are currently conducting Phase III clinical trials in our indiplon development program for insomnia. This is our most advanced clinical program and represents a significant portion of our total clinical development activities and expenditures. If our Phase III indiplon program is significantly delayed or fails to demonstrate that indiplon is safe and efficacious for the targeted patient populations or if the FDA does not approve the proposed indiplon product labeling, our business and reputation would be harmed and our stock price would be negatively affected.

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

the product may not prove to be effective;

we may discover that a product candidate may cause harmful side effects;

the results may not replicate the results of earlier, smaller trials;

we or the FDA may suspend the trials;

the results may not be statistically significant;

patient recruitment may be slower than expected; and

patients may drop out of the trials.

Also, late stage clinical trials are often conducted with patients having the most advanced stages of disease. During the course of treatment, these patients can die or suffer other adverse medical effects for reasons that may not be related to the pharmaceutical agent being tested but which can nevertheless adversely affect clinical trial results.

We expect to rely on our collaboration with Pfizer for the funding of the completion of our indiplon clinical program and for commercialization of indiplon.

Pfizer has agreed to:

fund substantially all third-party costs related to future indiplon development, manufacturing and commercialization activities;

fund a 200-person Neurocrine sales force that will initially promote Zoloft® and, upon approval of the indiplon NDA, will co-promote indiplon in the Unites States;

be responsible for obtaining all regulatory approvals outside of the United States and regulatory approvals in the United States after approval of the first indiplon NDA; and

be responsible for sales and marketing of indiplon worldwide.

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While our agreement with Pfizer requires them to use commercially reasonable efforts in the development and commercialization of indiplon, we cannot control the amount and timing of resources Pfizer may devote to our collaboration following FDA approval in the United States nor can we control when Pfizer will seek regulatory approvals outside of the United States. In addition, if Pfizer s development activities in pursuing new indications and uses of indiplon are not successful or Pfizer s sales and marketing activities for indiplon are not effective, indiplon sales and our business may be harmed.

Pfizer may terminate the collaboration at any time upon 180-days written notice, subject to payment of specified amounts related to ongoing clinical development activities. If Pfizer elects to terminate the collaboration prior to FDA approval, we will be responsible for Phase III indiplon development expenses while we seek another partner to assist us in the worldwide development and commercialization of indiplon. This could cause delays in obtaining marketing approvals and sales, and negatively impact our business. If Pfizer elects to terminate the collaboration after receipt of FDA approval, we would be forced to fund the Neurocrine sales force and/or seek new marketing partners for indiplon. This could lead to loss of sales and negatively impact our business. In the event the collaboration is terminated by Pfizer, we may not be successful in finding another collaboration partner on favorable terms, or at all, and any failure to obtain a new partner on favorable terms could adversely affect indiplon development and commercialization and our business.

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

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

In particular, human therapeutic products are subject to rigorous preclinical testing and clinical trials and other approval procedures of the FDA and similar regulatory authorities in foreign countries. The FDA regulates, among other things, the development, testing, manufacture, safety, efficacy, record keeping, labeling, storage, approval, advertising, promotion, sale and distribution of biopharmaceutical products. Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each indication to establish the product candidate s safety and efficacy. The approval process may take many years to complete and may involve ongoing requirements for post-marketing studies. Any FDA or other regulatory approval of our product candidates, once obtained, may be withdrawn. If our potential products are marketed abroad, they will also be subject to extensive regulation by foreign governments.

We plan to file an NDA for indiplon in the first half of 2004. We face the risk that the FDA could force us to delay our filing, reject our NDA filing, find it incomplete or find it insufficient for marketing approval for indiplon, which may cause our business and reputation to be harmed and likely would cause our stock price to decrease. In addition, even if our indiplon NDA is approved, the FDA could require Phase IV, or post-marketing, trials to study the long-term effects of indiplon and could withdraw its approval based on the results of those trials.

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

Since our inception, we have incurred significant net losses, including net losses of $23.6 million and $94.5 million for the six months ended June 30, 2003 and the year ended December 31, 2002, respectively. As a result of ongoing operating losses, we had an accumulated deficit of $225.5 million and $201.9 million as of June 30, 2003 and December 31, 2002, respectively. We were not profitable for the year ended December 31, 2002, and we do not expect to be profitable in 2003. We have not yet completed the development, including obtaining regulatory approvals, of any products and, consequently, have not generated revenues from the sale of products. Even if we succeed in developing and commercializing one or more of our drugs, we expect to incur substantial losses for the foreseeable future. We also expect to continue to incur significant operating and capital expenditures and anticipate that our expenses will increase substantially in the foreseeable future as we:

seek regulatory approvals for our product candidates;

develop, formulate, manufacture and commercialize our drugs;

implement additional internal systems and infrastructure; and

hire additional clinical and scientific personnel.

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

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

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

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

We depend upon our corporate collaborators to provide adequate funding for a number of our programs. Under these arrangements, our corporate collaborators are responsible for:

selecting compounds for subsequent development as drug candidates;

conducting preclinical studies and clinical trials and obtaining required regulatory approvals for these drug candidates; and

manufacturing and commercializing any resulting drugs.

Our strategy for developing and commercializing our products is dependent upon maintaining our current arrangements and establishing new arrangements with research collaborators, corporate collaborators and others. We have collaborations with Pfizer, GlaxoSmithKline, Wyeth and Eli Lilly and Company. Because we

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rely heavily on our corporate collaborators, the development of our projects would be substantially delayed if our collaborators:

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

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

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

We are dependent on licenses from third parties for some of our key technologies. These licenses typically subject us to various commercialization, reporting and other obligations. If we fail to comply with these obligations, we could lose important rights. For example, we have licensed indiplon from DOV Pharmaceutical and IL-4 fusion toxin, which we call NBI-3001, from the National Institutes of Health, or NIH. In addition, we license some of the core research tools used in our collaborations from third parties, including the CRF receptor we license from The Salk Institute and use in our CRF program collaboration with GlaxoSmithKline and the excitatory amino acid transporters we license from Oregon Health Sciences University and use in our collaboration with Wyeth. Other in-licensed technologies, such as the GnRH receptor we license from Mount Sinai School of Medicine and melanocortin subtype 4 we license from the University of Michigan, will be important for future collaborations for our GnRH and melanocortin programs. If we were to default on our obligations under any of our product licenses, such as our license to indiplon, we could lose some or all of our rights to develop, market and sell the product. Likewise, if we were to lose our rights under a license to use proprietary research tools, it could adversely affect our existing collaborations or adversely affect our ability to form new collaborations. We also face the risk that our licensor