

NEUROCRINE BIOSCIENCES INC
Form DEF 14A
April 21, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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:

Table of Contents

NEUROCRINE BIOSCIENCES, INC.

12780 El Camino Real

San Diego, CA 92130

Notice of Annual Meeting of Stockholders

To Be Held on May 25, 2011

TO THE STOCKHOLDERS:

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

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

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

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

By Order of the Board of Directors,

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

Corporate Secretary

San Diego, California

April 21, 2011

Important Notice Regarding the Availability of Proxy Materials for the Stockholders

Meeting to be Held on May 25, 2011 at 10:30 a.m. Local Time at

12780 El Camino Real, San Diego, California 92130.

The proxy statement and annual report to stockholders are available at

www.proxyvote.com. Please have the control number on your proxy card available.

Table of Contents**TABLE OF CONTENTS**

	Page
<u>About the Annual Meeting</u>	1
<i><u>What is the purpose of the Annual Meeting?</u></i>	1
<i><u>Who can attend the Annual Meeting?</u></i>	1
<i><u>Who is entitled to vote at the Annual Meeting?</u></i>	1
<i><u>What constitutes a quorum? What are broker non-votes? What are advisory votes?</u></i>	2
<i><u>How do I vote?</u></i>	2
<i><u>Can I vote by telephone or electronically?</u></i>	2
<i><u>Can I change my vote after I return my proxy card?</u></i>	2
<i><u>What are the Board of Director s recommendations?</u></i>	3
<i><u>What vote is required to approve each item?</u></i>	3
<i><u>Who counts the votes?</u></i>	3
<i><u>What proxy materials are available on the Internet?</u></i>	3
<i><u>How can I find out the results of the voting at the Annual Meeting?</u></i>	3
<u>Stock Ownership</u>	4
<i><u>Who are the principal stockholders, and how much stock does management own?</u></i>	4
<i><u>Section 16(a) Beneficial Ownership Reporting Compliance</u></i>	5
<u>Board of Directors and Committees</u>	6
<u>General</u>	6
<u>Director Biographies</u>	6
<u>Corporate Governance</u>	8
<u>General</u>	8
<i><u>What is the Board s leadership structure?</u></i>	8
<i><u>Are the members of the Board independent?</u></i>	9
<i><u>How often did the Board meet during fiscal 2010?</u></i>	9
<i><u>What are the various committees of the Board and which Directors are on those committees?</u></i>	9
<i><u>What is our Director nomination process?</u></i>	10
<i><u>Class I Directors Continuing until 2012 Annual Meeting</u></i>	11
<i><u>Class II Directors Continuing until 2013 Annual Meeting</u></i>	11
<i><u>Class III Directors Nominated for Re-election at 2011 Annual Meeting</u></i>	11
<i><u>Identification and Evaluation of Nominees for Director</u></i>	12
<i><u>What is our process for stockholder communications with the Board of Directors?</u></i>	12
<i><u>What is the Board s role in risk oversight?</u></i>	13
<i><u>How do the Company s compensation policies and practices relate to risk management practices and risk-taking incentives?</u></i>	13
<i><u>What is our policy regarding Board member attendance at the Company s Annual Meeting?</u></i>	13
<u>Report of the Audit Committee</u>	14
<i><u>Audit and non-audit fees</u></i>	15
<i><u>Audit Committee policy regarding pre-approval of audit and permissible non-audit services of our independent registered public accounting firm</u></i>	15
<u>Proposal One: Election of Directors</u>	16
<i><u>Nominees for Election at the Annual Meeting</u></i>	16
<i><u>Who are the remaining Directors that are not up for election this year?</u></i>	16
<i><u>Vote Required</u></i>	17
<u>Proposal Two: Advisory Vote on the Compensation Paid to the Company s Named Executive Officers</u>	18
<u>General</u>	18
<i><u>Summary of the Company s Compensation Philosophy</u></i>	18
<i><u>Vote Required</u></i>	18
<u>Proposal Three: Advisory Vote on the Frequency of Voting on the Compensation Paid to the Company s Named Executive Officers</u>	20
<u>General</u>	20

Table of Contents

	Page
<u>Recommendation of the Board of Directors</u>	20
<u>Vote Required</u>	20
<u>Proposal Four: Approval of the Company's 2011 Equity Incentive Plan</u>	21
<u>General</u>	21
<u>Vote Required</u>	21
<u>Summary of the 2011 Equity Incentive Plan</u>	21
<u>Equity Compensation Plans</u>	30
<u>Proposal Five: Stockholder Proposal to Declassify the Board of Directors</u>	31
<u>General</u>	31
<u>Vote Required</u>	33
<u>Proposal Six: Ratification of Appointment of Independent Registered Public Accounting Firm</u>	34
<u>General</u>	34
<u>Vote Required</u>	34
<u>Executive Officers</u>	35
<u>Compensation Discussion and Analysis</u>	36
<u>Overview and Role of the Compensation Committee</u>	36
<u>Compensation Philosophy and Objectives</u>	36
<u>Role of Peer Group, Compensation Surveys and Consultants</u>	37
<u>Compensation Consultant</u>	37
<u>Role of Executive Officers in Compensation Decisions</u>	37
<u>Components of Compensation</u>	38
<u>Chief Executive Officer Compensation</u>	41
<u>Other Executive Officer Compensation</u>	42
<u>Tax Considerations</u>	43
<u>Compensation Committee Report</u>	43
<u>Compensation Committee interlocks and insider participation</u>	44
<u>Executive Compensation and Other Information</u>	45
<u>Summary Compensation Table</u>	45
<u>Grants of Plan-Based Awards Table</u>	46
<u>Agreements with Named Executive Officers</u>	47
<u>Option Cancellation Agreements</u>	48
<u>Outstanding Equity Awards</u>	49
<u>Nonqualified Deferred Compensation</u>	50
<u>Option Exercises and Stock Vested</u>	50
<u>Potential Payments upon Termination or Change-In-Control</u>	51
<u>Director Compensation Summary</u>	56
<u>Compensation of Directors</u>	56
<u>Additional Information</u>	57
<u>Related Person Transactions</u>	57
<u>Other Matters</u>	58
<u>Additional Information</u>	58
<u>Appendix A: Neurocrine Biosciences 2011 Equity Incentive Plan</u>	A-1

Table of Contents

NEUROCRINE BIOSCIENCES, INC.

12780 El Camino Real

San Diego, California 92130

PROXY STATEMENT

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

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

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

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

Who can attend the Annual Meeting?

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

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

Who is entitled to vote at the Annual Meeting?

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

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

Table of Contents

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

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

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

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

How do I vote?

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

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

Can I vote by telephone or electronically?

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

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

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

Table of Contents

What are the Board of Director s recommendations?

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

for election of the three nominees for Director named herein (see Proposal One);

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

for annual advisory voting on the compensation paid to the Company s named executive officers (see Proposal Three);

for approval of the Company s 2011 Equity Incentive Plan (see Proposal Four);

against the stockholder proposal to declassify the Board of Directors (see Proposal Five);

for ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2011 (see Proposal Six).

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

What vote is required to approve each item?

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

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

Who counts the votes?

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

What proxy materials are available on the Internet?

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

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

Edgar Filing: NEUROCRINE BIOSCIENCES INC - Form DEF 14A

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.

Table of Contents**STOCK OWNERSHIP***Who are the principal stockholders, and how much stock does management own?*

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

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