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ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On February 1, 2006, the Compensation Committee of our Board of Directors approved (1) the payment of 2005 cash bonuses and (2) a process for the determination of 2006 cash bonuses for our named executive officers as described below. The Compensation Committee determined that 2006 base salaries of our named executive officers would remain unchanged from 2005.

1. 2005 CASH BONUSES

NAME AND POSITION	2005 CASH BONUS
Arthur T. Sands, M.D., Ph.D. President and Chief Executive Officer	\$165,000
Julia P. Gregory Executive Vice President, Corporate Development and Chief Financial Officer	\$80,000
Jeffrey L. Wade, J.D. Executive Vice President and General Counsel	\$80,000
Brian P. Zambrowicz, Ph.D. Executive Vice President of Research	\$90,000
Alan J. Main, Ph.D. Senior Vice President, Lexicon Pharmaceuticals	\$60,000

2. PROCESS FOR THE DETERMINATION OF 2006 CASH BONUSES

Our named executive officers are eligible to receive cash bonuses, within the discretion of the Compensation Committee of our Board of Directors, based on the achievement of certain corporate and individual goals in 2006. The corporate goals include objectives relating to the development of drug candidates and the achievement of specified financial targets. The achievement of these goals will be evaluated by the Compensation Committee in making determinations regarding bonuses for 2006 performance.

The Compensation Committee has established a bonus target, expressed as a percentage of base salary, for each of our named executive officers, assuming that corporate and individual goals are fully achieved. The bonus target percentage for each of our named executive officers is set forth below:

NAME AND POSITION	BONUS TARGET
Arthur T. Sands, M.D., Ph.D. President and Chief Executive Officer	50%
Julia P. Gregory Executive Vice President, Corporate Development and Chief Financial Officer	35%
Jeffrey L. Wade, J.D. Executive Vice President and General Counsel	35%
Brian P. Zambrowicz, Ph.D. Executive Vice President of Research	40%
Alan J. Main, Ph.D.	30%

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Senior Vice President, Lexicon Pharmaceuticals

Also effective February 1, 2006, with the authorization and approval of the Compensation Committee, we entered into an agreement with Arthur T. Sands, M.D., Ph.D., our President and Chief Executive Officer, (1) terminating our obligation under his employment agreement to fund a split-dollar life insurance policy for his benefit, (2) foregoing our right under the split-dollar agreement with the trust that owns the policy to the reimbursement of \$147,828 in premiums that we previously paid for such policy prior to 2002, and (3) providing for the payment to Dr. Sands of \$219,457 to enable him to pay, for his own account, the premiums under the policy for 2004 and 2005 and the taxes associated with the termination of the trust's reimbursement obligations under the split-dollar agreement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEXICON GENETICS INCORPORATED

Date: February 7, 2006

By: /s/ JEFFREY L. WADE

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Jeffrey L. Wade  
Executive Vice President and  
General Counsel

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