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

SCHEDULE 13D

Under the Securities Exchange Act of 1934

SGX PHARMACEUTICALS, INC.

(Name of Issuer)

Common Stock, par value \$0.001 per share

(Title of Class of Securities)

78423C108

(CUSIP Number)

Robert A. Armitage
Senior Vice President and General Counsel
Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
(317) 276-2000

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

July 8, 2008

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box

CUSIP No.: 78423C108

SCHEDULE 13D

1	NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Eli Lilly and Company	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS WC	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="radio"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Indiana	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0 shares
	8	SHARED VOTING POWER 5,343,313 shares ⁽¹⁾
	9	SOLE DISPOSITIVE POWER 0 shares
	10	SHARED DISPOSITIVE POWER 0 shares
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 5,343,313 shares ⁽¹⁾	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="radio"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 25.9% ⁽²⁾	
14	TYPE OF REPORTING PERSON CO	

(1) Comprised of 5,343,313 shares of common stock, par value \$0.001 per share (the "Shares"), of SGX Pharmaceuticals, Inc. ("SGX") owned by certain SGX stockholders, which may be deemed to be beneficially owned by Eli Lilly and Company pursuant to the Voting Agreement described in Item 4 below.

(2) The calculation of this percentage is based on the 20,656,153 Shares outstanding as of July 8, 2008, as represented by SGX in the Merger Agreement described in Item 4 below.

Item 1. Security and Issuer.

This statement relates to shares of common stock, par value \$0.001 per share (the “Shares”), of SGX Pharmaceuticals, Inc., a Delaware corporation (“SGX”), whose principal executive offices are located at 10505 Roselle Street, San Diego, California 92121. The telephone number at that location is (858) 558-4850.

Item 2. Identity and Background.

(a) — (c), (f) The person filing this statement is Eli Lilly and Company, an Indiana corporation (“Lilly”). Lilly’s principal executive offices are located at Lilly Corporate Center, Indianapolis, Indiana 46285. The telephone number at that location is (317) 276-2000.

Lilly is a leading innovation-driven corporation developing a growing portfolio of first-in-class and best-in-class pharmaceutical products by applying the latest research from its own worldwide laboratories and from collaborations with eminent scientific organizations. Lilly manufactures and distributes its products through owned or leased facilities in the United States, Puerto Rico, and 25 other countries. Lilly products are sold in approximately 135 countries.

The name, citizenship, residence or business address, present principal occupation or employment, and the name and principal business and address of any corporation or other organization in which such employment is conducted, with respect to each director and executive officer of Lilly, are set forth in Annex I hereto, which is incorporated herein by reference.

(d) — (e) None of Lilly or any person listed in Annex I has during the last five years (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

On July 8, 2008, Lilly, its direct wholly owned subsidiary, REM Merger Sub, Inc., a Delaware corporation (“Merger Sub”), and SGX entered into an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which Lilly intends to acquire SGX in a merger transaction (the “Merger”). The Merger is not conditioned upon Lilly’s or Merger Sub’s ability to finance the Merger.

Lilly estimates that the total amount of funds to consummate the Merger will be approximately \$64 million in cash, plus fees and expenses. Lilly will have sufficient funds to consummate the Merger, and will cause Merger Sub to have sufficient funds available to consummate such transactions. Lilly expects to obtain the necessary funds from existing cash balances.

On July 8, 2008, in connection with the Merger Agreement, Lilly entered into a voting agreement with certain of SGX’s officers, directors and significant stockholders who together owned approximately 25.9% of SGX’s total Shares outstanding (the “Voting Agreement”).

The Voting Agreement was entered into as a condition and inducement to Lilly's execution and delivery of the Merger Agreement and Lilly did not pay any additional consideration in connection with the execution and delivery of the Voting Agreement.

Item 4. Purpose of Transaction.

Under the Merger Agreement, each outstanding Share (other than Shares owned by Lilly or Merger Sub, held by SGX as treasury stock, or for which appraisal rights have been perfected; all of which will be cancelled and retired and will cease to exist) will be converted into the right to receive \$3.00 in cash, without interest, at the effective time of the Merger. The Merger is not conditioned upon Lilly's or Merger Sub's ability to finance the purchase of Shares pursuant to the Merger. Upon satisfaction of all of the conditions to closing the Merger, Lilly intends to effect the Merger as promptly as practicable, at which time the separate existence of Merger Sub will cease, and SGX will continue as the surviving corporation, wholly owned by Lilly.

The consummation of the transactions contemplated by the Merger Agreement is subject to termination or expiration of the waiting period applicable to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the approval of the stockholders of SGX, as well as the satisfaction of certain other conditions described in the Merger Agreement, which is filed as Exhibit 2.1 to SGX's Current Report on Form 8-K dated July 8, 2008.

Under the terms of the Voting Agreement, each of the stockholders party to the Voting Agreement agreed to vote, and irrevocably appointed Lilly as its proxy to vote, all outstanding Shares held by such stockholder as of the record date: (1) in favor of the Merger and the adoption of the Merger Agreement and the approval of the transactions contemplated by the Merger Agreement, and any actions required in furtherance thereof; (2) against any action or agreement that would result in a breach in any material respect of any covenant, representation or warranty or any other obligation of SGX under the Merger Agreement; and (3) against (i) any extraordinary corporate transaction, such as a merger, rights offering, reorganization, recapitalization or liquidation involving SGX (other than the Merger), (ii) a sale or transfer of a material amount of SGX's assets or capital stock, or (iii) any action that is intended, or would reasonably be expected, to impede, interfere with, prevent, delay, postpone or adversely affect the transactions contemplated by the Merger Agreement. Under the terms of the Voting Agreement, each stockholder party to the Voting Agreement also agreed not to exercise any appraisal rights or any dissenters' rights that such stockholder may have or could potentially have in connection with the Merger and the transactions contemplated by the Merger Agreement.

The preceding description is a summary of certain principal terms of the Merger Agreement and the Voting Agreement and does not purport to be complete. Reference is made to the full text of the Merger Agreement, which is filed as Exhibit 2.1 to SGX's Current Report on Form 8-K dated July 8, 2008, and to the full text of the Voting Agreement, which is filed as Exhibit 99.2 hereto, each of which is incorporated herein by reference.

Lilly anticipates that, if the Merger is completed in accordance with the Merger Agreement, SGX will become a wholly-owned subsidiary of Lilly. Lilly also anticipates that the Nasdaq Stock Market will terminate the listing of SGX common stock on The Nasdaq Global Market and that SGX will terminate its registration and reporting obligations under the Securities Exchange Act of 1934.

Item 5. Interest in Shares of the Issuer.

(a) — (b) Neither Lilly nor Merger Sub directly own any outstanding Shares. By reason of the execution and delivery of the Voting Agreement, however, Lilly may be deemed to be the beneficial owner of 5,343,313 Shares, representing approximately 25.9% of the outstanding Shares.

(c) Except for the execution and delivery of the Merger Agreement and the Voting Agreement, no transactions in the Shares were effected by Lilly or Merger Sub or, to their knowledge, any person listed in Annex I hereto, during the 60 days prior to the date hereof.

(d) — (e) Inapplicable.

References to, and descriptions of, the Merger Agreement and the Voting Agreement in this Item 5 are qualified in their entirety by reference to the full text of such agreements, which are filed as Exhibit 2.1 to SGX's Current Report on Form 8-K dated July 8, 2008 and Exhibit 99.2 hereto, respectively, and which are incorporated by this reference in this Item 5.

Item 6. Contracts, Arrangements, Understandings or Relationships with respect to Shares of the Issuer.

Reference is made to the response to Item 4 above, which is incorporated herein by reference.

Except as provided in the Merger Agreement and the Voting Agreement and as otherwise referred to or described in this report, to the knowledge of Lilly, there are no contracts, arrangements, understandings or relationships (legal or otherwise) among the persons named or referred to in Item 2 above, and between any such persons and any other person, with respect to any securities of SGX.

Item 7. Material to be Filed as Exhibits.

Exhibit No.	Description
99.1	Agreement and Plan of Merger, dated as of July 8, 2008, among Lilly, Merger Sub and SGX.*
99.2	Voting Agreement, dated as of July 8, 2008, by and between Lilly and the SGX stockholders named therein.

* Incorporated by reference to SGX's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 8, 2008.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

ELI LILLY AND COMPANY

By: /s/ James B. Lootens

Name: James B. Lootens

Title: Secretary and Deputy General Counsel

Dated: July 18, 2008

ANNEX I

Information Concerning Executive Officers and Directors of Lilly

The name, business address and present principal occupation or employment of each of the directors and executive officers of Lilly are set forth on this Annex I. The address of Lilly is: Lilly Corporate Center, Indianapolis, Indiana 46285. Unless otherwise indicated, all positions set forth below an individual's name refer to positions within Lilly and, where applicable, the business address listed for each individual not principally employed by Lilly is also the address of the corporation or other organization that principally employs that individual. Unless otherwise indicated below, all of the persons listed below are citizens of the United States of America.

Sir Winfried Bischoff
Director
Chairman, Citigroup Inc.
399 Park Avenue, 3rd Floor
New York, New York 10022

J. Michael Cook
Director

Michael L. Eskew
Director

Martin S. Feldstein, Ph.D.
Director
President, Emeritus, National Bureau of Economic Research, and George F. Baker Professor of Economics, Harvard University
1050 Massachusetts Avenue, Room 240
Cambridge, Massachusetts 02138

J. Erik Fyrwald
Director
Chairman, President, and Chief Executive Officer, Nalco Holding Company
1601 West Diehl Road
Naperville, Illinois 60563

Alfred G. Gilman, M.D., Ph.D.
Director
Executive Vice President for Academic Affairs and Provost, The University of Texas Southwestern Medical Center at Dallas; Dean, Southwestern Medical School; and Regental Professor of Pharmacology and Director of the Cecil and Ida Green Center for Molecular, Computational, and Systems Biology, The University of Texas Southwestern Medical Center
UT Southwestern Medical Center
Room B11.20
5323 Harry Hines Boulevard
Dallas, Texas 75390

Karen N. Horn, Ph.D.
Director

John C. Lechleiter, Ph.D.
Director
President and Chief Executive Officer

Ellen R. Marram
Director
President, The Barnegat Group LLC
54 Riverside Drive
New York, New York 10024

Sidney Taurel
Chairman of the Board of Directors

Franklyn G. Prendergast, M.D., Ph.D.
Director
Edmond and Marion Guggenheim Professor of Biochemistry and Molecular Biology and
Professor of Molecular Pharmacology and Experimental Therapeutics, Mayo Medical School;
Director, Mayo Clinic Center for Individualized Medicine; and Director Emeritus, Mayo Clinic
Cancer Center
Department of Molecular Pharmacology and Experimental Therapeutics
Mayo Foundation
230 1st Street SW
Rochester, Minnesota 55905

Kathi P. Seifert
Director

Robert A. Armitage
Senior Vice President and General Counsel

Alex M. Azar II
Senior Vice President, Corporate Affairs and Communications

Bryce D. Carmine
Executive Vice President, Global Marketing and Sales

Deirdre P. Connelly
President, U.S. Operations

Frank M. Deane, Ph.D.
President, Manufacturing Operations

Anthony J. Murphy, Ph.D.
Senior Vice President, Human Resources

Steven M. Paul, M.D.
Executive Vice President, Science and Technology

Derica W. Rice
Senior Vice President and Chief Financial Officer

Gino Santini
Senior Vice President, Corporate Strategy and Business Development

VOTING AGREEMENT, dated as of July 8, 2008 (this “*Agreement*”), among Eli Lilly and Company, an Indiana corporation (“*Parent*”), and each of the stockholders listed on Schedule I to this Agreement (each, a “*Stockholder*” and, collectively, the “*Stockholders*”).

INTRODUCTION

Parent, REM MERGER SUB, INC., a Delaware corporation and wholly owned subsidiary of Parent (“*Merger Sub*”), and SGX Pharmaceuticals, Inc., a Delaware corporation (the “*Company*”), propose to enter into an Agreement and Plan of Merger, dated as of the date hereof (as it may be amended or supplemented from time to time, the “*Merger Agreement*”), pursuant to which, upon the terms and subject to the conditions thereof, Merger Sub will be merged with and into the Company, and the Company will be the surviving entity (the “*Merger*”).

As of the date hereof, each Stockholder is the record and beneficial owner of the number of shares (the “*Shares*”) of common stock, par value \$0.001 per share, of the Company (the “*Company Common Stock*”), set forth opposite such Stockholder’s name on Schedule I attached hereto (such Shares, together with any other shares of capital stock of the Company acquired by such Stockholder after the date hereof and during the term of this Agreement (including through the exercise of any stock options, warrants or any other convertible or exchangeable securities or similar instruments), being collectively referred to herein as such Stockholder’s “*Subject Shares*”).

As a condition to its willingness to enter into the Merger Agreement, Parent has required that each Stockholder agree, and each Stockholder is willing to agree, to the matters set forth herein.

In consideration of the foregoing and the agreements set forth below, the parties hereto agree as follows:

SECTION 1. Defined Terms. Capitalized terms used but not defined herein have the meanings set forth in the Merger Agreement.

SECTION 2. Voting of Shares.

(a) Voting. For so long as this Agreement is in effect, each Stockholder hereby agrees to vote (or cause to be voted) all of such Stockholder’s Subject Shares, at every annual, special or other meeting of the stockholders of the Company, and at any adjournment or adjournments thereof, or pursuant to any consent in lieu of a meeting or otherwise:

(i) in favor of the Merger and the adoption of the Merger Agreement and the approval of the Transactions, and any actions required in furtherance thereof;

(ii) against any action or agreement that would result in a breach in any material respect of any covenant, representation or warranty or any other obligation of the Company under the Merger Agreement; and

(iii) against (A) any extraordinary corporate transaction, such as a merger, rights offering, reorganization, recapitalization or liquidation involving the Company or any of its subsidiaries (other than the Merger), (B) a sale or transfer of a material amount of assets or capital stock of the Company or any of its subsidiaries or (C) any action that is intended, or would reasonably be expected, to impede, interfere with, prevent, delay, postpone or adversely affect the Transactions.

(b) Grant of Irrevocable Proxy. Such Stockholder hereby irrevocably grants to, and appoints, Parent and any individual who shall hereafter be designated by Parent, and each of them, such Stockholder’s proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of such Stockholder, to vote, or cause to be voted, such Stockholder’s Subject Shares, or grant a consent or approval in respect of such Stockholder’s Subject Shares, at every annual, special or other meeting of the stockholders of the Company, and at any adjournment or adjournments thereof, or pursuant to any consent in lieu of a meeting or otherwise, with respect to the matters and in the manner specified in Section 2(a) hereof (and not with respect to any other matters); *provided, however*, that the foregoing proxy shall terminate immediately upon termination of this Agreement in accordance with its terms. Each Stockholder understands and acknowledges that Parent is entering into the Merger Agreement in

reliance upon the Stockholders' execution and delivery of this Agreement. Each Stockholder hereby affirms that the irrevocable proxy set forth in this Section 2(b) is given in connection with the execution of the Merger Agreement, and that such irrevocable proxy is given to secure the performance of the duties of such Stockholder under this Agreement. Subject to this Section 2(b), this grant of proxy is coupled with an interest and may under no circumstances be revoked. Each Stockholder hereby ratifies and confirms all actions (including voting or causing to be voted such Stockholder's Subject Shares or granting an approval or consent in respect of such Stockholder's Subject Shares) that may be lawfully taken by such irrevocable proxy in accordance herewith. Such irrevocable proxy is executed and intended to be irrevocable in accordance with the provisions of Section 212 of the Delaware General Corporation Law, subject to the terms hereof.

SECTION 3. Fiduciary Responsibilities. No Stockholder executing this Agreement who is or becomes during the term hereof a director or officer of the Company makes (or shall be deemed to have made) any agreement or understanding herein in his or her capacity as such director or officer. Without limiting the generality of the foregoing, each Stockholder signs solely in his, her or its capacity as the record and beneficial owner of such Stockholder's Subject Shares and nothing herein shall limit or affect any actions taken by such Stockholder (or a designee of such Stockholder) in his or her capacity as an officer or director of the Company in exercising his or her or the Company's or the Company's Board of Directors' rights in connection with the Merger Agreement or otherwise and such actions shall not be deemed to be a breach of this Agreement.

SECTION 4. Representations and Warranties of Stockholder. Each Stockholder, severally and not jointly, represents and warrants to Parent as follows as of the date hereof:

(a) Binding Agreement. Such Stockholder has the capacity to execute and deliver this Agreement and to perform its obligations hereunder. Such Stockholder has duly and validly executed and delivered this Agreement and this Agreement constitutes a legal, valid and binding obligation of such Stockholder, enforceable against such Stockholder in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

(b) No Conflict. Neither the execution and delivery of this Agreement by such Stockholder, nor the performance by such Stockholder of its obligations hereunder will (i) require any consent, approval, authorization or permit of, registration, declaration or filing (except for such filings as may be required under the federal securities laws, the HSR Act or as would not prevent, delay or otherwise impair such Stockholder's ability to perform its obligations hereunder) with, or notification to, any Governmental Authority, (ii) if such Stockholder is an entity, result in a violation of, or default under, or conflict with any provision of its certificate of incorporation, bylaws, partnership agreement, limited liability company agreement or similar organizational documents, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, or acceleration) under any contract, trust, agreement, instrument, commitment, arrangement or understanding applicable to such Stockholder or such Stockholder's Subject Shares, or result in the creation of a security interest, lien, charge, encumbrance, equity or claim with respect to any of such Stockholder's Subject Shares, except, in the case of clause (iii), as would not prevent, delay or otherwise impair such Stockholder's ability to perform its obligations hereunder, (iv) require any consent, authorization or approval of any Person other than a Governmental Authority, except, in the case of clause (iv), as would not prevent, delay or otherwise impair such Stockholder's ability to perform its obligations hereunder or (v) violate or conflict with any order, writ, injunction, decree, rule, regulation or law applicable to such Stockholder or such Stockholder's Subject Shares. If such Stockholder is a married individual and such Stockholder's Subject Shares constitute community property or otherwise need spousal approval in order for this Agreement to be a legal, valid and binding obligation of such Stockholder, this Agreement has been duly authorized, executed and delivered by, and constitutes a legal, valid and binding obligation of, such Stockholder's spouse, enforceable against such spouse in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

(c) Ownership of Shares. Such Stockholder is the record and beneficial owner of the Shares set forth opposite such Stockholder's name on Schedule I attached hereto free and clear of any security interests, liens,

charges, encumbrances, equities, claims, options or limitations of whatever nature and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such Shares), except for any such encumbrances arising hereunder. There are no outstanding options, shares of Company Common Stock subject to vesting or other rights to acquire from such Stockholder, or obligations of such Stockholder to sell or to dispose of, any of the Shares set forth opposite such Stockholder's name on Schedule I attached hereto. Except as provided in Section 2 hereof, such Stockholder holds exclusive power to vote the Shares set forth opposite such Stockholder's name on Schedule I attached hereto. As of the date of this Agreement, the Shares set forth opposite such Stockholder's name on such Schedule I attached hereto represent all of the shares of capital stock of the Company beneficially owned by such Stockholder.

SECTION 5. Representations and Warranties of Parent. Parent represents and warrants to the Stockholders as follows as of the date hereof:

(a) Binding Agreement. Parent is a corporation organized, validly existing and in good standing under the laws of the State of Indiana and has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Parent and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of Parent, and no other corporate proceedings on the part of Parent are necessary to authorize the execution, delivery and performance of this Agreement by Parent and the consummation of the transactions contemplated hereby (except as described in Section 4.3 of the Merger Agreement). Parent has duly and validly executed this Agreement and this Agreement constitutes a legal, valid and binding obligation of Parent, enforceable against Parent in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

(b) No Conflict. Neither the execution and delivery by Parent of this Agreement, nor the performance by Parent of its obligations hereunder will (i) require any consent, approval, authorization or permit of, registration, declaration or filing (except for such filings as may be required under the federal securities laws, the HSR Act or as would not be expected to prevent, delay or otherwise impair Parent's ability to perform its obligations hereunder) with, or notification to, any governmental entity, (ii) result in a violation of, or default under, or conflict with any provision of its organizational documents, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, or acceleration) under any contract, trust, agreement, instrument, commitment, arrangement or understanding applicable to Parent, except, in the case of clause (iii), as would not prevent, delay or otherwise impair Parent's ability to perform its obligations hereunder, (iv) require any consent, authorization or approval of any Person other than a governmental entity, except, in the case of clause (iv), as would not prevent, delay or otherwise impair such Parent's ability to perform its obligations hereunder or (v) violate or conflict with any order, writ, injunction, decree, rule, regulation or law applicable to Parent.

SECTION 6. Transfer and Other Restrictions. For so long as this Agreement is in effect:

(a) Certain Prohibited Transfers. Each Stockholder agrees not to:

(i) sell, transfer, pledge, encumber, assign or otherwise dispose of (collectively, the "Transfer"), or enter into any contract, option or other arrangement or understanding with respect to the Transfer of, such Stockholder's Subject Shares or any interest contained therein;

(ii) grant any proxies or powers of attorney or enter into a voting agreement or other arrangement with respect to such Stockholder's Subject Shares, other than this Agreement;

(iii) enter into, or deposit such Stockholder's Subject Shares into, a voting trust or take any other action which would, or could reasonably be expected to, result in a diminution of the voting power represented by any of such Stockholder's Subject Shares; or

(iv) commit or agree to take any of the foregoing actions.

Notwithstanding the foregoing, nothing in this Agreement shall prohibit a Transfer of Subject Shares by a Stockholder (1) if the Stockholder is an individual (x) to any member of such Stockholder's immediate family, or to

a trust for the benefit of such Stockholder or any member of such Stockholder's immediate family, or (y) upon the death of such Stockholder, or (2) if the Stockholder is a partnership or limited liability company, to one or more partners or members of such Stockholder or to an affiliated corporation under common control with such Stockholder; *provided, however*, that a Transfer referred to in this sentence shall be permitted only if, (A) as a precondition to such Transfer, the transferee agrees in a writing, reasonably satisfactory in form and substance to Parent, to be bound by all of the terms of this Agreement as a Stockholder hereunder and (B) such Transfer shall not result in the incurrence of any Lien upon any shares of Company Common Stock.

(b) *Efforts*. Each Stockholder agrees not to take any action which would make any representation or warranty of such Stockholder herein untrue or incorrect in any material respect as of any time prior to the termination hereof or take any action that would have the effect of preventing or disabling it from performing its obligations under this Agreement. Subject to Section 3 hereof, for so long as this Agreement is in effect, each Stockholder and Parent shall use their reasonable best efforts to take, or cause to be taken, all actions (including executing and delivering additional documents) and do, or cause to be done, and to assist and cooperate with the other parties hereto in doing, all things, in each case, as may reasonably be necessary or desirable to carry out the provisions of this Agreement.

(c) *Additional Shares*. In the event (i) of any stock dividend, stock split, recapitalization, reclassification, combination or exchange of shares of capital stock of the Company on, or of affecting any Stockholder's Subject Shares or (ii) any Stockholder becomes the beneficial owner of any additional shares of Company Common Stock or other securities entitling the holder thereof to vote or give consent with respect to the matters set forth in Section 2(a) hereof, then the terms of this Agreement shall apply to the shares of capital stock or other securities of the Company held by such Stockholder immediately following the effectiveness of the events described in clause (i) or such Stockholder becoming the beneficial owner thereof, as described in clause (ii), as though they were such Stockholder's Subject Shares hereunder. Each Stockholder hereby agrees, while this Agreement is in effect, to notify Parent of the number of any new shares of Company Common Stock acquired by such Stockholder, if any, after the date hereof.

SECTION 7. *Appraisal Rights*. Each Stockholder hereby agrees not to exercise any appraisal rights or any dissenters' rights that such Stockholder may have (whether under applicable law or otherwise) or could potentially have or acquire in connection with the Merger Agreement and the Transactions.

SECTION 8. *No Solicitation*. For so long as this Agreement is in effect, no Stockholder shall, nor shall such Stockholder permit any investment banker, attorney or other advisor or representative of the Stockholder to, directly or indirectly through another Person, solicit, initiate or encourage, or take any other action to facilitate, any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Takeover Proposal; *provided, however*, that any action which is permitted by the Merger Agreement to be taken by a stockholder in his or her capacity as a director or officer or which is permitted by Section 3 hereof shall not be prohibited by the foregoing.

SECTION 9. *Specific Enforcement; Jurisdiction*. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with the terms hereof or were otherwise breached and that the non-breaching party shall be entitled to specific performance of the terms hereof in addition to any other remedy which may be available at law or in equity. It is accordingly agreed that the non-breaching party will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any state or federal court located in the State of Delaware or in the Court of Chancery of the State of Delaware, the foregoing being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any state or federal court located in the State of Delaware or in the Court of Chancery of the State of Delaware in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a state or federal court located in the State of Delaware or the Court of Chancery of the State of Delaware.

SECTION 10. Termination. This Agreement (including any proxies granted hereunder) shall terminate and cease to have any force or effect on the earliest of (a) the termination of the Merger Agreement in accordance with its terms, (b) with respect to any Stockholder, the written agreement of such Stockholder and Parent to terminate this Agreement, (c) the consummation of the Merger, and (d) the amendment of the Merger Agreement to alter the Merger Consideration in a manner adverse to the Stockholders unless such amendment has been consented to by the Stockholders in writing prior to or simultaneously with such amendment; *provided, however*, that (i) Sections 9 through 19 shall survive any termination of this Agreement and (ii) termination of this Agreement shall not relieve any party from liability for any breach of its obligations hereunder committed prior to such termination.

SECTION 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by overnight carrier or by facsimile (upon confirmation of receipt) to the parties at the following addresses or at such other as shall be specified by the parties by like notice: (a) if to Parent, to the appropriate address set forth in Section 10.1 of the Merger Agreement; and (b) if to a Stockholder, to the appropriate address set forth on Schedule I hereto.

SECTION 12. Certain Events. Each Stockholder agrees that, while in effect, this Agreement and the obligations hereunder shall attach to such Stockholder's Subject Shares and shall be binding upon any person or entity to which legal or beneficial ownership of such Stockholder's Subject Shares shall pass, whether by operation of law or otherwise, including such Stockholder's heirs, guardians, administrators or successors.

SECTION 13. Entire Agreement. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

SECTION 14. Amendment. This Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto; *provided, however*, that with respect to the obligations of any individual Stockholder under this Agreement, this Agreement may be amended with the approval of such Stockholder and Parent notwithstanding the failure to obtain the approval of other Stockholders.

SECTION 15. Successors and Assigns. This Agreement shall not be assigned by a merger, operation of law or otherwise without the prior written consent of the other parties hereto, except as expressly provided by Section 6(a). This Agreement will be binding upon, inure to the benefit of and be enforceable by each party and such party's heirs, beneficiaries, executors, successors, representatives and permitted assigns.

SECTION 16. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, and delivered by means of facsimile transmission or otherwise, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

SECTION 17. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE REGARDLESS OF THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER APPLICABLE PRINCIPLES OF CONFLICTS OF LAW THEREOF.

SECTION 18. Severability. If any provision of this Agreement shall be held to be illegal, invalid or unenforceable under any applicable law, then such contravention or invalidity shall not invalidate the entire Agreement. Such provision shall be deemed to be modified to the extent necessary to render it legal, valid and enforceable, and if no such modification shall render it legal, valid and enforceable, then this Agreement shall be construed as if not containing the provision held to be invalid, and the rights and obligations of the parties shall be construed and enforced accordingly.

SECTION 19. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed, individually or by its respective officer thereunto duly authorized, as of the date first written above.

Eli Lilly and Company

By: /s/ Gino Santini
Gino Santini Senior Vice President,
Corporate Strategy and Business Development

Stockholders:

/s/ Michael Grey
Michael Grey

/s/ Stephen K. Burley
Stephen K. Burley

/s/ W. Todd Myers
W. Todd Myers

/s/ Siegfried Reich
Siegfried Reich

/s/ Karin Eastham
Karin Eastham

/s/ Christopher S. Henney
Christopher S. Henney

BAVP, L.P.

By: Scale Venture Management I, LLC
its general partner

By: /s/ Lou Bock
Name: Lou Bock
Title: Managing Director

ATLAS VENTURE FUND III, L.P. ATLAS VENTURE ENTREPRENEURS' FUND III, L.P.

By: Atlas Venture Associates III, L.P.
their general partner
By: Atlas Venture Associates III, Inc.
its general partner

ATLAS VENTURE FUND IV, L.P. ATLAS VENTURE ENTREPRENEURS' FUND IV, L.P.

By: Atlas Venture Associates IV, L.P.
their general partner
By: Atlas Venture Associates IV, Inc.
its general partner

By: /s/ Avel Bichara
Name: Avel Bichara
Title: Vice President

By: /s/ Avel Bichara
Name: Avel Bichara
Title: Vice President

**SCHEDULE I TO
VOTING AGREEMENT**

<u>Name and Address of Stockholder</u>	<u>Number of Shares of Company Common Stock</u>
MICHAEL GREY 10505 Roselle Street San Diego, CA 92121	100,000
W. TODD MYERS 10505 Roselle Street San Diego, CA 92121	23,442
KARIN EASTHAM 10505 Roselle Street San Diego, CA 92121	12,500
STEPHEN K. BURLEY 10505 Roselle Street San Diego, CA 92121	55,731
SIEGFRIED REICH 10505 Roselle Street San Diego, CA 92121	22,660
CHRISTOPHER S. HENNEY 10505 Roselle Street San Diego, CA 92121	97,165
BAVP, L.P. 950 Tower Lane, Suite 700 Foster City, CA 94404	2,546,747
ATLAS VENTURE FUND III, L.P. 890 Winter Street, Suite 320 Waltham, MA 02451	27,734
ATLAS VENTURE ENTREPRENEURS' FUND III, L.P. 890 Winter Street, Suite 320 Waltham, MA 02451	602
ATLAS VENTURE FUND IV, L.P. 890 Winter Street, Suite 320 Waltham, MA 02451	2,426,391
ATLAS VENTURE ENTREPRENEURS' FUND IV, L.P. 890 Winter Street, Suite 320 Waltham, MA 02451	30,341