

LILLY ELI & CO
Form 4
August 04, 2006

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
TAUREL SIDNEY

(Last) (First) (Middle)

LILLY CORPORATE CENTER

(Street)

INDIANAPOLIS, IN 46285

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
LILLY ELI & CO [LLY]

3. Date of Earliest Transaction (Month/Day/Year)
08/03/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
Chairman and CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price |
| Common Stock | 08/03/2006 | | M | | 77,110 | A | \$ 34.595 |
| Common Stock | 08/03/2006 | | F | | 31,067 | D | \$ 57.05 |
| Common Stock | 08/03/2006 | | F | | 287 | D | \$ 57.06 |
| Common Stock | 08/03/2006 | | F | | 2,900 | D | \$ 57.07 |
| Common Stock | 08/03/2006 | | F | | 20,800 | D | \$ 57.08 |

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| | | | | | | | | |
|--------------|------------|---|-------|---|----------|---------|------------------|--|
| Common Stock | 08/03/2006 | F | 1,400 | D | \$ 57.09 | 599,573 | D | |
| Common Stock | 08/03/2006 | F | 2,700 | D | \$ 57.1 | 596,873 | D | |
| Common Stock | | | | | | 15,982 | I | 401(k) |
| Common Stock | | | | | | 1,290 | I | by child, A. Taurel |
| Common Stock | | | | | | 1,290 | I | by child, O. Taurel |
| Common Stock | | | | | | 1,290 | I | by child, P. Taurel |
| Common Stock | | | | | | 100,000 | I ⁽¹⁾ | by wife, K. Taurel |
| Common Stock | | | | | | 95,623 | I ⁽²⁾ | Family Limited Partnership 1 |
| Common Stock | | | | | | 20,500 | I ⁽³⁾ | Family Limited Partnership 2 |
| Common Stock | | | | | | 113,797 | I ⁽⁴⁾ | S. Taurel Waterfield GRAT |
| Common Stock | | | | | | 20,000 | I ⁽⁴⁾ | ST Family Investment GRAT II U/A DTD 11/22/05 |
| Common Stock | | | | | | 80,000 | I ⁽⁴⁾ | ST Grantor Retained Annuity Trust U/A 11/22/05 |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

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| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|----------------------------|
| Employee stock option 10/96 (right to buy) | \$ 34.595 | 08/03/2006 | | M | 77,110 | 10/21/1999 10/20/2006 | Common Stock | 77,110 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|------------------|-------|
| | Director | 10% Owner | Officer | Other |
| TAUREL SIDNEY LILLY CORPORATE CENTER INDIANAPOLIS, IN 46285 | X | | Chairman and CEO | |

Signatures

Bronwen Mantlo for Sidney Taurel, authorization on file 08/04/2006

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Reporting person disclaims beneficial ownership of these shares.
Held by Family Limited Partnership 1 in which reporting person is sole general partner. Reporting person, his wife, children, and a trust for the benefit of his grandchildren have limited interests, and reporting person disclaims beneficial ownership in the shares held by the partnership except to the extent of his pecuniary interest therein.
- (3) Held by Family Limited Partnership 2 in which an LLC controlled by the reporting person is the sole general partner and the reporting person is the sole limited partner. Reporting person's children own an interest in the LLC, and reporting person disclaims beneficial ownership in the shares held by the LLC, except to the extent of his pecuniary interest therein.
- (4) Grantor retained annuity trust established by reporting person. Reporting person is trustee.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.