

LILLY ELI & CO
Form 4
October 03, 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)
09/29/2006

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)
Common Stock	09/29/2006		M ⁽¹⁾	35,000 A	\$ 34.595 631,873	D	
Common Stock	09/29/2006		F ⁽¹⁾	27,047 D	\$ 56.3 604,826	D	
Common Stock					16,104	I	401(k)
Common Stock					1,290	I	by child, A. Taurel
Common Stock					1,290	I	by child, O. Taurel

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Common Stock	1,290	I	by child, P. Taurel
Common Stock	100,000	I <u>(2)</u>	by wife, K. Taurel
Common Stock	95,623	I <u>(3)</u>	Family Limited Partnership 1
Common Stock	20,500	I <u>(4)</u>	Family Limited Partnership 2
Common Stock	113,797	I <u>(5)</u>	S. Taurel Waterfield GRAT
Common Stock	20,000	I <u>(5)</u>	ST Family Investment GRAT II U/A DTD 11/22/05
Common Stock	80,000	I <u>(5)</u>	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.

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(9-02)

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

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)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
	\$ 34.595	09/29/2006		M	35,000	10/21/1999	10/20/2006		35,000

Employee
stock
option
10/96
(right to
buy)

Common
Stock

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

10/03/2006

__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) The transactions reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on May 8, 2006.

(2) Reporting person disclaims beneficial ownership of these shares.

(3) 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.

(4) 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.

(5) 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.

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