

LILLY ELI & CO
Form 8-K
December 21, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **December 15, 2006**

ELI LILLY AND COMPANY

(Exact name of registrant as specified in its charter)

Indiana
(State or Other Jurisdiction
of Incorporation)

001-06351
(Commission
File Number)

35-0470950
(I.R.S. Employer
Identification No.)

Lilly Corporate Center
Indianapolis, Indiana
(Address of Principal
Executive Offices)

46285
(Zip Code)

Registrant's telephone number, including area code: (317) 276-2000
No Change

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

On December 17, 2006, Eli Lilly and Company (Lilly), Tour Merger Sub, Inc. (Merger Sub) and ICOS Corporation (ICOS), entered into Amendment No. 1 to the Agreement and Plan of Merger, dated as of October 16, 2006, by and among Lilly, Merger Sub, and ICOS (the Amendment). Pursuant to the Amendment, the proposed merger consideration was increased from \$32.00 per share of ICOS common stock to \$34.00 per share of ICOS common stock.

On December 18, 2006, Lilly issued a press release announcing the execution of the Amendment. A copy of this press release is included as Exhibit 99.1 hereto and included herein by reference.

Item 2.05 Costs Associated with Exit or Disposal Activities

and

Item 2.06 Material Impairments

As announced in June 2006, Lilly has been considering the future of three European facilities, which include the R&D facilities in Mont St. Guibert, Belgium and Hamburg, Germany, and the dry products manufacturing facility in Basingstoke, England. On October 16, 2006, the board of directors approved a plan to close the Basingstoke, England site, should management not be able to identify a viable option to sell the site. On December 15, 2006, management determined that no such option to sell existed, and decided to close the Basingstoke site and implement the social package, including severance payments, that was negotiated with the site works council and approved by the board of directors on October 16, 2006. Under the agreement, operations will continue during the rest of 2006 and decrease during 2007, with the official closing anticipated for December 31, 2007.

Restructuring charges of approximately \$85-95 million related to closing the Basingstoke facility will occur primarily in the fourth quarter of 2006, composed of \$20-25 million in severance related charges, substantially all of which is expected to be in cash, and \$65-70 million in non-cash asset impairment charges.

Item 5.02 Compensatory Arrangements

On December 18, 2006, the board of directors approved the participation of executive officers in a new equity program under the company s 2002 Lilly Stock Plan, the shareholder value award (SVA). The SVA replaces the company s stock option program. The SVA pays out shares of stock based on the growth of the company s stock price over a three-year performance period. Payouts range from zero to 140 percent of target for executive officers. The following table shows the value of the 2007 equity grants for the named executive officers as determined by the compensation committee of the board of directors:

| Name | Shareholder Value Award (\$) | Performance Awards (\$) |
|---------------------------|---|------------------------------------|
| Sidney Taurel | 3,060,000 | 3,060,000 |
| John C. Lechleiter, Ph.D. | 1,989,000 | 1,989,000 |
| Steven M. Paul, M.D. | 1,200,000 | 1,200,000 |
| Robert A. Armitage | 855,000 | 855,000 |
| Derica W. Rice | 855,000 | 855,000 |

Item 9.01 Financial Statements and Exhibits

| Exhibit Number | Exhibit |
|-----------------------|--|
| 99.1 | Press release dated December 18, 2006. |

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.

ELI LILLY AND COMPANY
(Registrant)

By: /s/ Derica W. Rice
Name: Derica W. Rice
Title: Senior Vice President and Chief Financial Officer

Dated: December 21, 2006

EXHIBIT INDEX

| Exhibit Number | Exhibit |
|----------------|--|
| 99.1 | Press release dated December 18, 2006. |

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