
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:

<u>Name</u>	<u>Shareholder Value Award (\$)</u>	<u>Performance Awards (\$)</u>
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

<u>Exhibit Number</u>	<u>Exhibit</u>
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
99.1

Exhibit
Press release dated December 18, 2006.

Date: December 18, 2006

For Release: **Immediately**
Refer to: Phil Belt (317-276-2506)

Lilly Announces Amendment to Merger Agreement with ICOS

Purchase price now set at \$34 per share

Lilly confirms that this is its best and final offer

INDIANAPOLIS, IN, December 18, 2006 — Eli Lilly and Company (NYSE: LLY) today announced that it has reached agreement with ICOS Corporation (NASDAQ: ICOS) to amend the merger agreement relating to the proposed acquisition of ICOS by Lilly. Under the revised terms, Lilly will acquire all of the outstanding shares of ICOS common stock at a price of \$34 per share, for a total purchase price of approximately \$2.3 billion.

The proposed \$34 price reflects a \$2 per share increase from the \$32 per share pursuant to the original merger agreement, and Lilly is affirming that this is its best and final offer.

“We are confident that ICOS shareholders will recognize the substantial value and the certainty that Lilly is offering,” said Sidney Taurel, Lilly chairman and chief executive officer. “We believe this transaction delivers significant value to ICOS shareholders, and it is our final offer.”

The boards of directors of both companies have unanimously approved the revised merger agreement.

A revised proxy statement reflecting the changes in the terms of the proposed transaction will be mailed to ICOS shareholders. In order to give ICOS shareholders a full opportunity to review the revised proxy statement, ICOS will adjourn the special meeting of ICOS shareholders to vote on the merger to January 25, 2007 from the current date of December 19, 2006 and has set a new record date of December 26, 2006 for the shareholder meeting.

About Lilly

Lilly, a leading innovation-driven corporation, is 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. Headquartered in Indianapolis, Ind., Lilly provides answers — through medicines and information — for some of the world’s most urgent medical needs. Additional information about Lilly is available at www.lilly.com.

Additional Information about the Acquisition and Where to Find It

ICOS intends to file a revised definitive proxy statement and other documents regarding the proposed acquisition of ICOS by Lilly with the Securities and Exchange Commission (the "SEC"). ICOS shareholders are urged to read the revised definitive proxy statement when it becomes available and other relevant materials because they contain important information about ICOS and the proposed transaction. A revised definitive proxy statement will be sent to the stockholders of ICOS seeking their approval of the transaction. Investors may obtain a free copy of these materials and other documents filed by ICOS with the SEC at the SEC's website at www.sec.gov, at ICOS' website at www.ICOS.com or by sending a written request to ICOS at 22021 20th Avenue SE, Bothell, Washington 98021, attention: General Counsel.

ICOS, Lilly and their directors, executive officers and certain other members of their managements and employees and other representatives may be deemed to be participants in soliciting proxies from ICOS's shareholders in favor of the proposed merger. Information regarding the persons who may, under the rules of the SEC, be considered to be participants in the solicitation of ICOS' shareholders in connection with the proposed transaction will be set forth in ICOS' revised definitive proxy statement. Additional information regarding these individuals and any interest they have in the proposed transaction will be set forth in the revised definitive proxy statement when it is filed with the SEC.