

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

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

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
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1. Name and Address of Reporting Person * <u>TAUREL SIDNEY</u> <hr/> (Last) (First) (Middle) <u>LILLY CORPORATE CENTER</u> <hr/> (Street) <u>INDIANAPOLIS IN 46285</u> <hr/> (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>LILLY ELI & CO [LLY]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>Chairman and CEO</u>
	3. Date of Earliest Transaction (Month/Day/Year) <u>08/03/2006</u>	
	4. If Amendment, Date of Original Filed (Month/Day/Year)	6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> 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	656,027	D	
Common Stock	08/03/2006		F		31,067	D	\$57.05	624,960	D	
Common Stock	08/03/2006		F		287	D	\$57.06	624,673	D	
Common Stock	08/03/2006		F		2,900	D	\$57.07	621,773	D	
Common Stock	08/03/2006		F		20,800	D	\$57.08	600,973	D	
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

**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 Securities Underlying Derivative Security (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	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	\$0.00	35,000	D	

Explanation of Responses:

1. Reporting person disclaims beneficial ownership of these shares.
2. 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.

Remarks:

Bronwen Mantlo for Sidney Taurel, authorization on file
08/04/2006
 ** Signature of Reporting Person Date

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

* 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).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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 Number.