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**The Definitive Source
for Takeover Defense Intelligence**

Takeover Defense Profile with Analytics

About SharkRepellent.net

www.SharkRepellent.net is brought to you by TrueCourse, Inc., a New York based financial research and consulting firm specializing in takeover defense intelligence. Our products and services assist major financial institutions, investment banks, legal professionals and corporations in defending their clients from unsolicited takeover bids, assessing the takeover defenses of specific companies, identifying corporate governance trends, researching the impact of takeover defense provisions on stock prices, voting for defense related proxies and investigating market opportunities.

For more information, visit us at www.SharkRepellent.net or call us at 212.209.3360.

Glossary of Key Terms Used in This Report

Action by Written Consent

Ability of shareholders to act without a meeting by giving their consent in writing to the taking of any action required or permitted to be taken at a meeting. The ability to act by written consent can be important for an acquiring company to take its case to shareholders or to remove directors before their term expires. Eliminating the ability of shareholders to act by written consent or to call special meetings forces a hostile acquirer to launch its bid in a limited time period during the year with enough time to launch a proxy fight before the annual meeting. Often a different vote requirement is needed to take action via written consent than would be required if the action was taken at a meeting. Companies may set the vote requirement to be unanimous, effectively precluding action by written consent.

Bullet Proof Rating

TrueCourse, Inc.'s proprietary weighted average index comprised of significant provisions and procedural items that contribute to defending against hostile takeovers. The rating includes only proactive defenses, and as such does not take into consideration ownership and voting rights, the takeover laws that govern the state in which a company is incorporated, nor whether a company has opted out of coverage of applicable state takeover laws. The rating scale is from 0 to 10, with a 10 representing the most formidable defenses. The Bullet Proof Rating is a relative measurement of a company's takeover defense protection and is not intended to measure the probability of a successful defense.

Classified Board with Staggered Terms

Under a standard corporate board structure, all directors are up for election each year. A classified board is divided into classes, with a different class of director up for re-election each year. A classified board is typically divided into three classes of equal size, with each director's term running three years and each class' term expiring in consecutive years. Many companies believe that classified boards enhance stockholder value by providing continuity and stability to the company's business strategies and policies by ensuring that at least a majority of the directors will at all times have in-depth knowledge of the company and its business, which assists the board in conducting long-term strategic planning. However, many stockholders believe that one of the most effective ways to improve director accountability is to require all directors to be elected annually. Director elections afford stockholders one of the few opportunities available to express their views on the performance of the board generally and of directors individually. A classified board can be used to make it more difficult to replace a majority of the board, and thus lead to entrenchment by board members. In a proxy fight to unseat directors and replace them with a slate more sympathetic to a takeover bid or to remove a poison pill, only a minority of board seats could be replaced at that time, and the acquirer would have to wait another year to take control of the board.

Cumulative Voting

A method of stock voting in the election of directors that permits shareholders to cast as many votes as equal the number of shares held, multiplied by the number of directors to be elected. The shareholder can cast the whole number of votes for one candidate or distribute them among the other candidates in any way they wish. Cumulative voting gives minority shareholders more opportunity for board representation, since they can cast all of their votes for one candidate as opposed to voting for a different candidate for each open seat. Cumulative voting only applies to the election of directors and is not applicable to any other business to be voted on.

Director Removal

Ability of shareholders to remove a director before his or her term expires. Directors may be removed with or without regard to 'cause' (e.g., guilty of self-dealing, fraud, misappropriation of company assets, etc.), and companies may require a supermajority vote requirement (e.g., 66.67%) to remove directors under certain circumstances. Requiring that directors can only be removed for cause or requiring a supermajority vote requirement to remove directors makes it more difficult for an acquirer to remove some or all directors before their term expires in order to facilitate a takeover proposal.

Poison Pill

A shareholder rights plan, or poison pill, is designed to prevent a hostile takeover by increasing the cost of an acquisition to an acquirer and by producing immediate and significant dilution of an acquirer's investment. If triggered, poison pills allow existing shareholders, excluding the acquirer, of the target company to buy additional shares of the company and/or the potential acquirer at a bargain price. Many companies believe that poison pills enable shareholders to realize the full value of their investment and to provide for fair and equal treatment for all shareholders in the event that an unsolicited attempt is made to acquire the company. However, evidence surrounding the value of poison pills is controversial, including theories that the adoption of a poison pill increases share value and that companies with poison pills in force receive higher takeover premiums than companies without poison pills. Institutional investors typically object to most forms of poison pills, believing they foster entrenched management, fail to promote director independence and generally raise questions of shareholder democracy and good corporate governance. A status of 'In Force' indicates that the company is currently protected by a poison pill.

Special Meetings

Ability of shareholders to call special meetings. Some companies and/or state laws limit the right to call special meetings to shareholders holding not less than a specified percentage of the voting power. Limiting shareholders' rights to call a special meeting is an important takeover defense. It prevents shareholders from removing directors between scheduled meetings and from acting on a takeover bid. Eliminating the ability to act by written consent or to call special meetings forces a hostile acquirer to launch its bid in a limited time period during the year with enough time to launch a proxy fight before the annual meeting.

State Statutes

Provision(s) of the state takeover law of the company's state of incorporation. Most states allow a company to decline coverage (i.e., opt out) of all or some of its anti-takeover laws by adopting an appropriate provision in its charter and/or bylaws. Beyond opting in or out of coverage of a particular statute, there may be additional criteria that must be met for that statute to apply to a company. These criteria differ from state to state, but commonly include the company maintaining a principal place of business or substantial assets within the state and having a minimum number or percentage of its stockholders being residents of the state. In addition to proactive measures that a company can choose to adopt to protect it against hostile takeovers, the use of state anti-takeover laws is a valuable component of a company's overall anti-takeover arsenal.

Supermajority Vote Requirements

Provision whereby the affirmative vote of more than a simple majority (typically 66.67%, 75% or 80%) of the voting power is required to approve an action (e.g., remove directors, amend/ repeal a charter and/or bylaw provision, approve a merger or business combination). Supermajority vote requirements can make it more difficult for an acquirer to replace directors with its own slate between shareholder meetings, amend or repeal certain charter and/or bylaw provisions that may impede a takeover attempt or to approve the takeover bid itself.

Eli Lilly and Company (LLY) NYSE

Company Details

Address: Lilly Corporate Center, Indianapolis, Indiana 46285
 Incorporated: Indiana
 Web Site: www.lilly.com
 SIC Classification: Pharmaceutical Preparations (2834)
 Business Description: Eli Lilly and Company discovers, develops, manufactures, and sells pharmaceutical products. Their pharmaceutical products include neuroscience products, endocrine products, oncology products, animal health products, cardiovascular agents, anti-infectives and other pharmaceutical products.
 Indices: Fortune 500 (#152), Russell 1000, Russell 3000, S&P 500
Bullet Proof Rating: 9.75

Ownership Details

Shares Outstanding:	1,133,092,992	Total Float:	98.637%
Insider Ownership:	1.363%	Insider Ownership (Diluted):	1.827%
Institutional Ownership:	72.846%		
Top Ten Institutional Holders:	37.664%	Number Institutional Holders:	1,184
ESOP:	0%	ESOP Shares:	0

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Charter Filings

Amended/Restated filed on 03-15-2004 in a 10-K effective 10-20-1998

Bylaw Filings

Amended/Restated filed on 08-13-2001 in a 10-K effective 06-24-2001

Board Details

Classified board with staggered terms.
 Board is authorized to increase or decrease the size of the board without shareholder approval.
 Directors may only be removed for cause and only by the vote of 80% of the shares entitled to vote.
 All vacancies on board are filled by remaining directors, including vacancies as a result of removal or an enlargement of the board.

Voting Details

Cumulative voting is prohibited in the election of directors (default Indiana state statute).
 Unanimous written consent (default Indiana state statute).
 Shareholders cannot call special meetings.
 Supermajority vote requirement (80%) to approve mergers not approved by the board and by a majority of continuing directors with a stockholder holding 5% or more of the common shares (80% to amend/repeal).
 Supermajority vote requirement (80%) to amend certain charter provisions.
 Advance Notice Text: For proposals and nominations to be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) calendar days in advance of the date of the Corporation's proxy statement released to shareholders in connection with the previous year's annual meeting of shareholders.

Other Details

Blank check preferred stock.
 Board is authorized to adopt, amend or repeal bylaws without shareholder approval. Indiana law reserves the power to amend or repeal bylaws solely to the board of directors unless the company's charter provide otherwise. The company's charter does not provide otherwise so shareholders do not have the ability to amend or repeal the bylaws.
 Other Defenses Text: In accordance with section 23-1-42-10 of the Indiana Business Corporation Law regarding control share acquisitions, the company's bylaws provides that in the event the acquiring person does not file the acquiring person statement as required by the act or the control shares are not accorded full voting rights, the company can redeem the control shares at their fair value.

Current Poison Pill Position

Eli Lilly & Co currently has a shareholder rights plan (poison pill) in force that will expire on 7-28-2008.

Poison Pill Provisions

Pill Type:	Flip-in/Flip-over	Pill Status:	In Force
Adoption Date:	07-20-1998	Last Amended:	05-27-2003
Rights Agreement Date:	07-20-1998	Expiration Date:	07-28-2008
Exercise Price:	\$325		

Acquiring Person & Separation of Rights

Securities Purchasable Per Right:	.001 of a share of Series B Junior Participating Preferred Stock		
Acquiring Person:	15%	Days to Separate (Person):	10
% to Separate (Person):	15%		
% to Separate (Tender Offer):	15%		

Trigger Exemptions:

Passed Threshold 'Inadvertently' and Promptly Divests Shares
 Increases Due to Repurchases/Reclassifications
 Board Approved Stake Purchases (White Squire)
 Specific Shareholder(s)

Flip-in Flip-over

Status Flip-in: 15% Bargain Factor upon Flip-in: 50%
Flip-over: 50%

Redemption
Redemption Price: \$0.005 Redemption Window: 10 Days

Other Key Provisions

Permitted Offer: No
Limited Threshold Reduction: No
Director Requirement to Amend: Continuing
Exchange Feature: Yes
Chewable: No
Sunset Provision: No
Tide Provision: No

Pill History

Amendment filed on 05-30-2003 in a 8-A/A effective 05-27-2003
Replacement Plan filed on 07-23-1998 in a 8-K effective 07-20-1998
Original Plan filed on 03-25-1994 in a 10-K effective 07-18-1988

Pill Amendment History

05-27-2003 - Remove continuing director qualification to redeem ("dead hand")
07-20-1998 - Replacement plan extends expiration date to 7-28-2008 from 7-28-1998
07-20-1998 - Replacement plan reduces Acquiring Person and Percent to Separate to 15% from 20% (30% for tender offers)
07-20-1998 - Replacement plan reduces flip-in to 15% from 25%
07-20-1998 - Replacement plan removes self-dealing and recapitalization flip-in provisions

State Statutes

Sections 23-1-43-1 to 23-1-43-24 of the Indiana Business Corporation Law provides that a covered corporation can not engage in any business combinations with an interested shareholder (beneficial owner of 10% of the voting power) for five years unless the transaction resulting in a person becoming an interested shareholder, or the business combination, is approved by the board of directors of the corporation prior to that person becoming an interested shareholder. After the five-year restricted period, the interested shareholder may effect a business combination if the combination is approved by a majority of the outstanding voting stock not beneficially owned by the interested stockholder or if certain fair price requirements are met. The company has not opted out of this provision. ("Freezeout with fair price provision")

Sections 23-1-42-1 to 23-1-42-11 of the Indiana Business Corporation Law provides that voting rights of shares of a covered corporation acquired by a stockholder at ownership levels of 20%, 33 1/3% and 50% of the outstanding voting stock are denied unless the acquiring person delivers an acquiring person statement to the company and a majority of the outstanding shares not including shares held by the acquiring person, officers, and employee directors of the corporation authorize the voting rights at a special meeting requested by and paid for by the acquiring person. If the company's charter or bylaws provide for it, the control shares may be redeemed by the company at fair value if no acquiring person statement is delivered or stockholders of the corporation do not authorize voting rights for the shares. In addition, unless otherwise provided in the corporation's charter or bylaws, if voting rights are approved for more than a majority of the voting power, all stockholders other than the acquiring person, may have their shares repurchased by the corporation at fair value. The company has not opted out of this provision. ("Control share acquisition")

The Indiana Takeover Offers Act 23-2-3.1 requires that anyone making a takeover offer of an Indiana corporation file a statement with the Indiana securities commissioner and the president of the target company before the offer is made and the offer must be made to all offerees holding the same class of equity securities of the target company on substantially equivalent terms. Within 20 days of the statement being filed, a hearing is held and if its found that the takeover statement does not contain the required disclosure or the offer is not made to offerees on substantially equivalent terms, the commissioner can prohibit the purchase of shares in the offer or condition the purchase upon changes or modifications. The act also prohibits the bidder from acquiring any additional equity securities of the target company for two years after the takeover offer unless holders of that equity security are given a reasonable opportunity to dispose of their holdings to the bidder on equivalent terms. Under the statute, a takeover offer is an offer to acquire or an acquisition of any equity security pursuant to a tender offer or request or invitation for tenders that would result in the bidder becoming the beneficial owner of more than 10% of any class of the outstanding equity securities of the target company.

Section 23-1-35-1 of the Indiana Business Corporation Law provides that a board of directors, in discharging its duties, may consider both the short term and long term interests of the corporation, taking into account, and weighing as the directors deem appropriate, the effects of an action on the corporation's stockholders, employees, suppliers and customers and the communities in which offices or other facilities of the corporation are located and any other factors the directors consider pertinent. ("Expanded constituency")

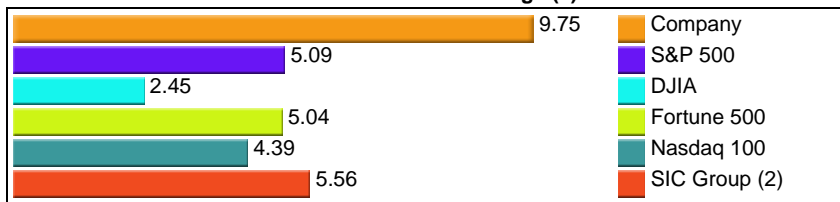
Section 23-1-26-5 of the Indiana Business Corporation Law endorses the use of shareholder rights plans ("poison pills") for in-state companies.

Analytics

Percentage of Firms By Defense Type (1)

	Company	S&P 500	DJIA	Fortune 500	Nasdaq 100	SIC Group (2)
Classified Board	Yes	48.56	20.00	50.11	42.39	58.24
Board Fills All Vacancies	Yes	76.13	83.33	77.97	63.04	76.99
Shareholders Cannot Call Special Meetings	Yes	59.47	76.67	61.34	56.52	64.49
No Action by Written Consent	Yes	72.63	63.33	71.06	60.87	67.90
Fair Price Provision	No	30.45	26.67	29.37	11.96	9.66
Supermajority Vote for Mergers	Yes	29.22	30.00	28.08	16.30	13.07
Directors Removed Only for Cause	Yes	46.91	26.67	49.46	30.43	55.68
Supermajority Vote to Remove Directors	Yes	31.69	16.67	30.67	23.91	31.82
Locked-In Charter or Bylaw Provisions	Yes	66.46	46.67	68.03	52.17	62.78
Expanded Constituency Provision	No	7.61	10.00	8.21	1.09	5.40
No Cumulative Voting	Yes	90.33	90.00	91.58	88.04	95.45
Blank Check Preferred Stock	Yes	94.65	96.67	95.25	94.57	95.45
Poison Pill In Force	Yes	49.30	0.00	45.82	46.00	59.09

Mean Bullet Proof Ratings (3)



(1) Percentages are based upon the number of eligible and active companies in the SharkRepellent.net database.

(2) SIC Group is defined as the first two digits of this company's primary SIC code (28: Chemicals And Allied Products). There are 352 eligible and active companies in the SharkRepellent.net database in this SIC group.

(3) The TrueCourse Bullet Proof Rating is a weighted average index comprised of significant components that impact takeover defenses. The rating scale is from 0 to 10 with a 10 representing the most formidable defenses. The rating system is a relative measurement and is not intended to measure the probability of a successful defense. Statistics are based upon the number of eligible and active companies in the SharkRepellent.net database.

Selected Bullet Proof Ratings in SIC Group (28: Chemicals And Allied Products)

Top Quartile (First 10)

Company	Ticker	BPR
Allergan, Inc.	AGN	10.00
Chattem, Inc.	CHTT	10.00
Ronson Corporation	RONC	10.00
Valeant Pharmaceuticals International	VRX	10.00
A. Schulman, Inc.	SHLM	9.75
Biopure Corporation	BPUR	9.75
Cabot Corporation	CBT	9.75
Chemtura Corporation	CEM	9.75
Eli Lilly and Company	LLY	9.75
Octel Corp.	OTL	9.75

Bottom Quartile (First 10)

Company	Ticker	BPR
Idenix Pharmaceuticals, Inc.	IDIX	0.00
Lannett Company, Inc.	LCI	0.00
Tasker Capital Corp.	TKER	0.00
IMCOR Pharmaceutical Co.	ICPH	0.25
Impax Laboratories, Inc.	IPXLE	0.25
NL Industries, Inc.	NL	0.25
Palatin Technologies, Inc.	PTN	0.25
Progenics Pharmaceuticals, Inc.	PGNX	0.25
Alpharma Inc.	ALO	0.50
Bairnco Corporation	BZ	0.75

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