

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

U.S. SECURITIES AND EXCHANGE COMMISSION, 100 F Street, N.E. Washington, D.C. 20549,	:	
	:	
Plaintiff,	:	Civil Action No. _____
	:	
v.	:	COMPLAINT
	:	
ELI LILLY AND COMPANY,	:	
	:	
Defendant.	:	

Plaintiff Securities and Exchange Commission alleges as follows:

SUMMARY

1. Eli Lilly and Company (“Lilly”) violated the Foreign Corrupt Practices Act of 1977 (“FCPA”) in connection with the activities of its subsidiaries in China, Brazil, Poland and Russia.
2. Between 2006 and 2009, employees of Lilly’s China subsidiary falsified expense reports in order to provide improper gifts and cash payments to government-employed physicians. In 2007, a pharmaceutical distributor hired by Lilly in Brazil paid bribes to government health officials in a Brazilian state in order to assure sales of a Lilly product to state government institutions. In Poland, between 2000 and 2003, Lilly’s subsidiary made eight payments totaling approximately \$39,000 to a small charitable foundation that was founded and administered by the head of one of the regional government health authorities at the same time that the subsidiary was seeking the official’s support for placing Lilly drugs on the government

reimbursement list. Finally, Lilly's subsidiary in Russia paid millions of dollars to off-shore entities for alleged "services" beginning as early as 1994 and continuing through 2005 in order for pharmaceutical distributors and government entities to purchase Lilly's drugs. In some instances, the off-shore entities appear to have been used to funnel money to government officials or others with influence in the government in order to obtain business for the subsidiary. These off-shore entities rarely provided the contracted-for services. Moreover, between 2005 and 2008, contemporaneous with requests to government officials to support the government's purchase or reimbursement of Lilly's products, the subsidiary in Russia made proposals to government officials about how the company could donate to, or otherwise support, various initiatives that were affiliated with, or important to, the government officials.

3. As a result of this conduct, Lilly violated Sections 13(b)(2)(B) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78m(b)(2)(B)] by failing to have an adequate internal controls system in place to detect and prevent illicit payments. Lilly violated 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] by improperly recording each of those payments in its accounting books and records. Lilly also violated Section 30A of the Exchange Act [15 U.S.C. § 78dd-1] in connection with certain activities of its subsidiary in Russia. Unless restrained and enjoined by the Court, Lilly will continue to engage in acts and practices that constitute, or will constitute, violations of these provisions.

JURISDICTION

4. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. Lilly directly and indirectly made use of the mails and of the means and instrumentalities of interstate commerce in connection with certain of the acts, practices and courses of business described in this Complaint.

Certain of the transactions, acts, practices, and courses of business alleged herein occurred within this District, and venue is proper pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] or 28 U.S.C. § 1391(d).

DEFENDANT

5. Eli Lilly and Company is an Indiana corporation with its headquarters located at Lilly Corporate Center, Indianapolis, IN 46285. Lilly is a pharmaceutical manufacturer that markets products in over 143 countries. Its common stock is registered with the Securities and Exchange Commission pursuant to Section 12(b) of the Exchange Act and is listed on the New York Stock Exchange under the symbol “LLY.”

6. Outside of the United States, Lilly sells its products, both directly and through distributors or other intermediaries, to government-controlled entities, such as ministries of health and government-owned hospitals and clinics.

FACTS

Poland

7. During 2000 through 2003, Lilly’s wholly-owned subsidiary in Poland (“Lilly-Poland”) made eight payments totaling approximately \$39,000 to the Chudow Castle Foundation (“Chudow Foundation”), a small charitable foundation in Poland that was founded and administered by the Director of the Silesian Health Fund (“Director”). The Director established the Chudow Foundation in 1995 to restore the Chudow Castle in the town of Chudow and other historic sites in the Silesian region of Poland.

8. The Silesian Health Fund (“Health Fund”) was one of sixteen regional government health authorities in Poland during the period. Among other things, the Health Fund reimbursed hospitals and healthcare providers for the purchase of certain approved products.

The Health Fund, through the allocation of public money, exercised considerable influence over which pharmaceutical products local hospitals and other healthcare providers in the region purchased.

9. Beginning in early 2000 and into 2002, Lilly-Poland was in negotiations with the Health Fund over, among other things, the Health Fund's financing of the purchase of Gemzar, one of Lilly's cancer drugs, by public hospitals and other healthcare providers. Those negotiations occurred primarily between a team manager at Lilly-Poland ("Lilly Manager") and the Director. Continuing at intervals throughout these negotiations, the Director asked that Lilly-Poland contribute to the Chudow Foundation. The initial request came directly from the Director and the subsequent requests came from the Chudow Foundation.

10. The Lilly-Poland Manager knew that the Director had established the Chudow Foundation and that it was a project to which he was devoted and lent much effort. The Manager requested the approval of payments to the Chudow Foundation. The Manager falsely described the first payment as being for the purchase of computers for the Chudow Foundation. The second Lilly-Poland payment request falsely characterized the proposed payment as "[t]o support foundation in its goal to develop activities in [Chudow Castle]." That request documentation also noted that the "value of the request" was "[i]ndirect support of educational efforts of foundation settled by Silesia [Health Fund]." Similarly, the remaining payments were mischaracterized as monies paid by Lilly-Poland to secure the use of the Chudow Castle for conferences after its renovation. No such conferences took place.

11. Lilly-Poland eventually made a total of eight payments to the Chudow Foundation, starting in June 2000 and ending in January 2003. Lilly-Poland contributed 154,500

zlotys (PLN) (approximately \$39,000) to the Chudow Foundation, as summarized in the table below.

Date	Amount
June 21, 2000	12,000 PLN (\$2,730)
November 13, 2000	8,500 PLN (\$1,855)
May 22, 2001	32,000 PLN (\$8,019)
November 5, 2001	10,000 PLN (\$2,438)
March 27, 2002	32,000 PLN (\$7,779)
June 14, 2002	30,000 PLN (\$7,434)
November 20, 2002	20,000 PLN (\$5,112)
January 29, 2003	10,000 PLN (\$2,622)

12. The Manager requested the approval of the payments to the Chudow Foundation with the intent of inducing the Health-Fund Director to allocate public monies to hospitals and other healthcare providers in the Health Fund for the purpose of purchasing Gemzar. For example, in February 2002, the Director, following a meeting with the Manager, authorized financing a purchase of Gemzar. Two days later, the Chudow Foundation sent a letter to Lilly-Poland requesting a payment of 32,000 PLN (which Lilly-Poland made on March 27, 2002). An internal record at Lilly-Poland (a spreadsheet entitled “Expenses 2002”) reflects that this payment to the Chudow Foundation was “for [the Director].”

13. Two Lilly-Poland emails also reflect the improper purpose of the payments to the Chudow Foundation. Prior to the first payment, the Manager told another Lilly-Poland employee in a May 31, 2000 email that the Health-Fund Director needed more convincing about purchasing Gemzar. In that email, under the heading “Sponsorships,” the Manager observed that Lilly-Poland was to pay:

12,000 zlotys in two installments, not very far removed from each other, to the Chudow Castle Foundation, [the Health Fund Director’s] hobby, supposedly for the purchase of computers. . . For your information regarding the size of the budget for this year, I decided to invest 70-75% for Silesia. I have given [the Health Fund Director] a free hand as to managing the Lilly investment,

emphasizing the fact we are only doing this for him . . . and we don't need the publicity.

14. In a March 19, 2001 email to a Lilly-Poland colleague, the Manager noted that one of the tasks was Lilly-Poland's "[d]etermination of the amount of the rebate for the director in connection with the 'Castle' Foundation." In that email, when describing the budget, the Manager wrote: "the so-called rebate for the 'Castle' . . . will depend on the purchases of medicines." Accordingly, textual references in both emails – "supposedly for the purchase of computers" and "the so-called rebate for the 'Castle'" – underscore the Manager's attempts to create a pretext and false justifications for the payments to the Chudow Foundation.

15. The final seven payments to the Chudow Foundation were approved by the Lilly-Poland "Medical Grant Committee" ("MGC"), which included Lilly-Poland's Managing Director, Finance Director and Regulatory and Medical Director. The MGC approved the payments based largely on the justification and description in the submitted paperwork. The MGC procedures did not adequately analyze the circumstances outside the paperwork such as: (i) the Chudow Foundation was a project founded and administered by a high-level government health official who had significant authority over whether the Health Fund would pay for Lilly-Poland products in Silesia, one of Poland's most populous regions; (ii) Lilly-Poland was in negotiations to persuade the Director to finance the purchase of one of Lilly's cancer products at the time of the requests from the Chudow Foundation for payments; (iii) the justifications for the first two payments were different from each other and different from the justification given for the remaining six payments; (iv) the request for one of the largest payments came two days after the Director had met with the Manager and agreed to authorize financing the purchase of a large quantity of Gemzar by the Health Fund; and (v) the payments to the Chudow Foundation were

the only payments by Lilly-Poland to an archeological and/or restoration project, despite the existence of numerous other such projects in Poland at the time.

China

16. Lilly's wholly-owned subsidiary through which it does business in China ("Lilly-China") employs more than one-thousand sales representatives whose main focus is on marketing Lilly products to government-employed health-care providers. During the relevant period, the sales representatives worked from regional offices and traveled throughout the country, interacting with the health-care providers in order to convince them to prescribe Lilly products. The sales representatives were directly supervised by District Sales Managers who, in turn, were supervised by Regional Managers. Sales representatives paid out-of-pocket for their travel expenses and submitted receipts and other documentation to the company for reimbursement.

17. Between 2006 and 2009, various sales representatives and their supervisors abused the system by submitting, or instructing subordinates to submit, false expense reports. In some instances, Lilly-China personnel used reimbursements from those false reports to purchase gifts and entertainment for government-employed physicians in order to encourage the physicians to look favorably upon Lilly and prescribe Lilly products.

18. In one sales area, in 2006 and 2007, a District Sales Manager for Lilly's diabetes products instructed subordinates to submit false expenses reports and provide the reimbursement money to her. She then used the reimbursements to purchase gifts, such as wine, specialty foods and a jade bracelet, for government-employed physicians. At least five sales representatives in the oncology sales group submitted false expense reports and then used those reimbursements to provide meals, visits to bath houses, and card games to government-employed physicians.

19. Similarly, in three other provinces, three sales representatives submitted false expense reports and then used the reimbursements to provide government-employed physicians with visits to bath houses and karaoke bars. In another city, five sales representatives submitted false reimbursements and then their Regional Manager used the money to provide door prizes and publication fees to government-employed physicians. In another city, seven sales representatives and the District Sales Manager for the diabetes sales team used reimbursements to buy meals and cosmetics for government-employed physicians.

20. Between 2008 and 2009, members of Lilly-China's "Access Group," which was responsible for expanding access to Lilly products in China by, among other things, convincing government officials to list Lilly products on government reimbursement lists, engaged in similar misconduct. At least six members of the sixteen-member Access Group, including two associate access directors, falsified expense reports and used the proceeds to provide gifts and entertainment to government officials in China. The gifts included: spa treatments, meals, and cigarettes.

21. Although the dollar amount of each gift was generally small, the improper payments were wide-spread throughout the subsidiary. Lilly has terminated, or otherwise disciplined, the various employees who submitted false expense reports and/or used the proceeds to provide gifts and services to government officials.

Brazil

22. Between 2007 and 2009, Lilly-Brazil distributed drugs in Brazil through third-party distributors who then resold those products to both private and government entities. As a general rule, Lilly-Brazil sold the drugs to the distributors at a discount; the distributors then resold the drugs to the end users at a higher price and took the discount as their compensation.

Lilly-Brazil negotiated the amount of the discount with the distributor based on the distributor's anticipated sale. The discount to the distributors generally ranged between 6.5% and 15%, with the majority of distributors in Brazil receiving a 10% discount.

23. In early 2007, at the request of one of Lilly-Brazil's sales and marketing managers at the time, Lilly-Brazil granted a nationwide pharmaceutical distributor, unusually large discounts of 17% and 19% for two of the distributor's purchases of a Lilly drug, which the distributor then sold to the government of one of the Brazilian states. Lilly-Brazil's pricing committee approved the discounts without further inquiry. The policies and procedures in place to flag unusual distributor discounts were deficient. They relied on the representations of the sales and marketing manager without adequate verification and analysis of the surrounding circumstances of the transactions. In May 2007, Lilly sold 3,200 milligrams of the drug to the distributor for resale to the Brazilian state; in August 2007, Lilly-Brazil sold 13,500 milligrams of the drug to the distributor for resale to the Brazilian state. Together the sales were valued at approximately \$1.2 million.

24. The distributor used approximately 6% of the purchase price (approximately \$70,000) to bribe government officials from the Brazilian state so that the state would purchase the Lilly product. The Lilly-Brazil sales and marketing manager who requested the discount knew about this arrangement.

Russia

25. From 1994 through 2005, Lilly-Vostok, a wholly-owned subsidiary of Lilly, sold pharmaceutical products either directly to government entities in the former Soviet Union or through various distributors, often selected by the government, who would then resell the products to the government entities. Along with the underlying purchase contract with the

government entity or distributor, Lilly-Vostok sometimes entered into another agreement with a third-party selected by a government official or by the government-chosen pharmaceutical distributor. Generally, these third-parties, which had addresses and bank accounts located outside of Russia, were paid a flat fee or a percentage of the sale. These agreements were referred to as “marketing” or “service” agreements. In total, Lilly-Vostok entered into over 96 such agreements with over 42 third-party entities between 1994 and 2004.

26. Lilly-Vostok had little information about these third-party entities, beyond their addresses and bank accounts. Rarely did Lilly-Vostok know who owned them or whether the entities were actual businesses that could provide legitimate services. Senior management employees in Lilly-Vostok’s Moscow branch assisted in the negotiation of these agreements. The contracts themselves were derived from a Lilly-Vostok-created template and enumerated various broadly-defined services, such as ensuring “immediate customs clearance” or “immediate delivery” of the products; or assisting Lilly-Vostok in “obtaining payment for the sales transaction,” “the promotion of the products,” and “marketing research.”

27. Contrary to what was recorded in the company’s books and records, there is little evidence that any services were actually provided under any of these third-party agreements. Indeed, in many instances, the “services” identified in the contract were already being provided by the distributor, a third-party handler (such as an international shipping handler) or Lilly itself. To the extent services such as expedited customs clearance or other services requiring interaction with government officials were provided, Lilly-Vostok did not know or inquire how the third-party intended to perform their services.

28. Contemporaneous documents reflect that Lilly-Vostok employees viewed the payments as necessary to obtain the business from the distributor or government entity, and not

as payment for legitimate services. For example, in November 1994, a senior manager at Lilly-Vostok emailed the commercial manager, the employee tasked with drafting and approving the language of the agreements, that the “standard Marketing Agreement [is] where the [service provider] delivers the service of getting this [purchase] contract for us” In August 1999, the commercial manager emailed senior managers that “if real services are provided the marketing agreement is not the appropriate form.” In other documents, Lilly-Vostok employees referred to the payments as “discounts” or “commissions” to the distributor or government purchaser.

29. In 1997, Lilly conducted a business review of Lilly-Vostok to identify business risks and assess the subsidiary’s policies and procedures which resulted in a report. The report, which was sent to Lilly-Vostok offices in Geneva and to Lilly headquarters in Indianapolis, noted that “[b]usiness ethics [in Russia] are low” and that “[a] large base of opportunistic entrepreneurs, lacking national presence build the distribution network.” The report concluded that “[t]he nature and complexity of customers require that ‘consultants’ be used to ‘support’ activities, leading to agreement signing” (quotation marks in the original). The report pointed out that the services provided by these consultants were broadly defined and duplicated activities usually performed by Lilly-Vostok’s Russian staff, and that documentation of the services received was not available. The report recommended that Lilly-Vostok modify its internal controls to ensure that the services were documented and Lilly-Vostok was getting “value.”

30. In 1999, Lilly again reviewed Lilly-Vostok’s operations, including its use of marketing agreements and concluded that they raised concerns. A second report, which was sent to Geneva and Indianapolis headquarters and distributed to, among others, the individuals who at that time were Lilly’s Chief Financial Officer, President of Lilly International Operations and General Auditor, stated that:

Attention has been given to contain external unethical pressures through guidelines and training. The use of marketing agreements with third-parties has been tightened; agreements substance and permanent education program continue to require effort and refinements.

31. Regarding the agreements, the second report concluded that the “[n]eed exists to call on third-parties to create sales potential.” It recommended that Lilly-Vostok modify its internal controls to assure itself that the agreements accurately and fairly reflect the services to be provided.

32. Lilly did not curtail the use of marketing agreements by its subsidiary or make any meaningful efforts to ensure that the marketing agreements were not being used as a method to funnel money to government officials, despite recognition that the marketing agreements were being used to “create sales potential” or “to ‘support’ activities leading to agreement-signing” with government entities. In fact, during the 2000-2004 period -- after the above-described reports, but prior to the company ending use of the agreements -- Lilly-Vostok entered into the three most expensive of these arrangements.

33. For example, in 2002, the Russian Ministry of Health announced that it would engage in a “federal tender” in which it would purchase drugs for the treatment of diabetes to be provided free of charge to patients by the government. Under the terms of the tender, the ministry selected a large Russian pharmaceutical distributor from which to purchase the products, and this distributor, in turn, negotiated with Lilly-Vostok for the purchase of diabetes products for resale to the Ministry of Health.

34. The large Russian pharmaceutical distributor was owned and controlled by a wealthy and prominent Russian businessman. The Russian pharmaceutical distributor required Lilly-Vostok, as a condition of their agreement, to enter into a “Storage and Delivery Agreement” with an entity incorporated in Cyprus. In July 2002, Lilly-Vostok executed the

purchase agreement with the distributor, which was signed on the distributor's behalf by its chairman, the prominent Russian businessman. At approximately the same time, Lilly-Vostok also entered into the "Storage and Delivery Agreement" with the entity in Cyprus.

35. Lilly's due diligence regarding the entity in Cyprus was limited to ordering a Dun and Bradstreet report and conducting a search using an internet service to scan publicly available information. Neither the Dun and Bradstreet report nor the internet search revealed the Cyprus entity's beneficial owner or anything about its business. Nonetheless, pursuant to the terms of its arrangement with the distributor, Lilly-Vostok paid the entity in Cyprus over \$3.8 million in early 2003.

36. The Cyprus entity was, in fact, owned by the Russian businessman who was the owner of the distributor. There is no evidence of services provided to Lilly-Vostok by the Cyprus entity in consideration for Lilly-Vostok's \$3.8 million in payments. Lilly's books and records improperly reflected these payments as payments for services.

37. In at least two instances, the arrangements involved foreign government officials. Between 2000 and 2005, Lilly-Vostok sold significant amounts of pharmaceutical products to a major Russian pharmaceutical distributor for resale to the Russian Ministry of Health. The pharmaceutical distributor was owned and controlled by an individual who, at the beginning of the distributor's relationship with Lilly-Vostok, was a close adviser to a member of Russia's Parliament. In 2003, this official became a member of the upper house of Russia's Parliament. Throughout the period, this official exercised considerable influence over government decisions relating to the pharmaceutical industry in Russia.

38. As part of most of the sales arrangements with the distributor, the official demanded that Lilly-Vostok enter into separate "marketing" agreements with entities with

addresses and bank accounts in Cyprus. Under the arrangement, Lilly-Vostok paid the Cypriot entities up to thirty percent of the sales price of the underlying sales contracts in return for the Cypriot entities entering into an agreement “to offer all assistance necessary” in various areas like storage, importation and payment.

39. In conjunction with outside counsel, Lilly-Vostok conducted limited due diligence on these third-parties. However, the due diligence did not identify the beneficial owners of these third-parties or determine whether the third-parties were able to provide the contracted-for assistance. Nonetheless, Lilly-Vostok concluded that it could proceed with the transactions and paid the Cypriot entities over \$5.2 million. In fact, the Cypriot entities were owned by an individual associated with the distributor controlled by the member of the upper house of Russia Parliament. The Cypriot entity transferred the payments from Lilly-Vostok to other off-shore entities.

40. In connection with another series of contracts, from 2000 through 2004, Lilly-Vostok sold products to a distributor, headquartered in Moscow, which was wholly-owned by a Russian government entity. The purchase agreements were signed on the government-owned distributor’s behalf by its General Director. As part of the arrangement, the government-owned distributor selected a third-party entity with an address in the British Virgin Islands (“the BVI entity”) with which Lilly-Vostok entered into agreements for the broadly defined “services” enumerated in the Lilly-Vostok template (see above). Under the terms of the agreements between Lilly-Vostok and the BVI entity, Lilly-Vostok was to pay the BVI entity up to 15% of the price of the product purchased by the government-owned distributor. Accordingly, from 2000 through 2005, Lilly-Vostok made approximately 65 payments to the BVI entity totaling approximately \$2 million.

41. There is no evidence that the BVI entity performed any of the services listed in its agreement with Lilly-Vostok. There is also no evidence that Lilly-Vostok performed any due diligence or inquiry as to whether the BVI entity was able or did perform the contracted-for services. Lastly, there is no evidence that Lilly-Vostok performed any due diligence or inquiry into the identity of the beneficial owner of the BVI entity. In fact, the beneficial owner of the BVI entity was the General Director of the government-owned distributor, and he ultimately received the payments from the BVI entity.

42. Lilly did not direct Lilly-Vostok to cease entering into these third-party agreements until 2004. However, Lilly permitted the subsidiary to continue making payments under already existing third-party contracts as late as 2005.

43. From 2005 through 2008, Lilly-Vostok made various proposals to government officials in Russia regarding how Lilly-Vostok could donate to or otherwise support various initiatives that were affiliated with public or private institutions headed by the government officials or otherwise important to the government officials. Examples included their personal participation or the participation of people from their institutions in clinical trials and international and regional conferences and the support of charities and educational events associated with the institutes. At times, these proposals to government officials were made in a communication that also included a request for assistance in getting a product reimbursed or purchased by the government. Generally, Lilly-Vostok personnel believed these proposals were proper because of their relevance to public health issues and many of the proposals were reviewed by counsel. Nonetheless, Lilly-Vostok did not have in place internal controls through which such proposals were vetted to ascertain whether Lilly-Vostok was offering something of

value to a government official for a purpose of influencing or inducing him or her to assist Lilly-Vostok in obtaining or retaining business.

Lilly's Books and Records

44. As detailed above, subsidiaries of Eli Lilly made numerous payments that were incorrectly described in the company's books and records. In China, payments were falsely described as reimbursement of expenses when, in fact, the money was used to provide gifts to government-employed physicians. In Brazil, money that was described in company records as a "discount" for a pharmaceutical distributor was, in actuality, a bribe for government officials. In Poland, payments classified as charitable donations were not intended for a genuine charitable purpose but rather to induce a government official to assent to the purchase of a Lilly product. Finally, in Russia, millions of dollars in payments, described in the company's books and records as for various services, were actually payments to assure that Lilly was able to conduct business with certain pharmaceutical distributors.

Lilly's Internal Controls

45. During the relevant period, Lilly and its subsidiaries failed to devise and maintain an adequate system of internal accounting sufficient to provide reasonable assurance that the company maintained accountability for its assets and transactions were executed in accordance with management's authorization. Particularly, Lilly did not adequately verify that intermediaries with which the company was doing government-related business would not provide a benefit to a government official on Lilly's behalf in order to obtain or retain business. Lilly and its subsidiaries primarily relied on assurances and information provided in the paperwork by these intermediaries or by Lilly personnel rather than engaging in adequate verification and analyzing the surrounding circumstances of the transaction. Lilly and its

subsidiaries' employees considered and offered benefits to government officials at the same time they were asking those government officials to assist with the reimbursement or purchase of Lilly's products with inadequate safeguards to assure that its employees were not offering items of value to a government official with a purpose to assist Lilly in retaining or obtaining business.

46. Moreover, despite an understanding that certain emerging markets were most vulnerable to FCPA violations, Lilly's audit department, based out of Indianapolis, had no procedures specifically designed to assess the FCPA or bribery risks of sales and purchases. Accordingly, transactions with off-shore entities or with government-affiliated entities did not receive specialized or closer review for possible FCPA violations. In assessing these transactions, the auditors relied upon the standard accounting controls which primarily assured the soundness of the paperwork. There was little done to assess whether, despite the existence of facially acceptable paperwork, the surrounding circumstances or terms of a transaction suggested the possibility of an FCPA violation or bribery.

Lilly's Remedial Efforts

47. Since the time of the conduct noted in this Complaint, Lilly has made improvements to its global anti-corruption compliance program, including: enhancing anti-corruption due diligence requirements for relationships with third parties; implementing compliance monitoring and corporate auditing specifically tailored to anti-corruption; enhancing financial controls and governance; and expanding anti-corruption training throughout the organization.

Claim One

Violations of Section 30A of the Exchange Act

48. Paragraphs 4-6, 25-32 and 37-42 are hereby realleged and incorporated by reference.

49. Section 30A of the Exchange Act prohibits public companies, through their officers, agents, subsidiaries, and affiliates, from corruptly offering, promising to pay, or authorizing illicit payments to a person while knowing that all or a portion of those payments would be offered, given, or promised, directly or indirectly, to a foreign official or official of a foreign political party for the purposes of influencing his acts or decisions in his official capacity, inducing him to do or omit to do actions in violation of his lawful duties, securing an improper advantage, or inducing such foreign official to use his influence with a foreign government or instrumentality thereof to assist in obtaining or retaining business. When knowledge of the existence of a particular circumstance is required for an offense, such knowledge is established if a person is aware of a high probability of the existence of such circumstance, unless the person actually believes that such circumstance does not exist.

50. As detailed above, Lilly violated Exchange Act 30A.

Claim Two

Violations of Section 13(b)(2)(A) of the Exchange Act

51. Paragraphs 1 through 50 are hereby realleged and incorporated by reference.

52. Section 13(b)(2)(A) of the Exchange Act requires public companies to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer.

53. Public companies are responsible for ensuring that their foreign subsidiaries comply with Section 13(b)(2)(A).

54. As detailed above, Lilly, through its foreign subsidiaries, made numerous entries in its books and records that did not accurately and fairly reflect the transactions and dispositions of the assets of the issuer. In connection with these payments, Lilly failed to make and keep accurate books, records, and accounts as required by Exchange Act Section 13(b)(2)(A).

Claim Three

Violations of Section 13(b)(2)(B) of the Exchange Act

55. Paragraphs 1 through 54 are hereby realleged and incorporated by reference

56. Section 13(b)(2)(B) of the Exchange Act requires public companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; and (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets.

57. Public companies are responsible for ensuring that their foreign subsidiaries comply with Section 13(b)(2)(B).

58. As detailed above, Lilly failed to devise and maintain an effective system of internal controls, as required by Exchange Act Section 13(b)(2)(B).

PRAYER FOR RELIEF

WHEREFORE, the Securities and Exchange Commission respectfully requests that this Court enter a final judgment against Eli Lilly and Company:

- a. Permanently enjoining it from violating or committing or causing any violations and any future violations of Sections 13(b)(2)(A), 12(b)(2)(B) and 30A of the Exchange Act;
- b. Ordering Eli Lilly and Company to disgorge the profits and proceeds it obtained as a result of its actions alleged herein and to pay prejudgment interest thereon; and
- c. Granting such other relief as this Court may deem just and proper.

Dated: December 20, 2012

Respectfully submitted,



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