Letter of Comment No: 3 File Reference: FSPFAS106B

Date Received: 04-08-04

April 9, 2004

Director, TA&I - FSP Financial Accounting Standards Board 401 Merritt 7, P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re: Comments on Proposed FASB Staff Position ("FSP") No. 106-b, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act)

Dear Director, TA&I - FSP:

Eli Lilly and Company appreciates the opportunity to respond to the Proposed FSP referenced above. Given the potential significant ramifications of the Act, we appreciate the FASB's efforts to promptly release guidance on the accounting for the effects of the Act through the Proposed FSP. We have read the proposed rules and we have the following comments.

As it relates to the retroactive application guidance, we feel strongly that in today's environment, there is a negative connotation with a "restatement". Despite the fact that this restatement would be due to the adoption of a new accounting principle, we believe the general public would not necessarily understand this differentiation.

We also believe the costs to restate often outweigh the benefits. These costs include the costs of the financial systems that need to be modified, the costs of internal accounting personnel to complete and review the quarterly restatements, the costs of explaining the restatements to investment analysts and the public. and the increased external auditor costs in reviewing all quarterly adjustments. This proposal should be dealt with on a prospective basis, as the additional costs and negative public scrutiny exceed any benefit provided by a restatement.

We appreciate the opportunity to express our views and concerns in regards to this Proposed FSP. If you have any questions regarding our response or would like to discuss our comments, please feel free to call me at (317) 276-2024.

Sincerely,

Arnold C. Hanish Executive Director, Finance and Chief Accounting Officer