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Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

RE: Exposure Draft—Proposed Accounting Standards Update, Research and Development (Topic 730), Research and Development Assets Acquired and Contingent Consideration Issued in an Asset Acquisition.

Dear Technical Director:

Forest Laboratories, Inc. appreciates the opportunity to respond to the Financial Accounting Standards Board (the "Board") regarding the Exposure Draft, Proposed Accounting Standards Update, Research and Development (Topic 730), Research and Development Assets Acquired and Contingent Consideration Issued in an Asset Acquisition (the "proposed Update"). Forest Laboratories (NYSE: FRX) is a U.S.-based pharmaceutical company with a long track record of building partnerships and developing and marketing products that make a positive difference in people's lives.

While we understand the Board's concern that the accounting treatment for research and development assets acquired in a business combination is now inconsistent with the accounting treatment for research and development assets acquired in an asset acquisition, we are concerned that the proposed Update does not resolve other inconsistencies between the types of acquisitions. Further, the valuation and capitalization of In-Process Research and Development (IPR&D) will be difficult to apply in practice and will result in information that may be of questionable benefit or confusing to users.

Question 1: Do you agree that the cost of acquired tangible and intangible research and development assets acquired in an asset acquisition should be capitalized, regardless of whether they have a future alternative use? Why or why not?

Answer: We believe that changes to the accounting for Research and Development (R&D) should consider all aspects of the current accounting relating to R&D and that focusing on the accounting for only R&D acquired in an asset acquisition amounts to a piecemeal approach of a larger issue. The proposed Update does not address the apparent inconsistency of valuation of the asset acquired. Under Statement of Financial Accounting Standards No. 141(Revised), (141R), IPR&D would be valued at fair value; but in an asset acquisition the IPR&D asset would be valued at cost. Another inconsistency exists in accounting for internally developed R&D. If, after an asset acquisition of IPR&D, additional internally developed R&D was performed, that internally developed R&D will be expensed under the current rules even though the initial acquisition had to be capitalized. The treatment of contingent payments, which are essential in our industry for managing development risk, continues to be accounted for in an inconsistent method under the proposed Update. Under a 141R acquisition, contingent payments are required to be recognized at fair value at the time of acquisition. However, in an asset acquisition under the proposed Update, the costs of the asset in question does not include contingent consideration until it is probable that the contingent consideration will be payable. Yet another area of unresolved inconsistency remains in the area of capitalization of transaction costs, which under 141R cannot be included in the capitalized acquired IPR&D, but in the case of an asset acquisition, those same costs are included in the asset value and under the proposed Update would be capitalized.

We feel that under the proposed Update, as currently written, our pharmaceutical IPR&D would be accumulated in our balance sheet prematurely, and in a way that can be misleading to readers of our financial statements. We believe that there are practical business reasons to maintain a difference in the treatment of IPR&D acquired through a business combination as opposed to those acquired as an asset.

As is typical in the pharmaceutical industry, Forest licenses promising new development projects from innovative companies worldwide at every stage of development. We then perform further R&D on the licensed products in order to obtain regulatory approval. Under the current accounting definitions of SFAS 2, our IPR&D acquired in an asset acquisition is expensed as is any additional R&D applied to the project until regulatory approval is received. Recognition of an asset prior to regulatory approval would require estimates of the project's viability. Additionally due to the high rate of failure of projects in their early stages of development, we would be required to capitalize an R&D asset that industry history suggests may be impaired in the future. The reader may not be able to distinguish between R&D expense as traditionally reported and the impairment costs of R&D. As mentioned in our letter to the EITF dated September 4, 2009: "We believe our current method of expensing IPR&D acquired in an asset acquisition presents our investors and other users of our financial statements with a fair, accurate and unambiguous portrayal of company activity versus the proposed capitalization method, as it is highly subjective and dependent upon estimates of activities and probabilities that can span 15 to 20 years. If changed, there would be considerable investor confusion, both upon adoption and in assessing on-going performance."

Question 2: Do you agree that contingent payment arrangements in an asset acquisition should not be recognized at fair value unless those arrangements are derivatives?

Answer: We do agree that derivative arrangements should be recognized at fair value.

Question 3: This proposed Update does not provide guidance for determining whether a contingent payment relates to future services or consideration for the asset acquired. Paragraph 805-10-55-25 provides guidance for determining whether payments made to the seller in a business combination after the acquisition date relate to the acquisition of the business or the performance of future services by the seller. Do you believe that additional guidance is necessary for assisting in making this determination in an asset acquisition? If you believe additional guidance is necessary, please provide any factors that you believe should be considered in making this determination.

Answer: The guidance in ASC Paragraph 805-10-55-25 seems sufficient to us if needed. There are sufficient examples to guide management's judgment in deciding whether a contingent payment would relate to future services or consideration for the asset acquired.

Once again we appreciate this opportunity to comment. If requested, we would be pleased to discuss our observations with you.

Sincerely,

Y. David Feit Senior Director of Corporate Accounting Forest Laboratories, Inc.