
Phone 317 276 2000

September 21, 2004

United States Securities and Exchange Commission
Mr. Jonathan G. Katz
Secretary
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: File Number S7-32-04 – Proposal to postpone the phase-in for the final phase of the acceleration of filing deadlines for annual and quarterly reports

Dear Mr. Katz:

Eli Lilly and Company appreciates the opportunity to comment on your above referenced proposal to postpone the phase-in of the accelerated filing deadlines for Form 10-K and Forms 10-Q of accelerated filers. We believe that this proposal addresses dire concerns of many companies and auditors and are overall supportive of your proposal. Please see our comments on your specific questions below. Given that the majority of filers have fiscal years ending on December 31, our references to fiscal years below relate primarily to those companies. However, we believe that the underlying principle is applicable to all accelerated filers.

Q.: Is it appropriate to postpone the final phase-in period of the accelerated filing deadlines? If so, is the length of the proposed postponement appropriate, or should it be shorter or longer?

A.: We believe that it is appropriate to postpone the final phase-in period of the accelerated filing deadlines. We agree with the Commission that the primary focus of companies should be to ensure proper compliance with the new internal control reporting requirements. These internal control reporting requirements are effective for fiscal years ending after November 15, 2004. The proposal ensures that companies can focus their efforts and resources to achieve a high degree of quality in their internal control reports and would allow management to properly address and resolve any issues associated with their internal controls over financial reporting. Outside auditors carry an even greater burden as the accelerated filing deadlines and internal control reporting requirements affect them with regards to a number of their clients. A postponement of the accelerated filing requirements would allow outside auditors to more adequately address their audit obligations with regards to the first-time reporting on their clients' internal controls. After the first-year internal control reporting process has been completed, management of public companies and their outside auditors will be in a much better position to comply with the accelerated filing requirements with their fiscal year 2005 reports.

Q.: Would a postponed phase-in period benefit investors by helping to ensure the quality and accuracy of the information included by companies in their periodic reports? Would it disadvantage investors in any significant respect?

A.: This proposal would benefit investors by allowing companies to focus on properly evaluating and reporting on their internal controls for 2004 fiscal years. This would ensure the quality and accuracy of the periodic reports. Investors would not be disadvantaged by a postponement of the final phase of the accelerated filing deadlines as the proposal does not contemplate a later date than that what was in effect for 2003 fiscal years.

Q.: Should we postpone the final phase-in of the accelerated filing deadlines for both annual and quarterly reports or only for annual reports given that management's internal control report must appear only in the annual report? Does the required disclosure about material changes to a company's internal control over financial reporting that must appear in the quarterly report warrant a postponement of the accelerated filing deadlines for quarterly reports?

A.: We believe that the final phase-in of the accelerated filing deadlines should be postponed for both the annual and quarterly reports. While it is true that an acceleration of the annual reporting deadline is more onerous than an acceleration of the quarterly filing deadlines, we believe that the quarterly disclosure of material changes in internal control require companies to perform careful and detailed analyses of the impact of any material changes to determine the proper disclosures. We do not believe that an acceleration of five days would provide a benefit to investors that outweighs the anticipated increased quality of the analysis and disclosure of material changes in internal control. Therefore, we believe the Commission would send the right message to focus on quality rather than speed by also allowing a postponement of the acceleration of the quarterly filing requirements.

Q.: Should we provide for an extension of the filing deadlines only for accelerated filers that request an extension, for example, by providing for an extension upon the filing of a Form 12b-25 under the Exchange Act? Should we only provide an extension of the filing deadlines only to certain companies such as those that demonstrate a need for the extension? If so, what would be the best method for companies to communicate their request for an extension?

A.: Again, the primary focus should be on ensuring a thorough implementation of the new internal control reporting requirements for all companies. Therefore, all accelerated filers should enjoy the benefit of a postponement of the accelerated filing requirements. Additionally, if the accelerated filing requirements are not postponed for all accelerated filers, outside auditors, who fill an important role in the new internal control reporting, would still have to face a severe strain on their resources. This could jeopardize the value that their work brings to the internal control reporting process.

We appreciate the opportunity to express our views on this proposal. If you have any questions regarding our response or would like to discuss our views, please feel free to contact me at (317) 276-2024.

Sincerely,

ELI LILLY AND COMPANY

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