



Lilly USA, LLC

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February 27, 2018

RE: Notification to Purchasers of Increase in Wholesale Cost of Prescription Drugs Pursuant to Cal. Health & Safety Code § 127677

Dear Registered Purchaser:

Eli Lilly & Company ("Lilly") is submitting this letter in response to §127677 of the California Health & Safety Code.

As you likely know, Pharmaceutical Research and Manufacturers of America ("PhRMA") has challenged the constitutionality of Senate Bill (SB 17), including the advanced notice provision. Through this litigation, which is currently pending in the United States District Court for the Eastern District of California, PhRMA is seeking a judicial declaration that provisions of SB 17 violate the United States Constitution, as well as an injunction preventing California from implementing or enforcing all provisions of the law found to be unconstitutional. One of the challenges to the statute is that it is impermissibly vague, failing to provide regulated entities with clarity as to what is required by the law. This matter is currently pending, and the Court has yet to issue any rulings in this case.

Because Lilly concurs with the positions articulated in the PhRMA complaint, including the concerns about the vagueness of the law, we are not able to provide notices under SB 17 at this time. We will await a court decision, and we reserve our right to issue notices as may be appropriate following the conclusion of the litigation.

Sincerely,

Frank Cunningham
Vice President, Managed Healthcare Services
Lilly USA, LLC

CC: Josh O'Harra, Esq., Assistant General Counsel, Eli Lilly and Company