



December 14, 2011

Public Company Accounting Oversight Board  
Attention: Office of the Secretary  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

Dear Board Members:

On behalf of the Audit Committee and Board of Directors of Lorillard, Inc., I am pleased to submit the following response to the Public Company Accounting Oversight Board (“PCAOB”) Concept Release on Auditor Independence and Audit Firm Rotation (Release No. 2011-06). Auditor independence is of paramount importance to the stability of our U.S. financial reporting system, and we support the PCAOB’s efforts to re-evaluate methods that can enhance auditor independence, objectivity and professional skepticism.

In addition to serving as Chairman of the Audit Committee and Lead Independent Director of Lorillard, Inc., I am also a Director and Audit Committee Member of four other public companies, two of which I also serve as Audit Committee Chairman. I am currently a Director of the Association of Audit Committee Members, Inc., a non-profit association of audit committee members dedicated to strengthening the audit committee by developing best practices. I am a Certified Public Accountant, and from 1985 through 2000 I was an Audit Partner of the Accounting Firm BDO Seidman LLP, being promoted in 1990 to Managing Partner in Chicago, to Managing Partner in New York in 1994, and finally to Chairman and Chief Executive of the Firm in 1999.

#### Our Views Regarding Auditor Independence

Overall, we believe that auditor independence and objectivity have been significantly enhanced by two key principles contained within the Sarbanes-Oxley Act of 2002 (the “Act”). Those key principles include: required rotation of key members of the audit engagement team; and vesting the audit committee, which is comprised entirely of independent directors, with the responsibility to engage and oversee the work of independent auditors.

Audit firms, audit engagement partners, quality review partners and staff working on audit engagements all share a vested interest in maintaining an appropriate level of professional skepticism and independence, in fact and appearance, from management. We believe that recent catastrophic audit failures such as Enron and WorldCom, PCAOB regulation and enforcement actions, as well as Securities and Exchange Commission (“SEC”) regulation and enforcement actions, have all highlighted the importance to auditors and audit firms that the survival of their businesses, livelihood of their employees and, at a most basic level, their personal freedom all depend upon making sound, independent judgments on the appropriateness of accounting policies and disclosures of companies which they audit. That can only be achieved if both a healthy professional skepticism and independence are maintained. We are confident that auditors and audit firms recognize the importance of challenging accounting and financial reporting decisions, and that this is occurring in practice in the vast majority of audits being conducted.

Corporate Office:  
714 Green Valley Road  
Greensboro, NC 27408

Mail to:  
P. O. Box 10529  
Greensboro, NC 27404-0529

We believe that, since the passage of the Act, governance of public companies has been improved by requiring the audit committee, not management, to be responsible for engaging the independent audit firm. This has formed a direct and clear relationship between the audit committee and external auditors, thereby strengthening the second level of independent oversight of audit committees over the appropriateness of accounting policies and financial disclosure to further protect investors.

#### Opportunities to Continue to Enhance Auditor Independence

We applaud the actions taken to continue to enhance the independence of external auditors, and the communications with the investing public regarding what has been done to ensure the independence of external auditors. Specifically, since the passage of the Act, the PCAOB has issued numerous standards to guide auditors and promote independence and professional skepticism. Most recently, the PCAOB has issued standards to guide auditors in the engagement quality review process and the risk assessment process. Additional standards are scheduled to be released in 2012 that will address requirements for maintaining independence, exhibiting professional skepticism, and monitoring compliance with auditing standards. We believe that these standards have and will continue to improve overall audit quality and, after these standards have been implemented, the PCAOB should assess their effectiveness in improving the quality of audits.

#### Our Views Regarding Mandatory Auditor Rotation

We believe that any potential benefits gained by requiring mandatory audit firm rotation would be significantly outweighed by the risk of decreased audit quality due to lack of business knowledge during early years of engagements, and increased audit cost of those engagements that will ultimately be borne by shareholders.

The PCAOB noted in the Concept Release that mandatory audit firm rotation has been studied by the Cohen Commission in 1978, the SEC in 1994 and the General Accounting Office in 2003. Each concluded that mandatory audit firm rotation would not improve the quality of audits of public companies. Instead, these studies found that mandatory audit firm rotation presented significant risks, chief among those being the risk of loss of important, institutional knowledge developed by an audit firm, which could threaten audit quality and effectiveness. These studies also highlighted other risks, including increased costs, increased unhealthy competition between large accounting firms, increased likelihood of undetected fraud, increased risk of management misleading the independent auditor, and loss of unique strengths that some firms bring to clients in certain industries.

In addition to the considerations of mandatory rotation by audit firms in the U.S., the concept has also been studied and tried in other countries as well. Mandatory audit rotation has been studied in Italy, where it was also found that audit quality improves over time and that there is a higher risk of audit failure during the early years of audit engagements. Several other countries, including Spain and Turkey, have adopted mandatory audit firm rotation requirements, only to later drop mandatory audit firm rotation when it was determined that it did not meet public policy goals.

In conclusion, we agree that investor protection should remain the most important objective of the external audit, and, as more fully discussed above, investor protection can be better enhanced through measures other than mandatory audit firm rotation.

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Thank you for the opportunity to submit our views regarding the PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation, and for your consideration of our response. I would be pleased to discuss our response with members of the Board or its staff.

Very Truly Yours,

Richard W. Roedel  
Audit Committee Chairman  
Lead Independent Director  
Lorillard, Inc.