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Filing date: **09/06/2012**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91204095
Party	Defendant The Safe Cig, LLC
Correspondence Address	Phillip J.Daman Daman LLC 17383 Sunset Blvd.Suite A340 Pacific Palisades, CA 90272 UNITED STATES Trademarks@DamanLLC.com
Submission	Answer and Counterclaim
Filer's Name	Michael L. Lovitz
Filer's e-mail	Trademarks@DamanLLC.com, trademarks@lovitziplaw.com
Signature	/michael l lovitz/
Date	09/06/2012
Attachments	Answer and counterclaim.pdf (5 pages)(1346778 bytes) Exhibit A to Answer.pdf (21 pages)(241316 bytes) Exhibit B to Answer.pdf (2 pages)(207350 bytes) Exhibit C to Answer.pdf (2 pages)(124367 bytes)

Registration Subject to the filing

Registration No	3043354	Registration date	01/17/2006
Registrant	Lorillard Licensing Company, LLC 300 N. Greene St., Ste. 1601 Greensboro, NC 27401 UNITED STATES		
Grounds for filing	The registered mark has been abandoned. The registration was obtained fraudulently.		

Goods/Services Subject to the filing

Class 034. First Use: 1975/04/15 First Use In Commerce: 1975/04/15
All goods and services in the class are requested, namely: CIGARETTES

5. Denied.
6. Denied.
7. Denied.

AFFIRMATIVE DEFENSES

- A. Opposer lacks standing to bring the instant cancellation proceeding.
- B. Opposer has failed to state a claim upon which relief may be granted.
- C. Opposer has failed to plead any rights upon which it relies in support of the instant Petition for Cancellation.
- D. Opposer has failed to identify any harm it has suffered, or will suffer, from the Application sought to be cancelled.
- E. Opposer has no priority of rights in the term “ITALK” as applied to telecommunication apparatus, and thus cannot support a Section 2(d) priority claim against Applicant.
- F. Opposer has failed to plead any rights in the MAX trademark that predate those of Applicant.
- G. Opposer cannot demonstrate injury to any rights Opposer may establish during the opposition proceeding.
- H. Opposer’s claims are barred by laches.

COUNTERCLAIMS

Applicant, The Safe Cig, LLC, a California limited liability company having an address of 1501 Cole Avenue, Suite A, Los Angeles, CA 90038 (“Applicant”), believes it will be damaged by the continued registration of the mark of U.S. Registration No. 3,043,354, and hereby requests cancellation of the same due to Opposer’s fraud committed before the U.S. Patent and Trademark Office. Applicant notes this is a request for full cancellation of Registration NO. 3,043,354.

The grounds for cancellation are as follows:

1. Opposer Lorillard Licensing Company, LLC (“Opposer”) filed application Serial No. 76/563,619 for MAX on November 21, 2003 for “cigarettes”, claiming first use and first use in commerce on April 15, 1975. Said application was published in the Official Gazette (Trademarks) on October 25, 2005, and said application was granted registration on January 17, 2006 with Registration No. 3,043,354.

2. On January 16, 2012, Opposer filed its combined Declaration under Sections 8 & 15 alleging that the MAX mark was still in use on cigarettes and that the mark has been continuously used in commerce for five (5) consecutive years after the date of registration, and is still in use in commerce on or in connection with all goods listed in the existing registration.

3. On information and belief, Opposer ceased use of the MAX trademark long prior to the filing of the combined Declaration under Sections 8 & 15.

4. On information and belief, Opposer ceased the manufacture and sale of MAX brand cigarettes at some time during the fourth quarter of 2010, as reflected in Opposer’s own quarterly reports. See Exhibit A, attached hereto, containing a printout from Opposer’s website containing its quarterly reports for the 3rd and 4th quarters of 2010 and the 1st quarter of 2011, reflecting that starting in the 4th quarter of 2010, sales of MAX were \$0.00.

5. A search of Opposer’s website reveals that the MAX brand of cigarettes is no longer identified as one of Opposer’s brands of cigarettes. See Exhibit B, attached hereto. In fact, the reports contained in Exhibit A demonstrate that the MAX brand, which is mentioned as a Lorillard cigarette brand in the 3rd quarter 2010 report under the section titled “About Lorillard, Inc.”, has been removed starting with the 4th quarter 2010 report.

6. Additionally, a search of the website for the term “MAX” results in the message: “Sorry, no posts matched your criteria.” See Exhibit C, attached hereto.

7. Opposer was therefore not entitled to file its Section 8 Declaration claiming continued use of the MAX trademark in January 2012, more than two (2) years after ceasing its use of such mark.

8. On information and belief, Opposer filed its combined Declaration under Sections 8 and 15 with full knowledge that it was no longer using the MAX trademark.

9. On information and belief, the declaration submitted in support of Opposer's combined Declaration under Sections 8 & 15 was signed with full knowledge that the MAX trademark was no longer in use.

10. On information and belief, Opposer submitted its combined Declaration under Sections 8 & 15 for the sole purpose of defrauding the Trademark Office and the public, knowing that failure to file such fraudulent declaration would result in loss of its registration and the granting of a registration to Applicant.

11. Based on the foregoing, the registration of the mark of U.S. Registration No. 3,043,354 was fraudulently maintained by Opposer and, therefore, should be cancelled in full.

WHEREFORE, Applicant prays (i) that this Counterclaim to cancel Opposer's Registration No. 3,043,354 be granted, and that said registration relied upon by Opposer in this opposition proceeding be cancelled, and the Opposition be dismissed, with prejudice.

Respectfully submitted,

Dated: September 6, 2012

By: 

Philip J. Daman
Michael L. Lovitz
DAMAN LLC
17383 Sunset Blvd., STE A340
Pacific Palisades, CA 90272
(310) 367-3599

Attorneys for Applicant

CERTIFICATE OF SERVICE

I, Michael L. Lovitz, hereby certify on this 6th day of September, 2012, that a true and correct copy of the foregoing Applicant's **Answer and Counterclaim** was served upon counsel of record, per agreement between the parties, by electronic mail at the following address:

Art MacCord, Esq.
amaccord@maccordmason.com



Michael L. Lovitz, Esq.

EXHIBIT A



News

Lorillard, Inc. Reports Third Quarter 2010 Results

**Net sales increase 10% to \$1.6 billion
Earnings per diluted share increase 26% to \$1.81**

GREENSBORO, N.C., Oct 25, 2010 /PRNewswire via COMTEX/ --

Lorillard, Inc. (NYSE: LO) announced today that 2010 third quarter net earnings rose 16.6% percent to \$274 million and diluted earnings per share increased 26% to \$1.81. This compared to \$235 million or \$1.44 per diluted share reported for the third quarter of 2009. Net sales increased \$148 million, or 10.4%, to a record level of \$1.567 billion for the third quarter of 2010, compared to \$1.419 billion for the third quarter of 2009.

Third quarter operating income increased \$73 million, or 18.6%, from the same quarter of 2009 also to a record level of \$465 million. These improved results were driven by a 5.8% increase in total unit volume and higher average net selling prices.

The 26% increase in earnings per diluted share for the third quarter includes the benefit of the Company's share repurchase program which resulted in lower outstanding shares, and contributed \$0.14, or 9.7 percentage points, to the increase in earnings per share.

Additional highlights include:

- Lorillard's third quarter domestic wholesale shipments increased 5.8% compared to the same period in 2009 versus a 0.8% decline in total industry domestic wholesale shipments. Lorillard's domestic wholesale shipments increased 5.5% in the first nine months of 2010 compared to 2009, while total industry domestic wholesale shipments declined 3.5%.
- Lorillard's third quarter domestic retail market share increased by 1.0 share point over the year ago period to 12.9% and Newport's domestic retail market share increased by 0.5 share points over the year ago period to 10.8%.

"We are delighted to report an outstanding third quarter of 2010 as Lorillard and its flagship brand, Newport, continue to outperform the industry. Our total portfolio of brands has once again posted record retail market share numbers for the quarter," stated Murray S. Kessler, the new President and Chief Executive Officer of Lorillard. "I had always admired Lorillard as an outsider and, as a result, had high expectations walking in the door. Those expectations have been significantly exceeded as I have gotten to know the business and the talented people that work at the Company. It's a tribute to my predecessor, Marty Orlowsky. He has much to be proud of."

Third Quarter 2010 Results

Net sales increased \$148 million to \$1.567 billion in the third quarter of 2010, compared to \$1.419 billion in the third quarter of 2009, an increase of 10.4%. The increase resulted from higher unit sales volume, higher average prices and lower sales promotion costs accounted for as a reduction of sales. Gross profit was \$566 million in the third quarter of 2010, or 36.1% of net sales, compared to \$488 million, or 34.4% of net sales, in the third quarter of 2009. The increase in gross profit reflects an increase in net sales, partially offset by higher costs related to the State Settlement Agreements and higher Food and Drug Administration user fees.

Total Lorillard wholesale shipment volume for the third quarter of 2010 of 10.003 billion units increased 5.8% compared to the third quarter of 2009. Total industry domestic wholesale shipments (which exclude Puerto Rico and U.S. Possessions) decreased an estimated 0.8% for the third quarter of 2010 compared to the third quarter of 2009. Lorillard's domestic wholesale shipments increased 5.8% for the same period. Newport's domestic wholesale shipments increased 2.9%, while Maverick's domestic wholesale shipments increased 30.9% in the third quarter of 2010 compared to the third quarter of 2009. See attached table for details of Lorillard's wholesale shipments.

Based on Lorillard's proprietary retail shipment data, Newport continued to increase its domestic retail market share during the third quarter of 2010 by 0.5 share points to 10.8% from 10.3% in the third quarter of 2009. See attached table for selected retail share data.

Selling, general and administrative costs increased \$5 million to \$101 million in the third quarter of 2010 compared to the third quarter of 2009 primarily as a result of higher legal costs incurred in the current year.

Interest expense increased \$14 million in the third quarter of 2010 compared to the third quarter of 2009 and reflects interest on the Senior Notes issued in the second quarter of 2009, net of the effect of interest rate swap agreements, and interest on the Senior Notes issued in the second quarter of 2010.

Lorillard's effective income tax rate was 37.3% in the third quarter of 2010 compared to 37.7% in the third quarter of 2009.

Net income in the third quarter of 2010 was \$274 million, or \$1.82 per share (basic) and \$1.81 per share (diluted), compared to \$235 million, or \$1.44 per share (basic and diluted) in the third quarter of 2009.

Lorillard's reported results are impacted by excise taxes which are included in the Company's cost of sales. The following table provides additional information regarding the impact of excise taxes on reported results:

(Amounts in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net sales	\$1,567	\$1,419	\$4,446	\$3,855
Less excise taxes	<u>(494)</u>	<u>(466)</u>	<u>(1,413)</u>	<u>(1,101)</u>
Net sales excluding excise taxes	1,073	953	3,033	2,754
Cost of sales	1,001	931	2,861	2,430
Less excise taxes	<u>(494)</u>	<u>(466)</u>	<u>(1,413)</u>	<u>(1,101)</u>
Cost of sales excluding excise taxes	507	465	1,448	1,329
Gross profit	566	488	1,585	1,425
Percentage of net sales excluding excise taxes	52.7%	51.2%	52.3%	51.7%
Selling, general and administrative	<u>101</u>	<u>96</u>	<u>293</u>	<u>282</u>
Operating income	<u>\$ 465</u>	<u>\$ 392</u>	<u>\$1,292</u>	<u>\$1,143</u>
Percentage of net sales excluding excise taxes	43.3%	41.1%	42.6%	41.5%

First Nine Months 2010 Results

Net sales increased \$591 million to \$4.446 billion in the first nine months of 2010, compared to \$3.855 billion in the first nine months of 2009, an increase of 15.3%. About half, or \$287 million, of that increase was the result of the April 2009 increase in federal excise taxes on cigarettes. Net sales excluding excise taxes in the first nine months of 2010 increased \$279 million, or 10.1% from the first nine months of 2009 as the result of higher average unit prices, higher net unit sales volume and lower sales promotion costs accounted for as a reduction in net sales.

During the first nine months of 2010, Lorillard's domestic wholesale unit shipments increased by 5.5% versus an estimated industry decline of 3.5%. Gross profit was \$1.585 billion, or 52.3% of net sales excluding excise taxes in the first nine months of 2010, compared to \$1.425 billion, or 51.7% of net sales excluding excise taxes in the first nine months of 2009. Excise taxes have been excluded from the nine months comparison due to the April 1, 2009 increase in the federal excise tax. The increase in gross profit reflects an increase in net sales, partially offset by higher costs related to the State Settlement Agreements and the Federal Assessment for Tobacco Growers and higher Food and Drug Administration user fees. See attached tables for wholesale and selected retail share data comparing first nine months of 2010 and 2009.

Selling, general and administrative costs increased \$11 million, or 3.9% in the first nine months of 2010 to \$293 million compared to the first nine months of 2009 as a result of higher legal and administrative costs incurred in the current year.

Interest expense increased \$48 million in the first nine months of 2010 compared to the first nine months of 2009 and reflects

interest on the Senior Notes issued in the second quarter of 2009, net of the effect of interest rate swap agreements, and interest on the Senior Notes issued in the second quarter of 2010.

Lorillard's effective income tax rate was 37.4% in the first nine months of 2010 compared to 37.5% to the first nine months of 2009.

Net income in the first nine months of 2010 was \$770 million, or \$5.04 per share (basic and diluted), compared to \$706 million, or \$4.24 per share (basic and diluted) in the first nine months of 2009. These results reflect the impact of the aforementioned factors and the effect on earnings per share of a lower average number of shares outstanding in the first nine months of 2010 than in the first nine months of 2009 resulting from share repurchase programs. The impact of the reduction in the average number of shares outstanding increased earnings per share by \$0.42.

Additional News

On August 20, 2010, Lorillard, Inc. announced that its Board of Directors approved a 12.5% increase in the quarterly dividend on its common stock from \$1.00 per share to \$1.125 per share. The dividend was payable on September 10, 2010 to stockholders of record as of September 1, 2010.

On August 20, 2010, Lorillard, Inc. announced that its Board of Directors approved an additional share repurchase program, authorizing the Company to repurchase in the aggregate up to \$1.0 billion of its outstanding common stock. As of September 30, 2010, the Company had repurchased approximately 1.1 million shares of its outstanding common stock under this repurchase program at a cost of approximately \$91 million, and the maximum dollar value of shares that could yet be repurchased was approximately \$909 million.

On August 12, 2010, Lorillard, Inc. announced that its Board of Directors elected Murray S. Kessler as President and Chief Executive Officer, effective September 13, 2010, succeeding Martin L. Orlowsky, current Chairman, President and Chief Executive Officer. Mr. Kessler also was elected to serve as a member of the Board of Directors of the Company, effective September 13, 2010.

On August 3, 2010, the Company announced the launch of a non-menthol variety of its flagship Newport(R) brand in November 2010. Newport(R) Non-Menthol will be a premium product with broad competitive consumer appeal that delivers the high quality tobacco taste that adult smokers have grown to expect from Newport.

Conference Call

A conference call to discuss the third quarter 2010 results of Lorillard, Inc. has been scheduled for 10:00a.m. EDT on Monday, October 25, 2010. A live broadcast of the call will be available online at the Lorillard, Inc. website (www.lorillard.com). Please go to the website at least ten minutes before the event begins to register and to download and install any necessary audio software.

Those interested in participating in the question and answer session of the conference call should dial (888) 239-6824 (domestic) or (706) 902-3787 (international). The passcode for this event is: 15224371.

An online replay will be available at the Company's website following the call. If you wish to listen to the replay of this conference call, please visit Lorillard's website at www.lorillard.com or dial (800) 642-1687 (domestic) or (706) 645-9291 (international) and enter passcode: 15224371. The conference call will be available for replay in its entirety through November 1, 2010.

About Lorillard, Inc.

Lorillard, Inc. (NYSE: LO) is the third largest manufacturer of cigarettes in the United States. Founded in 1760, Lorillard is the oldest continuously operating tobacco company in the U.S. Newport, Lorillard's flagship menthol-flavored premium cigarette brand, is the top selling menthol and second largest selling cigarette in the U.S. In addition to Newport, the Lorillard product line has five additional brand families marketed under the Kent, True, Maverick, Old Gold and Max brand names. These six brands include 43 different product offerings which vary in price, taste, flavor, length and packaging. Lorillard maintains its headquarters and manufactures all of its products in Greensboro, North Carolina.

Forward-Looking Statements

Certain statements made in this press release are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words "expect," "intend," "plan," "anticipate," "estimate," "believe," "may," "will be," "will continue," "will likely result" and similar expressions. In addition, any statement that may be provided by management concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects and possible actions by Lorillard, Inc. are also forward-looking statements as defined by the Reform Act.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from

those anticipated or projected. Information describing factors that could cause actual results to differ materially from those in forward-looking statements is available in Lorillard, Inc.'s filings with the Securities and Exchange Commission (the "SEC"), including but not limited to, our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. These filings are available from the SEC over the Internet or in hard copy, and are available on our website at www.lorillard.com. Forward-looking statements speak only as of the time they are made, and we expressly disclaim any obligation or undertaking to update these statements to reflect any change in expectations or beliefs or any change in events, conditions or circumstances on which any forward-looking statement is based.

Lorillard, Inc. and Subsidiaries
Consolidated Condensed Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
(Amounts in millions, except per share data)	(Unaudited)			
Net sales (a)	\$ 1,567	\$ 1,419	\$ 4,446	\$ 3,855
Cost of sales (a) (b) (c)	1,001	931	2,861	2,430
Gross profit	566	488	1,585	1,425
Selling, general and administrative	101	96	293	282
Operating income	465	392	1,292	1,143
Investment income	1	1	3	4
Interest expense	(29)	(15)	(66)	(18)
Income before income taxes	437	378	1,229	1,129
Income taxes	163	143	459	423
Net income	\$ 274	\$ 235	\$ 770	\$ 706
Earnings per share:				
Basic	\$ 1.82	\$ 1.44	\$ 5.04	\$ 4.24
Diluted	\$ 1.81	\$ 1.44	\$ 5.04	\$ 4.24
Weighted average number of shares outstanding:				
Basic	151.33	163.58	152.63	166.42
Diluted	151.54	163.72	152.81	166.55
Supplemental information:				
(a) Includes excise taxes.	\$494	\$466	\$1,413	\$1,101
(b) Includes charges to accrue obligations under the State Settlement Agreements	324	294	911	848
(c) Includes charges to accrue obligations under the Federal Assessment for Tobacco Growers.	27	29	84	77

Lorillard, Inc. and Subsidiaries
Consolidated Condensed Balance Sheets

September 30, 2010, December 31, 2009

(In millions)

(Unaudited)

Assets:

Cash and cash equivalents	\$ 2,112	\$ 1,384
Accounts receivable, less allowances of \$3 and \$3	14	9
Other receivables	25	41
Inventories	311	281
Deferred income taxes	453	466
Other current assets	139	-

Total current assets 3,054 2,181

Plant and equipment, net	239	237
Prepaid pension assets	68	60
Deferred income taxes	46	48
Other assets	97	49

Total assets \$ 3,504 \$ 2,575

Liabilities and Shareholders' Equity (Deficit):

Accounts and drafts payable	\$ 18	\$ 23
Accrued liabilities	401	318
Settlement costs	956	982
Income taxes	14	14

Total current liabilities 1,389 1,337

Long-term debt	1,816	722
Postretirement pension, medical and life insurance benefits	292	300
Other liabilities	45	129

Total liabilities 3,542 2,488

Commitments and Contingent Liabilities

Shareholders' Equity (Deficit):

Preferred stock, \$0.01 par value, authorized 10 million shares	-	-
Common stock:		
Authorized - 600 million shares; par value--\$0.01 per share		
Issued - 174 million and 174 million shares		
Outstanding - 151 million and 156 million shares	2	2
Additional paid-in capital	236	234
Earnings retained in the business	1,574	1,282

Accumulated other comprehensive loss	(109)	(121)
Treasury stock at cost, 24 million and 18 million shares	(1,741)	(1,310)
	<u>(38)</u>	<u>87</u>
Total shareholders' equity (deficit)		
	<u>\$ 3,504</u>	<u>\$ 2,575</u>

Lorillard, Inc. and Subsidiaries
Wholesale Shipments

Information regarding unit volume shipped by Lorillard Tobacco Company to its direct buying customers by brand follows:

(All units in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2010	2009	% Chg	2010	2009	% Chg
<i>Full Price Brands</i>						
Newport	8,247,874	8,019,309	2.9	23,952,602	23,340,489	2.6
Kent	63,102	74,418	-15.2	193,362	225,972	-14.4
True	64,800	74,568	-13.1	195,461	222,744	-12.2
Max	2,517	4,707	-46.5	11,268	14,418	-21.8
Total Full Price Brands	<u>8,378,293</u>	<u>8,173,002</u>	<u>2.5</u>	<u>24,352,693</u>	<u>23,803,623</u>	<u>2.3</u>
<i>Price/Value Brands</i>						
Old Gold	145,776	116,448	25.2	394,476	339,611	16.2
Maverick	1,306,236	997,656	30.9	3,387,744	2,529,942	33.9
Total Price/Value Brands	<u>1,452,012</u>	<u>1,114,104</u>	<u>30.3</u>	<u>3,782,220</u>	<u>2,869,553</u>	<u>31.8</u>
Total Domestic Cigarettes	9,830,305	9,287,106	5.8	28,134,913	26,673,176	5.5
Total Puerto Rico and U.S. Possessions	<u>172,848</u>	<u>170,454</u>	<u>1.4</u>	<u>516,103</u>	<u>564,780</u>	<u>-8.6</u>
Grand Total	<u>10,003,153</u>	<u>9,457,560</u>	<u>5.8</u>	<u>28,651,016</u>	<u>27,237,956</u>	<u>5.2</u>

Notes:

1. This information is unaudited and is not adjusted for returns.
2. Domestic unit volume includes units sold as well as promotional units and excludes volumes for Puerto Rico and U.S. Possessions.
3. Unit volume for a quarter is not necessarily indicative of unit volume for any subsequent period.
4. Unit volume is not necessarily indicative of the level of revenues for any period.

Lorillard, Inc. and Subsidiaries
Selected Domestic Retail Market Share Data (1)

Three Months Ended September 30,			Nine Months Ended September 30,		
2010	2009	Pt Chg	2010	2009	Pt Chg

Lorillard	12.9	11.9	1.0	12.8	11.7	1.1
Newport	10.8	10.3	0.5	10.9	10.3	0.6
Total Industry Menthol	30.2	29.4	0.8	30.0	29.2	0.8
Newport Share of Menthol Segment	35.9	35.0	0.9	36.3	35.2	1.1

(1) Unaudited information based on Lorillard's Proprietary Retail Database

SOURCE Lorillard, Inc.



News

Lorillard, Inc. Reports Fourth Quarter and Record Annual 2010 Results

GREENSBORO, N.C., Feb. 7, 2011 /PRNewswire via COMTEX/ --

Lorillard, Inc. (NYSE: LO) announced today results for the quarter and year ended December 31, 2010.

Highlights

- Fourth quarter earnings per diluted share increased 14.5%, versus year ago, to \$1.74.
- Annual earnings per diluted share increased 17.7%, versus year ago, to a record \$6.78.
- Annual net sales reached a record \$5.932 billion.
- Annual domestic wholesale shipments increased 5.3% in 2010 compared to a 3.8% decline in industry domestic wholesale shipments.
- Total Lorillard retail market share for 2010 reached an all-time high of 12.9%.
- Annual net income exceeded \$1 billion for first time in the Company's history.
- Share repurchases totaled \$285 million in the quarter and \$716 million in 2010.
- 2010 dividends and share repurchases resulted in \$1.361 billion cash returned to shareholders.

"Lorillard continued to fire on all cylinders during the fourth quarter leading to record annual results in net sales, net earnings, earnings per share and retail market share," said Murray S. Kessler, Chairman, President and Chief Executive Officer. "Based on our current strategic review process, which is well under way, I remain confident in the Company's future and its ability to deliver a double digit shareholder return over the long-term."

Fourth Quarter 2010 Results

Net sales increased \$108 million to \$1.486 billion in the fourth quarter of 2010, compared to \$1.378 billion in the fourth quarter of 2009, an increase of 7.8%. The increase resulted from higher unit sales volume, higher average prices and lower sales promotion costs accounted for as a reduction of sales. Gross profit was \$538 million in the fourth quarter of 2010, or 36.2% of net sales, compared to \$481 million, or 34.9% of net sales, in the fourth quarter of 2009. The increase in gross profit reflects an increase in net sales, partially offset by higher costs related to the State Settlement Agreements and the Federal Assessment for Tobacco Growers and higher Food and Drug Administration user fees.

Total Lorillard wholesale shipment volume for the fourth quarter of 2010 of 9.456 billion units increased 4.5% compared to the fourth quarter of 2009. Total industry domestic wholesale shipments (which exclude Puerto Rico and U.S. Possessions) decreased an estimated 4.7% for the fourth quarter of 2010 compared to the fourth quarter of 2009. Lorillard's domestic wholesale shipments increased 4.6% for the same period. Newport's domestic wholesale shipments increased 2.2%, while Maverick's domestic wholesale shipments increased 25.2% in the fourth quarter of 2010 compared to the fourth quarter of 2009. The Company launched Newport Non-Menthol in the fourth quarter of 2010, which significantly contributed to the increase in Newport domestic wholesale shipments during the quarter, slightly offset by the effect of trade inventory fluctuations as compared to the fourth quarter of last year. See attached table for details of Lorillard's wholesale shipments.

Based on Lorillard's proprietary retail shipment data, Newport continued to increase its domestic retail market share during the fourth quarter of 2010 by 0.8 share points to 11.2%, an all-time high, from 10.4% in the fourth quarter of 2009. Newport Non-Menthol accounted for 0.5 share points of this increase. See attached table for selected retail share data.

Selling, general and administrative costs increased \$22 million to \$105 million in the fourth quarter of 2010 compared to the fourth quarter of 2009 primarily as a result of higher legal and compensation costs.

Interest expense increased \$19 million in the fourth quarter of 2010 compared to the fourth quarter of 2009 and reflects interest on the Senior Notes issued in the second quarter of 2009, net of the effect of interest rate swap agreements, and interest on the Senior Notes issued in the second quarter of 2010.

Lorillard's effective income tax rate was 36.3 % in the fourth quarter of 2010 compared to 37.9% in the fourth quarter of 2009.

Net income in the fourth quarter of 2010 was \$259 million, or \$1.74 per share (basic and diluted), compared to \$242 million, or \$1.52 per share (basic and diluted), in the fourth quarter of 2009. The 14.5% increase in earnings per diluted share for the fourth quarter includes the benefit of the Company's share repurchase program which resulted in lower outstanding shares, and contributed \$0.11, or 7.2 percentage points, to the increase in earnings per share.

Lorillard's reported results are impacted by excise taxes which are included in the Company's cost of sales. The following table provides additional information regarding the impact of excise taxes on reported results:

(Amounts in millions)	Three Months Ended December 31,		Year Ended December 31,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net sales	\$1,486	\$1,378	\$5,932	\$5,233
Less excise taxes	(466)	(446)	(1,879)	(1,547)
Net sales excluding excise taxes	1,020	932	4,053	3,686
Cost of sales	948	897	3,809	3,327
Less excise taxes	(466)	(446)	(1,879)	(1,547)
Cost of sales excluding excise taxes	482	451	1,930	1,780
Gross profit	538	481	2,123	1,906
Percentage of net sales excluding excise taxes	52.7%	51.6%	52.4%	51.7%
Selling, general and administrative	105	83	398	365
Operating income	<u>\$ 433</u>	<u>\$ 398</u>	<u>\$1,725</u>	<u>\$1,541</u>
Percentage of net sales excluding excise taxes	42.5%	42.7%	42.6%	41.8%

2010 Results

Net sales increased \$699 million to a record \$5.932 billion in 2010, compared to \$5.233 billion in 2009, an increase of 13.4%. \$287 million of that increase was the result of the April 2009 increase in federal excise taxes on cigarettes. Net sales excluding excise taxes in 2010 increased \$367 million, or 10.0%, from 2009 as the result of higher net unit sales volume, higher average unit prices and lower sales promotion costs accounted for as a reduction in net sales.

Gross profit was \$2.123 billion, or 52.4% of net sales excluding excise taxes in 2010, compared to \$1.906 billion, or 51.7% of net sales excluding excise taxes in 2009. Excise taxes have been excluded from this annual comparison due to the April 1, 2009 increase in the federal excise tax. The increase in gross profit reflects an increase in net sales, partially offset by higher costs related to the State Settlement Agreements and the Federal Assessment for Tobacco Growers and higher Food and Drug Administration user fees. See attached tables for wholesale and selected retail share data comparing 2010 and 2009.

During 2010, Lorillard's domestic wholesale unit shipments increased by 5.3% versus an estimated industry decline of 3.8%. Newport's domestic wholesale shipments increased 2.5%, while Maverick's domestic wholesale shipments increased 31.5% in 2010 compared to 2009. See attached table for details of Lorillard's wholesale shipments.

Selling, general and administrative costs increased \$33 million, or 9.0%, in 2010 to \$398 million compared to 2009 as a result of higher legal and compensation costs incurred in the current year.

Interest expense increased \$67 million in 2010 compared to 2009 and reflects interest on the Senior Notes issued in the second quarter of 2009, net of the effect of interest rate swap agreements, and interest on the Senior Notes issued in the second quarter of 2010.

Lorillard's effective income tax rate was 37.1 % in 2010 compared to 37.6% in 2009.

Net income in 2010 was \$1.029 billion, or \$6.78 per share (basic and diluted), compared to \$948 million, or \$5.76 per share

(basic and diluted) in 2009. These results reflect the impact of the aforementioned factors and the effect on earnings per share of a lower average number of shares outstanding in 2010 than in 2009 resulting from share repurchase programs. The impact of the reduction in the average number of shares outstanding increased earnings per share by \$0.53 compared to 2009.

Additional News

On November 1, 2010, the Company launched a non-menthol variety of its flagship Newport(R) brand to markets across the U.S. Newport(R) Non-Menthol is a premium product with broad competitive appeal that delivers the high quality tobacco taste that adult smokers have grown to expect from Newport.

On November 17, 2010, Lorillard, Inc. announced that its Board of Directors approved a quarterly dividend on its common stock of \$1.125 per share. The dividend was payable on December 13, 2010 to stockholders of record as of December 1, 2010.

As of December 31, 2010, the Company had repurchased approximately 4.5 million shares of its outstanding common stock under the \$1.0 billion repurchase program announced on August 20, 2010 at a cost of approximately \$376 million. The maximum dollar value of shares that could yet be repurchased under this program as of December 31, 2010 was approximately \$624 million.

On January 5, 2011, the Board of Directors of Lorillard, Inc. announced the election of Dianne Neal Blixt to the Board of Directors to serve as an independent director. Ms. Blixt was also appointed to the Company's Audit Committee.

Conference Call

A conference call to discuss the 2010 results of Lorillard, Inc. has been scheduled for 9:00a.m. EST on Monday, February 7, 2011. A live broadcast of the call will be available online at the Lorillard, Inc. website (www.lorillard.com). Please go to the website at least ten minutes before the event begins to register and to download and install any necessary audio software.

Those interested in participating in the question and answer session of the conference call should dial (888) 239-6824 (domestic) or (706) 902-3787 (international). The passcode for this event is: 38327446.

An online replay will be available at the Company's website following the call. If you wish to listen to the replay of this conference call, please visit Lorillard's website at www.lorillard.com or dial (800) 642-1687 (domestic) or (706) 645-9291 (international) and enter passcode: 38327446. The conference call will be available for replay in its entirety through February 14, 2011.

About Lorillard, Inc.

Lorillard, Inc. (NYSE: LO) is the third largest manufacturer of cigarettes in the United States. Founded in 1760, Lorillard is the oldest continuously operating tobacco company in the U.S. Newport, Lorillard's flagship menthol-flavored premium cigarette brand, is the top selling menthol and second largest selling cigarette in the U.S. In addition to Newport, the Lorillard product line has four additional brand families marketed under the Kent, True, Maverick and Old Gold brand names. These five brands include 43 different product offerings which vary in price, taste, flavor, length and packaging. Lorillard maintains its headquarters and manufactures all of its products in Greensboro, North Carolina.

Forward-Looking Statements

Certain statements made in this press release are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words "expect," "intend," "plan," "anticipate," "estimate," "believe," "may," "will be," "will continue," "will likely result" and similar expressions. In addition, any statement that may be provided by management concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects and possible actions by Lorillard, Inc. are also forward-looking statements as defined by the Reform Act.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those anticipated or projected. Information describing factors that could cause actual results to differ materially from those in forward-looking statements is available in Lorillard, Inc.'s filings with the Securities and Exchange Commission (the "SEC"), including but not limited to, our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. These filings are available from the SEC over the Internet or in hard copy, and are available on our website at www.lorillard.com. Forward-looking statements speak only as of the time they are made, and we expressly disclaim any obligation or undertaking to update these statements to reflect any change in expectations or beliefs or any change in events, conditions or circumstances on which any forward-looking statement is based.

Lorillard, Inc. and Subsidiaries Consolidated Condensed Statements of Income

	Three Months Ended December 31,		Year Ended December 31,	
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	2010	2009	2010	2009
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(Unaudited) (Unaudited) (Unaudited)

(Amounts in millions, except per share data)

Net sales (a)	\$ 1,486	\$ 1,378	\$ 5,932	\$ 5,233
Cost of sales (a) (b) (c)	948	897	3,809	3,327
Gross profit	538	481	2,123	1,906
Selling, general and administrative	105	83	398	365
Operating income	433	398	1,725	1,541
Investment income	1	1	4	5
Interest expense	(28)	(9)	(94)	(27)
Income before income taxes	406	390	1,635	1,519
Income taxes	147	148	606	571
Net income	\$ 259	\$ 242	\$ 1,029	\$ 948

Earnings per share:

Basic	\$ 1.74	\$ 1.52	\$ 6.78	\$ 5.76
Diluted	\$ 1.74	\$ 1.52	\$ 6.78	\$ 5.76

Weighted average number of shares outstanding:

Basic	148.49	158.72	151.59	164.48
Diluted	148.76	158.89	151.79	164.62

Supplemental information:

(a) Includes excise taxes.	\$466	\$446	\$1,879	\$1,547
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(b) Includes charges to accrue obligations under the State Settlement Agreements.	300	280	1,212	1,128
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(c) Includes charges to accrue obligations under the Federal Assessment for Tobacco Growers.	27	23	111	100
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December 31, December 31,
2010 2009
(Unaudited)

(In millions)

Assets:

Cash and cash equivalents	\$ 2,063	\$ 1,384
Accounts receivable, less allowances of \$3 and \$3	9	9
Other receivables	68	41
Inventories	277	281
Deferred income taxes	503	466
Other current assets	<u>15</u>	<u>-</u>
 Total current assets	 2,935	 2,181

Plant and equipment, net	243	237
Prepaid pension assets	66	60
Deferred income taxes	6	48
Other assets	<u>46</u>	<u>49</u>
 Total assets	 <u>\$ 3,296</u>	 <u>\$ 2,575</u>

Liabilities and Shareholders' Equity (Deficit):

Accounts and drafts payable	\$ 27	\$ 23
Accrued liabilities	333	318
Settlement costs	1,060	982
Income taxes	<u>6</u>	<u>14</u>
 Total current liabilities	 1,426	 1,337

Long-term debt	1,769	722
Postretirement pension, medical and life insurance benefits	284	300
Other liabilities	<u>42</u>	<u>129</u>
 Total liabilities	 <u>3,521</u>	 <u>2,488</u>

Commitments and Contingent Liabilities

Shareholders' Equity (Deficit):

Preferred stock, \$0.01 par value, authorized 10 million shares	-	-
Common stock:		
Authorized - 600 million shares; par value--\$0.01 per share		
Issued - 174 million and 174 million shares		

Outstanding - 147 million and 156 million shares	2	2
Additional paid-in capital	242	234
Earnings retained in the business	1,666	1,282
Accumulated other comprehensive loss	(109)	(121)
Treasury stock at cost, 27 million and 18 million shares	(2,026)	(1,310)
Total shareholders' equity (deficit)	(225)	87
Total liabilities and shareholders' equity (deficit)	\$ 3,296	\$ 2,575

Lorillard, Inc. and Subsidiaries
Wholesale Shipments

Information regarding unit volume shipped by Lorillard Tobacco Company to its direct buying customers by brand follows:

(All units in thousands)	Three Months Ended December 31,			Year Ended December 31,		
	2010	2009	% Chg	2010	2009	% Chg
<i>Full Price Brands</i>						
Newport	7,851,049	7,680,763	2.2	31,803,651	31,021,252	2.5
Kent	56,928	69,126	-17.6	250,290	295,098	-15.2
True	57,678	69,642	-17.2	253,139	292,386	-13.4
Max	0	4,464	-100.0	11,268	18,882	-40.3
Total Full Price Brands	7,965,655	7,823,995	1.8	32,318,348	31,627,618	2.2
<i>Price/Value Brands</i>						
Old Gold	135,060	106,272	27.1	529,536	445,883	18.8
Maverick	1,197,318	956,262	25.2	4,585,062	3,486,204	31.5
Total Price/Value Brands	1,332,378	1,062,534	25.4	5,114,598	3,932,087	30.1
Total Domestic Cigarettes	9,298,033	8,886,529	4.6	37,432,946	35,559,705	5.3
Total Puerto Rico and U.S. Possessions	157,980	160,080	-1.3	674,083	724,860	-7.0
Grand Total	9,456,013	9,046,609	4.5	38,107,029	36,284,565	5.0

Notes:

1. This information is unaudited and is not adjusted for returns.
2. Domestic unit volume includes units sold as well as promotional units and excludes volumes for Puerto Rico and U.S. Possessions.
3. Unit volume for a quarter is not necessarily indicative of unit volume for any subsequent period.

4. Unit volume is not necessarily indicative of the level of revenues for any period.

Lorillard, Inc. and Subsidiaries
Selected Domestic Retail Market Share Data (1)

	Three Months Ended December 31,			Year Ended December 31,		
	2010	2009	Pt Chg	2010	2009	Pt Chg
Total Lorillard	13.2	12.0	1.2	12.9	11.8	1.1
Total Newport	11.2	10.4	0.8	11.0	10.3	0.7
Total Industry Menthol	30.2	29.8	0.4	30.0	29.3	0.7
Newport Menthol Share of Menthol Segment	35.3	34.8	0.5	36.1	35.1	1.0

(1) Unaudited information based on Lorillard's Proprietary Retail Database ("EXCEL")

SOURCE Lorillard, Inc.



News

Lorillard, Inc. Reports First Quarter 2011 Results

GREENSBORO, N.C., April 26, 2011 /PRNewswire via COMTEX/ --

Lorillard, Inc. (NYSE: LO) announced today results for the quarter ended March 31, 2011.

Highlights

- Net sales increased 12.9% to \$1.535 billion from last year's first quarter.
- First quarter 2011 domestic wholesale shipments increased 9.4% versus last year compared to a 3.4% decline in industry domestic wholesale shipments.
- Total Lorillard retail market share for the first quarter 2011 increased 1.5 percentage points versus last year to 14.1%.
- Total Newport retail market share for the first quarter 2011 increased 1.1 percentage points versus last year to 12.0%.
- First quarter 2011 earnings per diluted share increased 14% versus last year to \$1.71.
- Lorillard repurchased 3.8 million shares during the quarter at a cost of \$289 million.

"In the first quarter, Lorillard once again delivered industry leading financial results on virtually every measure that matters," said Murray S. Kessler, Chairman, President and Chief Executive Officer. "It's a testament to our flagship Newport brand which continues to organically grow volume and market share, despite challenging external conditions."

First Quarter 2011 Results

Net sales increased \$175 million to \$1.535 billion in the first quarter of 2011, compared to \$1.360 billion in the first quarter of 2010, an increase of 12.9%. The increase resulted from higher unit sales volume and higher average prices, partially offset by higher sales promotion costs primarily driven by the introduction of Newport Non-Menthol. Gross profit was \$543 million in the first quarter of 2011, or 35.4% of net sales, compared to \$478 million, or 35.1% of net sales, in the first quarter of 2010. The increase in gross profit reflects an increase in net sales, partially offset by higher costs related to the State Settlement Agreements and the Federal Assessment for Tobacco Growers and higher Food and Drug Administration user fees.

Total Lorillard wholesale shipment volume for the first quarter of 2011, which includes Puerto Rico and U.S. Possessions, increased 9.5% compared to the first quarter of 2010 to 9.708 billion units. Lorillard's domestic wholesale shipments, which exclude Puerto Rico and U.S. Possessions, increased 9.4% for the same period. Domestic wholesale shipments for Newport, the Company's flagship brand, increased 8.0%, while domestic wholesale shipments for Maverick, the Company's leading discount brand, increased 22.7% in the first quarter of 2011 compared to the first quarter of 2010. Newport Non-Menthol, the first significant line extension for Newport in the last decade, was successfully launched in the fourth quarter of 2010 and significantly contributed to the increase in Newport domestic wholesale shipments during the first quarter. Total cigarette industry domestic wholesale shipments decreased an estimated 3.4% for the first quarter of 2011 compared to the first quarter of 2010. The first quarter of 2011 included one additional shipping day versus a year ago. Adjusting for the additional day and modest changes in wholesale inventory patterns, Lorillard domestic wholesale shipments increased an estimated 8.3% for the first quarter of 2011. See attached table for details of Lorillard's wholesale shipments.

Based on Lorillard's proprietary retail shipment data, Lorillard's domestic retail market share made strong gains in the first quarter of 2011, increasing 1.5 percentage points to a market share of 14.1%. Newport's domestic retail market share reached 12.0% during the first quarter of 2011, an increase of 1.1 share points compared to the first quarter of 2010. Newport Non-Menthol's market share was .7 share points, significantly contributing to Newport's overall share increase for the quarter. See attached table for selected retail share data.

Selling, general and administrative costs increased \$26 million to \$122 million in the first quarter of 2011 compared to the first quarter of 2010 primarily as a result of higher legal costs related to the Engle Progeny litigation. In addition, selling, general and administrative costs include higher administrative costs incurred in support of the Company's position and industry reports to the FDA regarding the use of menthol in cigarettes and advertising costs related to the support of Newport Non-Menthol.

Interest expense increased \$18 million in the first quarter of 2011 compared to the first quarter of 2010 primarily due to additional interest on the Senior Notes issued in the second quarter of 2010.

Lorillard's effective income tax rate was 37.1% in the first quarter of 2011 compared to 37.8% in the first quarter of 2010. The decrease is primarily due to an unfavorable adjustment in the first quarter of 2010 from the impact of the repeal of future tax deductions for Medicare Part D subsidies for retiree drug benefits pursuant to the health care reform legislation enacted in the first quarter of 2010.

Net income in the first quarter of 2011 was \$248 million, or \$1.71 per share (basic and diluted), compared to \$232 million, or \$1.50 per share (basic and diluted), in the first quarter of 2010. The 14% increase in earnings per diluted share for the first quarter includes the benefit of the Company's share repurchase program which resulted in lower outstanding shares, and contributed \$0.11, or 7.3 percentage points, to the increase in earnings per share.

Additional News

On February 17, 2011, Lorillard, Inc. announced that its Board of Directors approved a 16% increase in the quarterly dividend on its common stock to \$1.30 per share. The dividend was payable on March 11, 2011 to shareholders of record as of March 1, 2011.

During the first quarter of 2011, the Company repurchased approximately 3.8million shares at a cost of \$289million under the \$1 billion repurchase program announced on August 20, 2010. As of March 31, 2011, the maximum dollar value of shares that could yet be purchased under the program was \$335million.

In April 2011, the Company paid \$1.003 billion under the State Settlement Agreements, primarily based on 2010 volume. Included in this amount was \$107 million deposited in an interest-bearing escrow account in accordance with procedures established in the MSA pending resolution of a claim by the Company and the other Original Participating Manufacturers that they are entitled to reduce their MSA payments based on a loss of market share to non-participating manufacturers.

Lorillard will host a webcast of its Investor Day presentation to the investment community on Wednesday, May 4, 2011, in New York, NY. The live webcast will begin at 9:00 a.m. Eastern Daylight Time, and will feature corporate presentations by members of the Company's executive management team. The presentations are scheduled to conclude at 12:00 p.m. Eastern Daylight Time. The Investor Day webcast will be available under the Investor Relations section of Lorillard's website at <http://www.lorillard.com/>, and a replay will be available in its entirety through June 3, 2011.

Conference Call

A conference call to discuss the first quarter 2011 results of Lorillard, Inc. has been scheduled for 8:30a.m. Eastern Daylight Time on Tuesday, April 26, 2011. A live broadcast of the call will be available online at the Lorillard, Inc. website (<http://www.lorillard.com/>). Please go to the website at least ten minutes before the event begins to register and to download and install any necessary audio software.

Those interested in participating in the question and answer session of the conference call should dial (888) 239-6824 (domestic) or (706) 902-3787 (international). The passcode for this event is: 59461547.

An online replay will be available at the Company's website following the call. If you wish to listen to the replay of this conference call, please visit Lorillard's website at <http://www.lorillard.com/> or dial (800) 642-1687 (domestic) or (706) 645-9291 (international) and enter passcode: 59461547. The conference call will be available for replay in its entirety through May 3, 2011.

About Lorillard, Inc.

Lorillard, Inc. (NYSE: LO) is the third largest manufacturer of cigarettes in the United States. Founded in 1760, Lorillard is the oldest continuously operating tobacco company in the U.S. Newport, Lorillard's flagship menthol-flavored premium cigarette brand, is the top selling menthol and second largest selling cigarette in the U.S. In addition to Newport, the Lorillard product line has four additional brand families marketed under the Kent, True, Maverick and Old Gold brand names. These five brands include 43 different product offerings which vary in price, taste, flavor, length and packaging. Lorillard maintains its headquarters and manufactures all of its products in Greensboro, North Carolina.

Forward-Looking Statements

Certain statements made in this press release are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words "expect," "intend," "plan," "anticipate," "estimate," "believe," "may," "will be," "will continue," "will likely result" and similar expressions. In addition, any statement that may be provided by management concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects and possible actions by Lorillard, Inc. are also forward-looking statements as defined by the Reform Act.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those anticipated or projected. Information describing factors that could cause actual results to differ materially from those in

forward-looking statements is available in Lorillard, Inc.'s filings with the Securities and Exchange Commission (the "SEC"), including but not limited to, our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. These filings are available from the SEC over the Internet or in hard copy, and are available on our website at <http://www.lorillard.com/>. Forward-looking statements speak only as of the time they are made, and we expressly disclaim any obligation or undertaking to update these statements to reflect any change in expectations or beliefs or any change in events, conditions or circumstances on which any forward-looking statement is based.

Lorillard, Inc. and Subsidiaries

Consolidated Condensed Statements of Income

	Three Months Ended March 31,	
	2011	2010
(Amounts in millions, except per share data)	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Net sales (a)	\$ 1,535	\$ 1,360
Cost of sales (a) (b)	<u>992</u>	<u>882</u>
Gross profit	543	478
Selling, general and administrative	<u>122</u>	<u>96</u>
Operating income	421	382
Investment income	1	1
Interest expense	<u>(28)</u>	<u>(10)</u>
Income before income taxes	394	373
Income taxes	<u>146</u>	<u>141</u>
Net income	<u>\$ 248</u>	<u>\$ 232</u>

Earnings per share:

Basic	\$ 1.71	\$ 1.50
Diluted	\$ 1.71	\$ 1.50

Weighted average number of shares outstanding:

Basic	144.80	154.55
Diluted	144.94	154.72

Supplemental information:

(a) Includes excise taxes.	\$ 479	\$ 437
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(b) Cost of sales includes:

- Charges to accrue obligations under the

State Settlement Agreements.	319	276
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- Charges to accrue obligations under the

Federal Assessment for Tobacco Growers.	30	27
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- Charges to accrue Food and Drug

Lorillard, Inc. and Subsidiaries**Consolidated Condensed Balance Sheets**

	March 31, 2011	December 31, 2010
	(Unaudited)	
(In millions)		
Assets:		
Cash and cash equivalents	\$ 2,338	\$ 2,063
Accounts receivable, less allowances of \$3 and \$3	12	9
Other receivables	63	68
Inventories	308	277
Deferred income taxes	505	503
Other current assets	13	15
Total current assets	<u>3,239</u>	<u>2,935</u>
Plant and equipment, net	240	243
Prepaid pension assets	68	66
Deferred income taxes	7	6
Other assets	36	46
Total assets	<u>\$ 3,590</u>	<u>\$ 3,296</u>
Liabilities and Shareholders' Deficit:		
Accounts and drafts payable	\$ 19	\$ 27
Accrued liabilities	418	333
Settlement costs	1,381	1,060
Income taxes	131	6
Total current liabilities	<u>1,949</u>	<u>1,426</u>
Long-term debt	1,759	1,769
Postretirement pension, medical and life insurance benefits	284	284
Other liabilities	47	42
Total liabilities	<u>4,039</u>	<u>3,521</u>
Commitments and Contingent Liabilities		
Shareholders' Deficit:		
Preferred stock, \$0.01 par value, authorized 10 million shares	-	-
Common stock:		
Authorized - 600 million shares; par value--\$0.01 per share		
Issued - 175 million and 174 million shares		
Outstanding - 144 million and 147 million shares	2	2
Additional paid-in capital	246	242
Retained earnings	1,726	1,666
Accumulated other comprehensive loss	(108)	(109)
Treasury stock at cost, 31 million and 27 million shares	<u>(2,315)</u>	<u>(2,026)</u>
Total shareholders' deficit	<u>(449)</u>	<u>(225)</u>
Total liabilities and shareholders' deficit	<u>\$ 3,590</u>	<u>\$ 3,296</u>

Lorillard, Inc. and Subsidiaries

Wholesale Shipments

Information regarding unit volume shipped by Lorillard Tobacco Company to its direct buying customers by brand follows:

(All units in thousands)	Three Months Ended March 31,		
	2011	2010	% Chg
<i>Full Price Brands</i>			
Newport	8,114,040	7,509,905	8.0
Kent	50,232	63,648	-21.1
True	52,554	62,999	-16.6
Max	-	4,062	-100.0
Total Full Price Brands	<u>8,216,826</u>	<u>7,640,614</u>	<u>7.5</u>
<i>Price/Value Brands</i>			
Old Gold	132,990	105,570	26.0
Maverick	<u>1,174,020</u>	<u>956,478</u>	<u>22.7</u>
Total Price/Value Brands	<u>1,307,010</u>	<u>1,062,048</u>	<u>23.1</u>
Total Domestic Cigarettes	9,523,836	8,702,662	9.4
Total Puerto Rico and U.S. Possessions	<u>183,780</u>	<u>160,489</u>	<u>14.5</u>
Grand Total	<u><u>9,707,616</u></u>	<u><u>8,863,151</u></u>	<u><u>9.5</u></u>

Notes:

1. This information is unaudited and is not adjusted for returns.
Domestic unit volume includes units sold as well as promotional units and excludes volumes for Puerto Rico and U.S. Possessions.
2. Unit volume for a quarter is not necessarily indicative of unit volume for any subsequent period.
3. Unit volume is not necessarily indicative of the level of revenues for any period.
4. The quarter ended March 31, 2011 contained one more shipping day than the comparable period ended March 31, 2010.
- 5.

Lorillard, Inc. and Subsidiaries

Selected Domestic Retail Market Share Data (1)

	Three Months Ended March 31,		
	<u>2011</u>	<u>2010</u>	<u>Pt Chg</u>
Total Lorillard	14.1	12.6	1.5
Total Newport	12.0	10.9	1.1
Total Industry Menthol	31.0	29.9	1.1
Newport Menthol Share of Menthol Segment	36.4	36.4	0.0

(1) Unaudited information based on Lorillard's Proprietary Retail Database ("EXCEL")

SOURCE Lorillard Tobacco Company

EXHIBIT B



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More Lorillard Brands

In addition to the Newport and Maverick brands, our product line has three additional brand families marketed under the Kent, True, and Old Gold brand names. We produce cigarettes for both the premium and discount segments of the domestic cigarette market. Premium brands are well known, established brands marketed at higher retail prices. Discount brands are generally less well recognized brands marketed at lower retail prices. Our Newport, Kent and True brands are marketed as premium brands and our Maverick and Old Gold brands are marketed as discount brands.

Lorillard's five brands include 43 different product offerings which vary in price, taste, flavor, length and packaging. In 2010, we shipped 38.1 billion cigarettes, all of which were sold in the United States and certain U.S. possessions and territories. We sold our major trademarks outside of the United States in 1977. We maintain our headquarters and manufacture all of our products at our Greensboro, North Carolina facility.



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