LINCOLN NATIONAL CORP
Form 11-K
March 31, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSIOIN

Washington, D.C. 20549

FORM 11- K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILARY PLANS PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ________

Commission File Number 1-6028

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY AGENTS'
SAVINGS AND PROFIT-SHARING PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Lincoln National Corporation
150 N. Radnor Chester Road
Radnor, PA 19087

REQUIRED INFORMATION

Financial statements and schedule for The Lincoln National Life Insurance Company Agents' Savings and Profit-Sharing Plan, prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, are contained in this Annual Report on Form 11-k.

AUDITED Financial Statements and Supplemental Schedule

The Lincoln National Life Insurance Company Agents' Savings and Profit-Sharing Plan

As of December 31, 2009 and 2008, and for the Three Years Ended December 31, 2009, 2008 and 2007

With Report of Independent Registered Public Accounting Firm

The Lincoln National Life Insurance Company
Agents' Savings and Profit-Sharing Plan

Audited Financial Statements
and Supplemental Schedule

As of December 31, 2009 and 2008, and for the
Three Years Ended December 31, 2009, 2008 and 2007

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Report of Independent Registered Public Accounting Firm

Lincoln National Corporation Plan Administrator
Lincoln National Corporation

We have audited the accompanying statements of net assets available for benefits of The Lincoln National Life Insurance Company Agents' Savings and Profit-Sharing Plan as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2009, and 2008, and the changes in net assets available for benefits for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2009, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP
Philadelphia, Pennsylvania
March 31, 2010

The Lincoln National Life Insurance Company
Agents' Savings and Profit-Sharing Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2009	2008
Assets		
Investments:		
Mutual funds (cost: 2009 - $55,756,924; 2008 - $62,557,165)	$59,306,285	$48,171,602
Collective investment trusts (cost: 2009 - $23,740,582; 2008 - $26,174,352)	27,479,065	23,063,386
Common stock - Lincoln National Corporation		
(cost: 2009 - $22,476,633; 2008 - $33,304,906)	27,268,473	21,964,369
Investment contracts - The Lincoln National Life Insurance Company	35,474,845	29,623,868
Wilmington Trust money market fund	996,740	1,003,490
Participant loans	3,706,594	3,572,337
Total investments	154,232,002	127,399,052
Accrued interest receivable	122,128	133,302
Contributions receivable from participant deferrals	-	40,306
Contributions receivable from Sponsor company	190,446	1,161,189
Total assets	154,544,576	128,733,849
Liabilities		
Due to broker	232,549	12,670
Total liabilities	232,549	12,670
Net assets available for benefits	$154,312,027	$128,721,179

See accompanying notes to the financial statements.

The Lincoln National Life Insurance Company
Agents' Savings and Profit-Sharing Plan

Statements of Changes in Net Assets Available for Benefits

	Year ended December 31,		
	2009	2008	2007
Investment income:			
Cash dividends	$1,033,993	$2,480,552	$1,336,688
Interest	1,728,784	1,091,696	965,603
Total investment income	2,762,777	3,572,248	2,302,291
Net realized gain (loss) on sale and distributions of investments:			
Mutual funds	(2,592,510)	(2,203,395)	-
Collective investment trusts	(597,295)	(760,263)	-
Common stock - Lincoln National Corporation	(5,869,682)	(3,553,903)	3,844,371
Pooled separate accounts - The Lincoln National Life Insurance Company separate accounts	-	16,379,942	8,568,425
Total net realized gain (loss)	(9,059,487)	9,862,381	12,412,796
Net change in unrealized appreciation (depreciation) of investments	40,916,992	(84,114,674)	(8,070,015)
Contributions:			
Participants	7,252,863	7,988,435	8,793,200
Sponsor company	1,735,437	3,653,901	4,661,121
Total contributions	8,988,300	11,642,336	13,454,321
Transfers to (from) affiliated plans	97,748	2,511,221	(36,541)
Distributions to participants	(18,114,613)	(17,704,133)	(26,167,088)
Administrative expenses	(869)	(88,650)	(152,742)
Total distributions and expenses	(18,115,482)	(17,792,783)	(26,319,830)
Net increase (decrease) in net assets available for benefits	25,590,848	(74,319,271)	(6,256,978)
Net assets available for benefits at beginning of the year	128,721,179	203,040,450	209,297,428
Net assets available for benefits at end of the year	$154,312,027	$128,721,179	$203,040,450

See accompanying notes to the financial statements.

The Lincoln National Life Insurance Company
Agents' Savings and Profit-Sharing Plan

Notes to Financial Statements

1. Description of the Plan

The following description of The Lincoln National Life Insurance Company Agents' Savings and Profit-Sharing Plan ("Plan") is a summary only and a detailed plan document can be obtained from Human Resources. The Plan is qualified in its entirety by the terms and provisions of the Plan document.

The Plan is a contributory, defined contribution plan that covers eligible full-time agents of The Lincoln National Life Insurance Company ("LNL" or "Plan Sponsor"), Lincoln Financial Advisors Corporation ("LFA"), Jefferson-Pilot Corporation ("JP") and Lincoln Life & Annuity Company of New York.

Participants are permitted to make pre-tax contributions at a rate of at least 1% but not more than 50% of eligible earnings (10% for highly compensated agents, as defined in the Plan, beginning January 1, 2008, and 9% prior to January 1, 2008), up to a maximum annual amount as determined under applicable law. The Plan, although not subject to the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"), is administered in accordance with the provisions of ERISA as a standard and in a manner of "best practices."

Plan Sponsor matching contributions are made to the participants' accounts in accordance with the Plan. The Plan Sponsor matching contribution for eligible participants is equal to 50% of each participant's pre-tax contributions, not to exceed 6% of eligible earnings. The Plan Sponsor matching contribution for eligible former JP agents was equal to 10% of each participant's pre-tax contribution not to exceed 6% of eligible earnings. In addition, the Plan Sponsor may contribute an additional discretionary match to eligible LFA participants. The Plan Sponsor discretionary match is an amount determined by the sole discretion of the Lincoln National Corporation ("LNC") Board of Directors. One requirement for eligibility for the discretionary match is that the participant must have an agent relationship with LNL or an affiliate as of the last day of the year or have died, retired or became disabled during the year. The amount of the Plan Sponsor discretionary matching contribution varies according to whether LFA has met certain performance-based criteria, as determined by the Compensation Committee of LNC's Board of Directors.

Participants' and any earnings thereon are fully vested at all times. Plan Sponsor contributions vest based upon years of service as defined in the Plan document as follows:

Years of Service	Percent Vested
1	0%
2	50%
3 or more	100%

Participants direct the Plan to invest their contributions, the basic Plan Sponsor matching contributions, and the Plan Sponsor discretionary matching contribution in any combination of the investment options offered under the Plan.

The Plan Sponsor has the right to discontinue contributions at any time and terminate the Plan in accordance with the provisions of ERISA. In the event of Plan termination, all non-vested amounts allocated to participant accounts would become fully vested.

The Plan may make loans to participants in amounts up to 50% of the vested account value to a maximum of $50,000 reduced by the highest outstanding loan balance in the previous 12 month period. Interest charged on new loans to participants is established monthly based upon the prime rate plus 1%. Interest income credited on loans was $238,346, $284,652 and $293,769 in 2009, 2008 and 2007, respectively. Loans may be repaid over any

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period selected by the participant up to a maximum repayment period of 5 years except that the maximum repayment period may be 20 years for the purchase of a principal residence.

Upon termination of service, retirement or disability, a participant may elect to receive either a lump-sum amount equal to the entire value of the participant's vested account or an installment option if certain criteria are met. In cases of death, the participant's beneficiary makes that election. Vested account balances less than $1,000 are immediately distributable as a lump-sum under the terms of the Plan without the participant's consent, unless the participant has made a timely election of rollover to an Individual Retirement Account or other qualified arrangement.

Each participant's account is credited with the participant's contributions, Plan Sponsor contributions and applicable investment earnings thereon, and is charged with an allocation of administrative expenses and applicable investment losses. Forfeited non-vested amounts are used to reduce future Plan Sponsor contributions.

2. Summary of Significant Accounting Policies

Investments Valuation and Income Recognition

As of October 1, 2008, Wilmington Trust ("Trustee") became the trustee for the Plan. In addition, Lincoln Alliance ("Recordkeeper") assumed responsibility as the recordkeeper for the Plan as of October 1, 2008. Prior to that date, Wells Fargo Bank ("WFB") acted as the Plan's trustee and recordkeeper. Assets transferred from WFB to the Trustee on October 1, 2008 totaled $162,671,965.

As of December 31, 2009, the assets of the Plan consisted primarily of mutual funds, collective investment trusts, LNC common stock, investment contracts issued by LNL, Wilmington Trust money market fund ("money market fund") and participant loans. Marketable securities are stated at fair value based on quoted market prices in an active market at the Plan's year end. The investment in LNC common stock is valued at the closing sales price reported on the New York Stock Exchange Composite Listing on the last business day of the Plan year. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year. The fair value of ownership interest of the collective investment trusts is established by the Trustee based on the quoted redemption values of the underlying investments on the last business day of the Plan year. A money market fund, which approximates fair value, is also utilized by the Trustee to hold money that has been removed from the participants' funds and is waiting for distribution to the appropriate participants.

Prior to October 1, 2008, the Plan's assets consisted of LNC common stock, pooled separate account investment contracts underwritten by LNL, investment contracts underwritten by LNL, WFB Short-Term Investment Account and participant loans. The WFB Short-Term Investment Account, which was invested in the common stock fund, was valued at cost, which approximated fair value. The fair value of participation units in the pooled separate accounts estimated by LNL was based on quoted redemption value of the underlying investments on the last business day of the Plan year.

As described in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Fully Benefit-Responsive Investment Contracts Topic, investment contracts held by a defined-contribution plan that are fully benefit responsive are required to be reported at fair value and an adjustment to total net assets is required to show net assets at contact value. The investment contracts held by the Plan are fully benefit responsive; therefore, contract value approximates fair value as a result of current interest rates credited to the contracts. Contract value represents net contributions plus interest at the contract rate.

Participant loans are valued at their outstanding balances, which approximate fair value.

The cost of investments sold, distributed, or forfeited is determined using the specific identification method. Investment purchases and sales are accounted for on a trade-date basis.

Interest and dividend income is recorded when earned.

Accounting Estimates and Assumptions

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions affecting the amounts reported in the financial statements and accompanying notes. Those estimates are inherently subject to change and actual results could differ from those estimates.

Fair Value

In September 2006, the FASB issued the Fair Value Measurements and Disclosures Topic of the FASB ASC, which defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and enhances disclosures about fair value measurements. Effective January 1, 2008, the Plan adopted the Fair Value Measurements and Disclosures Topic. The Fair Value Measurements and Disclosures Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. Disclosures include a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. Adoption of the Fair Value Measurements and Disclosures Topic did not have a material impact on the Plan's financial statements.

The Fair Value Measurement standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the fair value hierarchy.

Mutual funds are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within Level 1 of the fair value hierarchy.

Collective investment trusts are public investment vehicles valued using the NAV provided by the Trustee. The NAV is based on the value of the underlying assets owned by the trust, minus its liabilities, and then divided by the number of shares outstanding. The NAV is classified within Level 2 of the fair value hierarchy.

LNC common stock is valued at the closing price reported on the New York Stock Exchange Composite Listing and is classified within Level 1 of the fair value hierarchy.

The Plan invests in an Unallocated Group Fixed Annuity Contract issued by LNL, who guarantees a fixed interest rate. The NAV for the investment contracts is $1. The investment contracts are classified within Level 3 of the fair value hierarchy.

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The money market fund is a public investment vehicle valued using $1 for the NAV. The money market fund is classified within Level 2 of the fair value hierarchy.

Participant loans are valued at cost plus accrued interest, which approximates fair value and are classified within Level 3 of the fair value hierarchy.

See "Fair Value of Financial Investments, Carried at Fair Value" in Note 5 for additional fair value disclosures.

Adoption of New Accounting Standards

In February 2008, the FASB amended the Fair Value Measurements and Disclosures Topic of the FASB ASC in order to delay the effective date of fair value measurement for non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We applied fair value measurement to non-financial assets and non-financial liabilities beginning on January 1, 2009. The application did not have a material impact on the Plan's financial statements.

In April 2009, the FASB amended the Fair Value Measurements and Disclosures Topic to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability and additional guidance on circumstances that may indicate a transaction is not orderly. The FASB provided illustrative examples of key considerations when applying fair value measurement principles to estimate fair value in non-active markets when there has been a significant decrease in the volume and level of activity for the asset. Additional financial statement disclosures are also required about an entity's fair value measurements in annual and interim reporting periods. Any changes in valuation techniques resulting from the adoption of this amended guidance are accounted for as a change in accounting estimate in accordance with the FASB ASC guidance related to accounting changes and error corrections. As permitted under the transition guidance, we adopted these amendments to the Fair Value Measurements and Disclosures Topic effective January 1, 2009. The adoption did not have a material impact on the Plan's financial statements.

In May 2009, the FASB updated the Subsequent Events Topic of the FASB ASC in order to establish standards of accounting for the disclosure of events that take place after the balance sheet date, but before the financial statements are issued. The effect of all subsequent events that existed as of the balance sheet date must be recognized in the financial statements. For those events that did not exist as of the balance sheet date, but arose after the balance sheet date and before the financial statements are issued, recognition is not required, but depending on the nature of the event, disclosure may be required in order to keep the financial statements from being misleading. We adopted these provisions, prospectively, as of December 31, 2009. The adoption of these amendments to the Subsequent Event Topic did not have a material impact on the Plan's financial statements.

In August 2009, the FASB issued ASU No. 2009-05, "Measuring Liabilities at Fair Value" ("ASU 2009-05") which amends the Fair Value Measurements and Disclosures Topic of the FASB ASC to provide further guidance on the application of fair value measurements, due to the general lack of observable market information available for liabilities. These amendments to the Fair Value Measurements and Disclosures Topic identify valuation techniques which can be used to measure the fair value of a liability when a quoted price in an active market is not available. In addition, the amendments clarify that an entity is not required to include a separate input or adjustment to other inputs related to a restriction that prevents the transfer of the liability and clarifies when a quoted price for a liability would be considered a Level 1 input. ASU 2009-05 is effective for the reporting period ending December 31, 2009. Any revisions resulting from a change in a valuation technique, or its application, must be accounted for as a change in accounting estimate and the specified disclosure for a change in accounting estimate must be included in the notes to the financial statements. We adopted these amendments to the Fair Value Measurements and Disclosures Topic effective January 1, 2009. The adoption did not have a material impact on the Plan's financial statements.

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In September 2009, the FASB issued ASU No. 2009-12, "Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" ("ASU 2009-12"), which amends the Fair Value Measurements and Disclosures Topic of the FASB ASC to permit the use of net asset value per share, without further adjustment, to estimate the fair value of investments in investment companies that do not have readily determinable fair values. The net asset value per share must be calculated in a manner consistent with the measurement principles of the Financial Services – Investment Companies Topic of the FASB ASC and can be used by investors in investments such as hedge funds, private equity funds, venture capital funds and real estate funds. If it is probable the investment will be sold for an amount other than net asset value, the investor would be required to estimate the fair value of the investment considering all of the rights and obligations of the investment and any other market available data. In addition, the amendments require enhanced disclosure for the investments within the scope of this accounting update. The accounting guidance in ASU 2009-12 is effective for periods ending after December 15, 2009, and early adoption is permitted. We adopted these amendments effective January 1, 2009. The adoption did not have an impact on the Plan's financial statements.

Future Adoption of Accounting Standards

In January 2010, the FASB issued ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"), which primarily requires new disclosures related to the levels within the fair value hierarchy. An entity will be required to disclose significant transfers in and out of Levels 1 and 2 of the fair value hierarchy, and separately present information related to purchases, sales, issuances and settlements in the reconciliation of fair value measurements classified as Level 3. In addition, ASU 2010-06 will amend the fair value disclosure requirement for pension and postretirement benefit plan assets to require this disclosure at the investment class level. ASU 2010-06 will be effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures related to purchases, sales, issuances and settlements for Level 3 fair value measurements, which are effective for reporting periods beginning after December 15, 2010. We will include the disclosures as required by ASU 2010-06 in the notes to the Plan's financial statements effective January 1, 2010, except for the disclosures related to Level 3 fair value measurements, which we will include in the notes to the Plan's financial statements effective January 1, 2011.

3. Investments

The following is a summary of fair value of assets held for investment:

	December 31, 2009				December 31, 2008			
	Number of Shares, Units or Par Value	Net Asset Value Per Unit	Fair Value		Number of Shares, Units or Par Value	Net Asset Value Per Unit	Fair Value	
Mutual funds:								
Columbia Acorn Z	417,820.137	$ 24.68	$ 10,311,801	*	459,043.245	$ 17.71	$ 8,129,656	*
Delaware Conservative Allocation I	75,686.744	9.48	717,510		113,085.607	7.77	878,675	
Delaware Moderate Allocation I	257,807.620	9.99	2,575,498		302,589.806	8.01	2,423,744	
Delaware Aggressive Allocation I	208,031.898	8.99	1,870,207		199,207.873	7.00	1,394,455	
Delaware Mid Cap Value I	216,120.992	7.31	1,579,844		245,586.608	5.66	1,390,020	
Dodge & Cox International Stock	291,340.723	31.85	9,279,202	*	274,568.330	21.90	6,013,046	
American Fund Growth Fund of America R-5	423,271.268	27.28	11,546,840	*	422,607.570	20.44	8,638,099	*
Harbor International Growth Institutional	724,883.549	11.07	8,024,461	*	890,942.000	8.11	7,225,540	*
Vanguard Institutional Index	98,671.854	101.98	10,062,556	*	119,468.046	82.54	9,860,893	*
Vanguard Extended Market Index Institutional	102,153.188	32.68	3,338,366		92,317.823	24.02	2,217,474	
Total mutual funds			59,306,285				48,171,602	
Collective investment trusts:								
Delaware Large Cap								

Value Trust	611,806.584	10.39	6,356,670		781,119.037	8.78	6,858,225	*
Delaware International Equity Trust	74,713.483	7.44	555,868		10,413.875	5.46	56,860	
Delaware Small Cap Growth Trust	549,145.242	10.33	5,672,670		605,693.008	6.85	4,148,997	
Delaware Diversified Income Trust	771,788.691	12.93	9,979,228	*	773,847.545	10.55	8,164,092	*
Delaware Large Cap Growth Trust	439,591.149	11.18	4,914,629		492,325.027	7.79	3,835,212	
Total collective investment trusts:			27,479,065				23,063,386	
Common stock - LNC	1,095,999.719	24.88	27,268,473	*	1,165,837.000	18.84	21,964,369	*
Contract Value (approximates fair value):								
Investment contracts - LNL	35,474,845	1.00	35,474,845	*	29,623,868	1.00	29,623,868	*
Wilmington Trust money market fund	996,740	1.00	996,740		1,003,490	1.00	1,003,490	
Estimated Value:								
Participants loans	3,706,594	1.00	3,706,594		3,572,337	1.00	3,572,337	
Total investments			$ 154,232,002				$ 127,399,052	

*Investments that represent 5% or more of the fair value of net assets available for benefits as of the end or the year.

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Net realized gain (loss) on sale and distribution of investments is summarized as follows:

	Year ended December 31,		
	2009	2008	2007
Mutual funds			
Proceeds from disposition of units	$19,232,229	$6,146,376	$-
Cost of units disposed	21,824,739	8,349,771	-
Net realized loss on sale and distribution of mutual funds	$(2,592,510)	$(2,203,395)	$-
Collective investment trusts			
Proceeds from disposition of units	$9,479,171	$3,682,194	$-
Cost of units disposed	10,076,466	4,442,457	-
Net realized loss on sale and distribution of collective investment trusts	$(597,295)	$(760,263)	$-
Common stock			
Proceeds from disposition of stock	$14,919,052	$4,366,742	$7,729,845
Cost of stock disposed	20,788,734	7,920,645	3,885,474
Net realized gain (loss) on sale and distribution of common stock	$(5,869,682)	$(3,553,903)	$3,844,371
Pooled separate accounts			
Proceeds from disposition of units	$-	$135,008,487	$49,126,170
Cost of units disposed	-	118,628,545	40,557,745
Net realized gain on sale and distribution of pooled separate accounts	$-	$16,379,942	$8,568,425
Total net realized gain (loss) on sale and distribution of investments	$(9,059,487)	$9,862,381	$12,412,796

The net change in unrealized appreciation (depreciation) of investments in total and by investment classification as determined by fair value is summarized as follows:

	Year ended December 31,		
	2009	2008	2007
Fair value in excess of (less than) cost:			
Balance at beginning-of-year	$(28,837,308)	$55,277,366	$63,347,381
Balance at end-of-year	12,079,684	(28,837,308)	55,277,366
Change in net unrealized appreciation (depreciation) of investments	$40,916,992	$(84,114,674)	$(8,070,015)
Mutual funds	$17,935,166	$(14,385,805)	$-
Other collective investment trusts	6,849,449	(3,110,966)	-
Common stock - LNC	16,132,377	(24,931,330)	(10,211,687)
Pooled separate accounts - LNL	-	(41,686,573)	2,141,672

Change in net unrealized appreciation (depreciation) of investments	$40,916,992	$(84,114,674)	$(8,070,015)

The Plan holds investments in investment contracts. Since October 1, 2008, the Plan invested in the Lincoln Stable Value Fund ("Investment Contracts – LNL"), which has a credited interest rate that is based upon the three-year average of the Barclays rate plus 20 basis points and can be changed quarterly. For fourth quarter 2008, the average crediting rate for the Investment Contract – LNL was 4.95% (annualized), and for 2009 the average crediting rate was approximately 4.70%. Interest is credited at the same rate for the entire contract value. The guaranteed minimum interest rate ("GMIR") is 3.00%. The guarantee is based on LNL's ability to meet its financial obligations from the general assets of LNL.

Prior to October 1, 2008, the Plan invested in the LNL Guaranteed Account ("Guaranteed Account"), which earned an average interest rate of approximately 4.0% (annualized) in the first three quarters of 2008 and for all of 2007. The credited interest rates for new contributions, which approximated current market rates, were 4.0% for the first three quarters of 2008 and for all of 2007. The rate on new contributions was guaranteed through the three succeeding calendar year quarters. The credited interest rates for the remaining contract value balance, which approximated current market rates, were 4.0% (annualized) at September 30, 2008 and December 31, 2007, and were determined based upon the performance of LNL's general account. The credited interest rates could be changed quarterly for the Guaranteed Account. The GMIR was 3.5% through September 30, 2008. The guarantee was based on LNL's ability to meet its financial obligations from the general assets of LNL.

For both the Investment Contract – LNL and the Guaranteed Account, restrictions apply to the aggregate movement of funds to other investment options. The fair value of the investment contracts approximate contract value. Participants are allocated interest on the investment contracts based on the average rate earned on all Plan investments in the investment contracts.

4. Investment Options

The detail of the net assets available for benefits by investment option as of December 31, 2009, is as follows:

		Investment Options				
	Total	1.A	2.A	3.A	4.A	5.A
Assets						
Investments:						
Mutual funds	$59,306,285	$10,311,801	$717,510	$2,575,498	$1,870,207	$1,579,844
Collective investment trusts	27,479,065	-	-	-	-	-
Common stock - LNC	27,268,473	-	-	-	-	-
Investment contracts - LNL	35,474,845	-	-	-	-	-
Wilmington Trust money market fund	996,740	-	-	-	-	-
Participant loans	3,706,594	-	-	-	-	-
Total investments	154,232,002	10,311,801	717,510	2,575,498	1,870,207	1,579,844
Accrued interest receivable	122,128	-	-	-	-	-
Contributions receivable from Sponsor company	190,446	14,948	589	5,842	3,374	3,142
Total assets	154,544,576	10,326,749	718,099	2,581,340	1,873,581	1,582,986
Liabilities						
Due to (from) broker	232,549	(61,608)	341	6,312	2,766	1,766
Total liabilities	232,549	(61,608)	341	6,312	2,766	1,766
Net assets available for benefits	$154,312,027	$10,388,357	$717,758	$2,575,028	$1,870,815	$1,581,220
Number of participants selecting investment options		778	35	137	146	203

	Investment Options					
	6.A	7.A	8.A	9.A	10.A	11.A
Assets						
Investments:						
Mutual funds	$9,279,202	$11,546,840	$8,024,461	$10,062,556	$3,338,366	$-
Collective investment trusts	-	-	-	-	-	6,356,670
Common stock - LNC	-	-	-	-	-	-
Investment contracts - LNL	-	-	-	-	-	-
Wilmington Trust money market fund	-	-	-	-	-	-
Participant loans	-	-	-	-	-	-
Total investments	9,279,202	11,546,840	8,024,461	10,062,556	3,338,366	6,356,670
Accrued interest receivable	-	-	-	-	-	-
Contributions receivable from Sponsor company	14,053	23,067	17,114	15,993	5,280	13,608
Total assets	9,293,255	11,569,907	8,041,575	10,078,549	3,343,646	6,370,278
Liabilities						
Due to (from) broker	47,550	7,449	24,177	143,987	2,226	14,718
Total liabilities	47,550	7,449	24,177	143,987	2,226	14,718
Net assets available for benefits	$9,245,705	$11,562,458	$8,017,398	$9,934,562	$3,341,420	$6,355,560
Number of participants selecting investment options	620	680	663	668	338	573

	Investment Options					
	12.A	13.A	14.A	15.A	16.A	17.A
Assets						
Investments:						
Mutual funds	$-	$-	$-	$-	$-	$-
Collective investment trusts	555,868	5,672,670	9,979,228	4,914,629	-	-
Common stock - LNC	-	-	-	-	27,268,473	-
Investment contracts - LNL	-	-	-	-	-	35,474,845
Wilmington Trust money market fund	-	-	-	-	793,624	-
Participant loans	-	-	-	-	-	-
Total investments	555,868	5,672,670	9,979,228	4,914,629	28,062,097	35,474,845
Accrued interest receivable	-	-	-	-	-	131,640
Contributions receivable from Sponsor company	456	8,259	10,599	8,820	26,775	18,527
Total assets	556,324	5,680,929	9,989,827	4,923,449	28,088,872	35,625,012
Liabilities						
Due to (from) broker	34,534	9,947	6,405	33,532	-	(41,553)
Total liabilities	34,534	9,947	6,405	33,532	-	(41,553)
	$521,790	$5,670,982	$9,983,422	$4,889,917	$28,088,872	$35,666,565

Net assets available for benefits						
Number of participants selecting investment options	45	469	480	369	791	396

	Investment Options	
	Loans	Short Term
Assets		
Investments:		
Mutual funds	$ -	$ -
Collective investment trusts	-	-
Common stock - LNC	-	-
Investment contracts - LNL	-	-
Wilmington Trust money market fund	-	203,116
Participant loans	3,706,594	-
Total investments	3,706,594	203,116
Accrued interest receivable	-	(9,512)
Contributions receivable from Sponsor company	-	-
Total assets	3,706,594	193,604
Liabilities		
Due to (from) broker	-	-
Total liabilities	-	-
Net assets available for benefits	$ 3,706,594	$ 193,604
Number of participants selecting investment options	290	

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The detail of the net assets available for benefits by investment option as of December 31, 2008, is as follows:

		Investment Options				
	Total	1.A	2.A	3.A	4.A	5.A
Assets						
Investments:						
Mutual funds	$ 48,171,602	$ 8,129,656	$ 878,675	$ 2,423,744	$ 1,394,455	$ 1,390,020
Collective investment trusts	23,063,386	-	-	-	-	-
Common stock - LNC	21,964,369	-	-	-	-	-
Investment contracts - LNL	29,623,868	-	-	-	-	-
Wilmington Trust money market fund	1,003,490	-	-	-	-	-
Participant loans	3,572,337	-	-	-	-	-
Total investments	127,399,052	8,129,656	878,675	2,423,744	1,394,455	1,390,020
Accrued interest receivable	133,302	-	-	-	-	-
Contributions receivable from participant deferrals	40,306	2,734	-	582	286	303
Contributions receivable from Sponsor company	1,161,189	98,660	2,741	29,147	21,559	20,209
Total assets	128,733,849	8,231,050	881,416	2,453,473	1,416,300	1,410,532
Liabilities						
Due to (from) broker	12,670	208	-	-	-	-
Total liabilities	12,670	208	-	-	-	-
Net assets available for benefits	$ 128,721,179	$ 8,230,842	$ 881,416	$ 2,453,473	$ 1,416,300	$ 1,410,532
Number of participants selecting investment options		835	56	260	157	248

	Investment Options					
	6.A	7.A	8.A	9.A	10.A	11.A
Assets						
Investments:						
Mutual funds	$6,013,046	$8,638,099	$7,225,540	$9,860,893	$2,217,474	$-
Collective investment trusts	-	-	-	-	-	6,858,225
Common stock - LNC	-	-	-	-	-	-

Investment contracts - LNL	-	-	-	-	-	-
Wilmington Trust money market fund	-	-	-	-	-	-
Participant loans	-	-	-	-	-	-
Total investments	6,013,046	8,638,099	7,225,540	9,860,893	2,217,474	6,858,225
Accrued interest receivable	-	-	-	-	-	-
Contributions receivable from participant deferrals	899	5,988	6,001	2,336	1,998	2,042
Contributions receivable from Sponsor company	89,172	130,639	150,527	92,285	35,847	84,594
Total assets	6,103,117	8,774,726	7,382,068	9,955,514	2,255,319	6,944,861
Liabilities						
Due to (from) broker	337	(2,068)	(3,447)	(1,089)	-	(1,883)
Total liabilities	337	(2,068)	(3,447)	(1,089)	-	(1,883)
Net assets available for benefits	$6,102,780	$8,776,794	$7,385,515	$9,956,603	$2,255,319	$6,946,744
Number of participants selecting investment options	629	724	793	725	374	654

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	Investment Options					
	12.A	13.A	14.A	15.A	16.A	17.A
Assets						
Investments:						
Mutual funds	$-	$-	$-	$-	$-	$-
Collective investment trusts	56,860	4,148,997	8,164,092	3,835,212	-	-
Common stock - LNC	-	-	-	-	21,964,369	-
Investment contracts - LNL	-	-	-	-	-	29,623,868
Wilmington Trust money market fund	-	-	-	-	561,866	-
Participant loans	-	-	-	-	-	-
Total investments	56,860	4,148,997	8,164,092	3,835,212	22,526,235	29,623,868
Accrued interest receivable	-	-	-	-	-	118,613
Contributions receivable from participant deferrals	-	642	837	629	10,975	4,054
Contributions receivable from Sponsor company	1,084	50,441	51,238	55,144	180,943	66,959
Total assets	57,944	4,200,080	8,216,167	3,890,985	22,718,153	29,813,494
Liabilities						
Due to (from) broker	208	-	(15,751)	(1,033)	-	37,188
Total liabilities	208	-	(15,751)	(1,033)	-	37,188
Net assets available for benefits	$57,736	$4,200,080	$8,231,918	$3,892,018	$22,718,153	$29,776,306
Number of participants selecting investment options	17	532	498	402	1267	710

	Investment Options	
	Loans	Short Term
Assets		
Investments:		
Mutual funds	$ -	$ -
Collective investment trusts	-	-
Common stock - LNC	-	-
Investment contracts - LNL	-	-
Wilmington Trust money market fund	-	441,624
Participant loans	3,572,337	-
Total investments	3,572,337	441,624
	-	14,689

Accrued interest receivable		
Contributions receivable from participant deferrals	-	-
Contributions receivable from Sponsor company	-	-
Total assets	3,572,337	456,313
Liabilities		
Due to (from) broker	-	-
Total liabilities	-	-
Net assets available for benefits	$ 3,572,337	$ 456,313
Number of participants selecting investment options	272	

The detail of the changes in net assets available for benefits by investment option for the year ended December 31, 2009, is as follows:

		Investment Options				
	Total	1.A	2.A	3.A	4.A	5.A
Investment income:						
Cash dividends	$1,033,993	$20,690	$20,778	$61,177	$41,484	$11,823
Interest	1,728,784	-	-	-	-	-
Total investment income	2,762,777	20,690	20,778	61,177	41,484	11,823
Net realized gain (loss) on sale and distribution of investments:						
Mutual funds	(2,592,510)	(490,033)	39,682	56,628	(25,848)	(96,507)
Collective investment trusts	(597,295)	-	-	-	-	-
Common stock - LNC	(5,869,682)	-	-	-	-	-
Total net realized gain (loss)	(9,059,487)	(490,033)	39,682	56,628	(25,848)	(96,507)
Net change in unrealized appreciation of investments	40,916,992	3,437,414	138,879	565,366	335,931	458,593
Contributions:						
Participant	7,252,863	558,161	30,394	220,932	143,420	112,862
Sponsor company	1,735,437	128,695	6,219	59,703	29,751	27,585
Total contributions	8,988,300	686,856	36,613	280,635	173,171	140,447
Transfers to (from) affiliated plans	97,748	5,279	193	(2,419)	76,852	3,217
Distributions to participants	(18,114,613)	(680,357)	(553,435)	(745,880)	(79,754)	(177,806)
Administrative expenses	(869)	-	-	-	-	-
Net transfers	-	(822,334)	153,632	(93,952)	(67,321)	(169,079)
Total distributions and expenses	(18,115,482)	(1,502,691)	(399,803)	(839,832)	(147,075)	(346,885)
Net increase (decrease) in net assets available for benefits	25,590,848	2,157,515	(163,658)	121,555	454,515	170,688
Net assets available for benefits at beginning-of-year	128,721,179	8,230,842	881,416	2,453,473	1,416,300	1,410,532
Net assets available for benefits at end-of-year	$154,312,027	$10,388,357	$717,758	$2,575,028	$1,870,815	$1,581,220

			Investment Options			
	6.A	7.A	8.A	9.A	10.A	11.A
Investment income:						
Cash dividends	$124,050	$121,842	$74,820	$239,152	$38,965	$-

Interest	-	-	-	-	-	-
Total investment income	124,050	121,842	74,820	239,152	38,965	-
Net realized gain (loss) on sale and distribution of investments:						
Mutual funds	(370,753)	(453,803)	(523,575)	(671,376)	(56,925)	-
Collective investment trusts	-	-	-	-	-	(451,894)
Common stock - LNC	-	-	-	-	-	-
Total net realized gain (loss)	(370,753)	(453,803)	(523,575)	(671,376)	(56,925)	(451,894)
Net change in unrealized appreciation of						