

**FILED**

JAN 18 2006

**NEBRASKA DEPARTMENT  
OF INSURANCE**

BEFORE THE DEPARTMENT OF INSURANCE  
STATE OF NEBRASKA

IN THE MATTER OF THE	)	ORDER APPROVING
ACQUISITION OF JEFFERSON	)	ACQUISITION
PILOT FINANCIAL INSURANCE	)	
COMPANY	)	
	)	CAUSE NO. C-1549
	)	

On November 14, 2005, Lincoln National Corporation (“Applicant”) filed an application (“Form A”) seeking approval of the acquisition of Jefferson Pilot Financial Insurance Company (“JPFIC”), a Nebraska domestic life and health insurer. The application was filed pursuant to the Insurance Holding Company System Act, §44-2120, §44-2126 (Reissue 2004). The parties waived the thirty-day notice requirement and the public hearing was scheduled for January 18, 2006. A Notice of Public Hearing was issued December 15, 2005. The filing was supplemented on December 16, 2005 and December 30, 2005.

On January 18, 2006, a public hearing was held at the Nebraska Department of Insurance (“Department”). A court reporter transcribed the hearing. The Department was represented by counsel Christine Neighbors and Ann Frohman. Applicant was represented by Stephen E. Rahn, Esq., Vice President, Lincoln National Corporation, Marcia J. Weber, Esq., Senior Counsel, Lincoln National Corporation, Lawrence F. Harr, Esq., Lamson, Dugan and Murray LLP, and Cynthia R. Shoss, Esq., LeBoeuf, Lamb, Greene & MacRae LLP. Applicant presented testimony in favor of the acquisition through Frederick J. Crawford, Chief Financial Officer of Applicant. Exhibits were

offered and received into the record. No testimony or documentary evidence was offered in opposition to the proposed acquisition.

On the basis of the filings, correspondence and information provided to the Department, the Director of Insurance, ("Director"), approves the application and finds, concludes and orders as follows:

#### FINDINGS OF FACT

1. On November 14, 2005, the Department received a verified Form A from the Applicant for approval to acquire indirect control of JPFIC through the acquisition of Jefferson-Pilot Corporation, the parent company of JPFIC and a publicly traded North Carolina holding company that is the ultimate controlling person of JPFIC. The application and subsequent amendments were filed pursuant to the Insurance Holding Company System Act, *Neb. Rev. Stat.* §44-2120, *et seq.*, specifically §44-2126. The acquisition results in Applicant exercising control of JPFIC as control is defined in the Act.

2. JPFIC is a domestic insurer organized under and governed by the laws of the State of Nebraska. JPFIC holds a Certificate of Authority to transact insurance business as a life and health insurer in this state. JPFIC is owned 19.7% by The Guarantee Life Companies Inc., a wholly owned subsidiary of Jefferson-Pilot Corporation, and 80.3% by Jefferson-Pilot Corporation, a publicly traded North Carolina holding company.

3. Applicant is a publicly traded company organized under the laws of the State of Indiana maintaining its principal executive office in Philadelphia, Pennsylvania.

Applicant is a holding company that holds multiple insurance and investment businesses through subsidiary companies. Through these subsidiaries, Applicant sells a range of products including but not limited to fixed annuities, variable annuities, universal life insurance, variable universal life insurance, term life insurance, retail mutual funds, and 529 college savings plans and managed accounts. To Applicant's knowledge, no person owns ten percent or more of the voting securities of Applicant.

4. Under the originally executed Agreement and Plan of Merger ("Agreement"), dated as of October 9, 2005, Applicant would have merged Jefferson-Pilot Corporation with and into Quartz Corporation, a North Carolina corporation and direct wholly owned subsidiary of Applicant. On January 12, 2006, Applicant's Board of Directors approved a form of amendment to the Agreement that substitutes a limited partnership structure for Quartz Corporation. Under this new structure, Jefferson-Pilot Corporation will merge with and into this limited partnership, which will be domiciled in Indiana and called Lincoln JP Holdings, LP. The partnership will be owned 99.9% by the Applicant as limited partner, and .1% by the general partner, Lincoln JP Company, LLC, which is an Indiana domiciled, wholly-owned, direct subsidiary of Applicant. This form of amendment to the Agreement is expected to be approved by the Jefferson-Pilot Board of Directors by unanimous written consent. The separate legal existence of Jefferson-Pilot Corporation will cease and the limited partnership will continue as the surviving entity and will continue to be a limited partnership, wholly-owned, directly and indirectly by Applicant. Thus, JPFIC will be an indirect subsidiary of Applicant.

5. Pursuant to the Agreement, each share of Jefferson-Pilot common stock issued and outstanding immediately prior to the closing of the transaction will be converted to the right to receive, at the election of the holder and subject to certain limitations in the Agreement, either 1.0906 shares of Applicant's stock as stock consideration or \$55.96 in cash per share as cash consideration, or a combination of both.

6. The consideration for the merger is a combination of shares of Applicant's common stock and cash. The total consideration will be approximately \$7.5 billion, subject to adjustment based on the price of the shares of Applicant's common stock, with the requirement that the cash consideration for the merger equal \$1.8 billion. In order to finance the \$1.8 billion cash consideration, Applicant has established bridge financing through a credit agreement with a syndicate of banks in the total amount of \$2.3 billion that can be accessed by Applicant only to finance the cash consideration and to repurchase up to \$500 million of Applicant's common stock. Applicant plans to replace the bridge financing within the year with more permanent financing expected to include a mix of preferred stock, senior debt, and subordinated debt. Applicant does not anticipate requesting an extraordinary dividend from any subsidiary insurer to fund this debt.

7. In order to determine the fairness of the nature and amount of consideration to be paid, Jefferson-Pilot Corporation received opinions from its financial advisors, Lazard Freres & Co. LLC and Morgan Stanley & Co., Inc. Applicant received opinions from its financial advisors Goldman, Sachs & Co. and Lehman Brothers, Inc. All opinions state, in summary, that as of the Agreement date, the consideration to be

paid by Applicant is fair from a financial point of view to Jefferson-Pilot Corporation holders of common stock or to Applicant.

8. Applicant has no plans to have JPFIC declare an extraordinary dividend, liquidate JPFIC, sell its assets or merge with any person or persons or make any other material change in its business operations, corporate structure or directors and executive officers of management.

9. The Applicant has filed all the documents and information required by law and requested by the Department.

#### CONCLUSIONS OF LAW

1. The Department and Director have jurisdiction over the subject matter of this proceeding.

2. On the basis of the materials filed, correspondence received and evidence at the hearing, the Director has reason to believe that:

a. After the acquisition, JPFIC will satisfy the requirements for issuance of a Certificate of Authority to conduct business of insurance in the State of Nebraska and write the lines of insurance for which it is presently licensed.

b. The effect of the acquisition will not substantially lessen the competition in insurance in the State of Nebraska nor tend to create a monopoly therein nor violate the laws of the State of Nebraska.

c. The financial condition of Applicant is such that it would not jeopardize the financial stability of JPFIC or prejudice the interest of the policyholders of JPFIC.

d. The Applicant has no plans or proposals to liquidate JPFIC, to sell the assets of JPFIC without approval of the Nebraska Department of Insurance, to consolidate or merge JPFIC with any person or persons without approval of the Nebraska Department of Insurance, or to make any other material change in the business operations or corporate structures of management which would be unfair and unreasonable to policyholders of JPFIC and not in the public interest.

e. The competence, experience and integrity of those persons who would control the operation of JPFIC are such that it would be in the interest of the policyholders of JPFIC and the public to allow the acquisition.

f. Applicant is not subject to the provisions of *Neb. Rev. Stat. §44-6115* under the Demutualization Act; and

g. The acquisition is not likely to be hazardous or prejudicial to the public.

ORDER

IT IS THEREFORE ORDERED that the Applicant is approved to acquire control of Jefferson Pilot Financial Insurance Company.

This Order is subject to the condition that within fifteen (15) days after the closing of the transaction, an Insurance Holding Company System Registration Statement shall be filed with the Department in accordance with *Neb. Rev. Stat. §44-2132, et seq.*

Dated this 15<sup>th</sup> day of January, 2006.

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE



L. TIM WAGNER  
Director of Insurance

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Order was sent to the following persons by U.S. Mail, postage prepaid, on this 15<sup>th</sup> day of January, 2006:

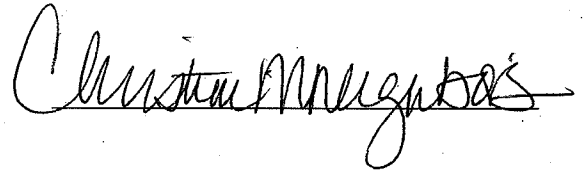
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A handwritten signature in black ink, appearing to read "Cynthia R. Shoss". The signature is written in a cursive style with a horizontal line underneath the name.