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To: LifeComp® Affiliates

On April 10, 2007, the Internal Revenue Service released the final deferred compensation rules under Code Section 409A. The Service also released Notice 2007-34 specifically explaining how Section 409A can apply to split-dollar arrangements. After reviewing the notice and final regulations, it is clear that the LifeComp® plans, as designed and administered by Lincoln Financial Group, are not deferred compensation plans under the new rules.

Notice 2007-34 provides reassurance that the LifeComp® FlexKey Plan (formerly, Epic LifeComp®) and the LifeComp® DollarFlex Plan (formerly, Elite LifeComp®) will not be subject to Section 409A if only current benefits (i.e., death benefits or split-dollar loans) are being provided. The final Section 409A regulations also provide reassurance that LifeComp® DuoFlex (formerly, Gemini LifeComp®) will not be subject to Section 409A if there is no legally binding commitment to transfer any portion of the policy at some time in the future.

LifeComp® plans are designed and marketed as employer-provided executive benefits, intended to provide business owners and/or selected executives with additional benefits over and above their current salaries. LifeComp® plans are not designed for the deferral or reduction of current income. The LifeComp® plan documents contain no promises or assurances that the sponsoring employer will facilitate a buy-out, crawl-out, policy transfer, or salary bonus. Any decision by the sponsoring employer to provide salary bonuses and/or allow the participating executive to purchase the employer's share of the underlying policy's ownership is purely discretionary, and are assumed to be for "services rendered" in the year the bonus is provided.

LifeComp® has consistently discouraged the introduction of side agreements which can make a plan subject to Section 409A. Agreements that promise the eventual transfer of the policy, or the forgiveness of the split-dollar loan, will cause all of the Section 409A rules to apply to the program.

We believe that a LifeComp® plan can be an attractive alternative to a deferred compensation plan subject to Section 409A. If you have any questions, please contact Tom Bates, Randy Macon, Susan Westbrook, or me.

A handwritten signature in blue ink that reads 'Dean Chatlain'.

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