

LINCOLN NATIONAL CORP
Form 8-K
April 03, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

April 3, 2006

Date of Report (Date of earliest event reported)

Lincoln National Corporation

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction
of incorporation)

1-6028

(Commission
File Number)

35-1140070

(IRS Employer
Identification No.)

1500 Market Street, West Tower, Suite 3900, Philadelphia, Pennsylvania 19102-2112

(Address of principal executive offices) (Zip Code)

(215) 448-1400

(Registrant's telephone number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

A. Share Repurchase

As previously announced, on January 12, 2006, Lincoln National Corporation's ("LNC") Board of Directors authorized the repurchase of up to \$1.6 billion of its securities. This authority is in addition to the \$221.6 million remaining from the previous securities repurchase authority, for a combined repurchase authority totaling \$1.82 billion. Purchases may be made on the various stock exchanges, by block trades, in privately negotiated transactions, or by such other means as LNC deems appropriate. Pursuant to that authorization, on April 3, 2006, LNC entered into an agreement to purchase a variable number of shares of its common stock from Goldman, Sachs & Co. ("Goldman Sachs") for an aggregate purchase price of \$500 million pursuant to a private accelerated stock buyback program. LNC remains authorized to repurchase from time to time up to an additional \$1.32 billion of its securities pursuant to the pre-existing authority.

The number of shares to be repurchased under the program will be based on the volume weighted average price of LNC's common stock during the term of the program, subject to a minimum and a maximum number of shares. The minimum and maximum number of shares will be determined upon the conclusion of an initial hedge period which is expected to occur during the second quarter of 2006, based on the volume weighted average share price over the hedge period. Under the terms of the program, Goldman Sachs will deliver to LNC an initial number of shares of common stock on an initial settlement date shortly following the hedge period and may deliver additional shares at the completion of the program up to, in the aggregate, the maximum number of shares. On the initial settlement date, LNC will pay Goldman Sachs the aggregate purchase price for the shares of common stock to be delivered by Goldman Sachs under the program, and the repurchased shares will be retired and recorded as a reduction in shareholders' equity on LNC's Consolidated Balance Sheet. LNC expects the program to be completed in the third quarter of 2006, although in certain circumstances the completion date may be accelerated or extended.

In connection with the program, LNC expects that Goldman Sachs will purchase shares of its common stock in the open-market over time and Goldman Sachs may also sell shares in the open-market from time to time.

Master Confirmation

The Master Confirmation as of March 31, 2006, dated April 3, 2006, contains the principal terms and provisions governing the program between LNC and Goldman Sachs including, but not limited to, the mechanism used to determine the additional amount of shares, if any, that may be delivered by Goldman Sachs to LNC, the required timing of delivery of the shares, the specific circumstances under which Goldman Sachs is permitted to make adjustments to valuation periods, dates and other terms that impact the amount of additional shares to be delivered, the specific circumstances under which the program may be terminated early, the right of LNC and Goldman Sachs to enter into similar transactions, including additional accelerated stock buyback arrangements or open market purchase programs, definitions of terms used throughout the Master Confirmation, and various acknowledgements, representations and warranties made by LNC and Goldman Sachs to one another, including representations related to Rule 10b5-1 and intended compliance with the Rule 10b-18 volume and timing guidelines.

Supplemental Confirmation

The Supplemental Confirmation as of March 31, 2006, dated April 3, 2006, sets forth the specific pricing terms and other provisions relating to the program including, but not limited to, provisions for determining the initial number of shares to be delivered by Goldman Sachs and the applicable collar, the aggregate purchase price for the repurchased shares, the period during which Goldman Sachs will establish its hedge position relating to the transaction and the termination date of the program.

In the ordinary course of their business, Goldman Sachs and its affiliates have engaged (including acting as one of LNC's financial advisors on the merger with Jefferson-Pilot), and may in the future engage, in financial advisory and/or investment banking transactions with LNC and its affiliates. They have received and will receive customary fees and commissions for these transactions.