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July 28, 2009

Elizabeth M. Murphy
Secretary
Securities & Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-09-09
Custody of Funds or Securities of Clients by Investment Advisers

Dear Ms. Murphy:

Thank you for the opportunity to comment on the above-referenced proposed amendments to Rule 206(4)-2 under the Investment Advisers Act of 1940 ("Proposed Amendments"). Our understanding is that the Proposed Amendments are part of the SEC's response to common elements found in a series of enforcement actions recently brought against investment advisers. These cases, most notably the Madoff and Stanford matters, involved investment advisers who engaged in fraudulent conduct, including misappropriation of investor assets.

As a means of background, Lincoln Investment has been registered as a broker-dealer since 1969 and as a registered investment adviser since 1978, and we serve the diverse financial needs of approximately 125,000 investors. Lincoln Investment is a leading provider of retirement plans for employees of over 2,000 school districts, universities, hospitals and other non-profit and community-based organizations. We are committed to helping families achieve financial well-being. We do this by applying 40 years worth of industry leadership and specialized expertise in the delivery of investment strategies and choices that help our independent financial professionals meet the unique and changing needs of our investors.

In the 40 years that we have been involved in the financial services business, we have never been found to be involved in fraudulent conduct, most certainly not misappropriation of funds from our investor's accounts. The Proposed Amendments place an undue burden on the majority of "clean" investment advisers due to the actions of a few firms that have committed fraud. Granted, these were frauds committed at unprecidented levels; however, the costs of some of the Proposed Amendments would most certainly trickle down to investors in the form of increased fees and/or cause smaller advisors to leave the business.

Comments on the Proposed Amendments

- Annual Surprise Exam of Client Assets: It is unlikely that a surprise audit will be any more effective in detecting fraud than a scheduled audit may produce. If an adviser is suspected of foul play due to a previous audit, a whistleblower, etc., then we feel it would be warranted and prudent to conduct a surprise audit by the SEC and/or an independent public accountant at that time; however, the requirement of a mandated annual surprise audit for all advisers with custody (which currently includes those advisers able to deduct fees from an investor's account) does not justify the added expense that will most likely be passed on to investors, via increased fees, for a perceived benefit.

- Internal Control Report: The Proposed Amendments state that an adviser who has custody of assets would be required to obtain annually a written report ("internal control report"), which includes an opinion from an independent public accountant registered with the Public Company Accounting Oversight Board ("PCAOB"). In the footnote, it indicated that a "Type II SAS 70 Report conducted in accordance with PCAOB standards would be sufficient for purposes of satisfying the requirement of the internal control report." Lincoln Investment is not required to produce a SAS 70 Report; however, our PCAOB registered independent public accountant does prepare annually a "Supplementary Report of Independent Registered Public Accounting Firm on Internal Control required by SEC Rule 17a-5(g)(1)" that is made part of our year-end financials, and we would request that this report also be deemed satisfactory for the proposed internal control report requirement. The SEC estimates that it would cost an additional $250,000 to produce an internal control report, which would be cost prohibitive if the existing Supplementary report we obtain does not suffice.

- Independent Qualified Custodians: One of the alternatives to some or all of the Proposed Amendments would be the requirement for an "independent qualified custodian." As noted in the release, this would preclude a broker-dealer that is also a registered investment adviser, from providing advisory services to a brokerage customer unless the customer held securities over which the adviser had discretionary authority in a brokerage account at another brokerage firm, or in a custodial account at a bank or other qualified custodian. We would strongly discourage this alternative due to the fact that broker-dealers are already highly scrutinized and audited on an annual basis. In fact, as of the 2009 year-end statements, all broker-dealers are required to be audited by a PCAOB registered independent public accounting firm, which is one of the requirements of the Proposed Amendments. If the alternative were implemented, it would material affect our ability to do business.

In summary, as a broker-dealer deemed to have custody of assets under current rules, we are subject to extensive regulation and oversight, as aptly recognized in the Proposed Amendments. We are required to carry a Fidelity Bond, which we have in an amount substantially higher than required by rule, and also required under rule 15c3-3 to segregate customer funds and take certain steps to protect customer assets (weekly calculations as well as month-end calculations are mandated). In addition, under rules 17a-3 and 17a-4, we are required to maintain specified books and records to easily identify assets of each customer and rule 17a-5 requires monthly filing of Financial and Operational Combined Uniform Single (FOCUS) reports. If some of the Proposed Amendments are implemented as mentioned above, we will be put into a position whereby we would have to raise fees to investors to help defray the additional costs, in a time when there is increased regulatory pressure to reduce fees. We do not believe some of the Proposed Amendments will benefit investors in both the short and long term.

Thank you for your consideration,

Nancy L.H. Boyd, CRCP™
Director of Compliance