## SECURITIES AND EXCHANGE COMMISSION

# FORM N-6/A

Registration statement for separate accounts (unit investment trusts) [amend]

Filing Date: **2008-08-29**
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## FILER

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| **LINCOLN LIFE FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M**<br>CIK:**1048607**\| IRS No.: **350472300** \| State of Incorp.:**IN** \| Fiscal Year End: **1231**<br>Type: **N-6/A** \| Act: **33** \| File No.: **333-146507** \| Film No.: **081047419** | Mailing Address<br>*PO BOX 1110*<br>*FORT WAYNE IN 46801* | Business Address<br>*1300 S CLINTON ST*<br>*PO BOX 1110*<br>*FORT WAYNE IN 46801*<br>*2194552000* |
| **LINCOLN LIFE FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M**<br>CIK:**1048607**\| IRS No.: **350472300** \| State of Incorp.:**IN** \| Fiscal Year End: **1231**<br>Type: **N-6/A** \| Act: **40** \| File No.: **811-08557** \| Film No.: **081047420** | Mailing Address<br>*PO BOX 1110*<br>*FORT WAYNE IN 46801* | Business Address<br>*1300 S CLINTON ST*<br>*PO BOX 1110*<br>*FORT WAYNE IN 46801*<br>*2194552000* |

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As filed with the Securities and Exchange Commission on August 29, 2008
1933 Act Registration No. 333-146507
1940 Act Registration No. 811-08557
CIK NO. 0001048607

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-6

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PRE-EFFECTIVE AMENDMENT 1

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

AMENDMENT NO. 95

LINCOLN LIFE FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M
(Exact Name of Registrant)

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
(Exact Name of Depositor)

1300 South Clinton Street, Fort Wayne, Indiana 46802
(Address of Depositor's Principal Executive Offices)

Depositor's Telephone Number, including Area Code:
(260) 455-2000

Dennis L. Schoff, Esquire
The Lincoln National Life
Insurance Company
1300 South Clinton Street
P.O. Box 1110
Ft. Wayne, Indiana 46802
(Name and Address of
Agent for Service)

Copy To:
Frederick C. Tedeschi, Esquire
The Lincoln National Life
Insurance Company
One Granite Place
Concord, New Hampshire 03301

Approximate date of proposed public offering: Continuous
Indefinite Number of Units of Interest in Variable Life Insurance Contracts
(Title of Securities Being Registered)

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), shall determine.

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Lincoln Life Flexible Premium Variable Life Account M
The Lincoln National Life Insurance Company

Home Office Location:
1300 South Clinton Street
P.O. Box 1110
Fort Wayne, Indiana 46802
(800) 454-6265

Administrative Office:
Customer Service Center
One Granite Place
Concord, New Hampshire 03301
(800) 444-2363

A Flexible Premium Variable Life Insurance Policy

This prospectus describes Lincoln ASSETEDGE (SM) VUL, a flexible premium variable life insurance contract (the "policy"), offered by The Lincoln National Life Insurance Company ("Lincoln Life", "the Company", "we", "us", "our"). This same individual policy may also be made available for purchase by entities and businesses in instances for use on a multi-life basis when the insured people share a common employment or business relationship. When marketed to such entities and businesses to insure such persons (known as marketing on a multi-life basis), the policy is referred to as the LINCOLN ASSETEDGE (SM) Exec VUL. If applied for in these circumstances, differing requirements regarding underwriting and optional features would apply. The policy provides for death benefits and policy values that may vary with the performance of the underlying investment options. Read this prospectus carefully to understand the policy being offered.

You, the owner, may allocate net premiums to the variable Sub-Accounts of our Flexible Premium Variable Life Account M ("Separate Account"), or to the Fixed Account. Each Sub-Account invests in shares of a certain fund. Those funds are known as the Elite Series of funds (the "funds"), and such funds are offered by the following fund families. Comprehensive information on the funds may be found in the funds prospectus which is furnished with this prospectus.

- AllianceBernstein Variable Products Series Fund, Inc.
- American Century Investments Variable Portfolios, Inc.
- American Funds Insurance Series
- Delaware VIP Trust
- Fidelity Variable Insurance Products
- Franklin Templeton Variable Insurance Products Trust
- Lincoln Variable Insurance Products Trust
- MFS (R) Variable Insurance Trust



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Additional information on Lincoln Life, the Separate Account and this policy may be found in the Statement of Additional Information (the "SAI"). See the last page of this prospectus for information on how you may obtain the SAI.

To be valid, this prospectus must have the current funds' prospectuses with it. Keep all prospectuses for future reference.

The Securities and Exchange Commission has not approved or disapproved these securities or determined this prospectus is accurate or complete. It is a criminal offense to state otherwise.

This policy may not be available in all states, and this prospectus only offers the policy for sale in jurisdictions where such offer and sale are lawful.

Prospectus Dated: ____________



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Capitalized terms in this prospectus are defined where first used or in the Glossary of Terms beginning on page __ of this prospectus.



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POLICY SUMMARY

Benefits of Your Policy

Death Benefit Protection. The policy this prospectus describes is a variable life insurance policy which provides death benefit protection. Variable life insurance is a flexible tool for financial and investment planning for persons needing death benefit protection. You should consider other forms of investments if you do not need death benefit protection, as there are additional costs and expenses in providing the insurance. Benefits of the policy will be impacted by a number of factors discussed in this prospectus, including adverse investment performance and the amount and timing of premium payments.

Tax Deferred Accumulation. Variable life insurance has significant tax advantages under current tax law. Policy values accumulate on a tax- deferred basis. A transfer of values from one Sub-Account to another within the policy currently generates no current taxable gain or loss. Any investment income and realized capital gains within a Sub-Account or interest from the Fixed Account are automatically reinvested without being taxed to the policy owner.

Access to Your Policy Values. Variable life insurance offers access to policy values. You may borrow against your policy or surrender all or a portion of your policy. Your policy can support a variety of personal and business financial planning needs.

Flexibility. The policy is a flexible premium variable life insurance policy in which flexible premium payments are permitted. You may select death benefit options, lapse protection coverage, and policy riders. You may increase or decrease the amount of death benefit. You are able to select, monitor, and change investment Sub-Account choices within your policy. With the wide variety of investment Sub-Accounts available, it is possible to fine tune an investment mix to meet changing personal objectives or investment conditions. Premium payments and cash values you choose to allocate to Sub-Accounts are used by us to purchase shares of funds which follow investment objectives similar to the investment objectives of the corresponding Sub-Account. Those funds are referred to in this prospectus as "underlying funds". You should refer to this prospectus and the prospectus for each underlying fund for comprehensive information on the Sub-Accounts and the underlying funds. You may also allocate premiums and accumulation values to the Fixed Account.

Risks of Your Policy

Fluctuating Investment Performance. A Sub-Account is not guaranteed and will increase and decrease in value according to investment performance of the underlying fund. Policy values in the Sub-Accounts are not guaranteed. If you put money into the Sub-Accounts, you assume all the investment risk on that money. A comprehensive discussion of each Sub-Account's and underlying fund's objective and risk is found in this prospectus and in each fund's prospectus, respectively. You should review these prospectuses before making your investment decision. Your choice of Sub-Accounts and the performance of the funds underlying each Sub-Account will impact the policy's Accumulation Value and will impact how long the policy remains in force, its tax status, and the amount of premium you need to pay to keep the policy in force.



Unsuitable for Short-Term Investment. This policy is intended for long-term financial and investment planning for persons needing death benefit protection, and it is unsuitable for short-term goals. Your policy is not designed to serve as a vehicle for frequent trading.

Policy Lapse. Sufficient premiums must be paid to keep a policy in force. There is a risk of lapse if premiums are too low in relation to the insurance amount and if investment results of the Sub-Accounts you have chosen are adverse or are less favorable than anticipated. Outstanding Policy Loans and Partial Surrenders will increase the risk of lapse.

In addition to paying sufficient premiums and being cognizant of the impact of outstanding Policy Loans and Partial Surrenders on your policy values, your policy may include two no-lapse periods.

Your policy may provide for a 20 year no-lapse period and a 10 year no-lapse period. If this provision is in effect and you pay the respective premiums required by these provisions, your policy will not enter the Grace Period and lapse during the applicable 20 year or 10 year period even if the Net Accumulation Value of your policy is insufficient to cover the Monthly Deductions. Both provisions require that you have elected either Death Benefit Option 1 or Death Benefit Option 2; these provisions are not available if you select Death Benefit Option 3. Once the applicable 20 year or 10 year coverage period ends, if the Net Accumulation Value of your policy is insufficient to cover the Monthly Deductions, your policy may enter the Grace Period and lapse even if you pay the respective premiums which you were required to pay during those periods. (See section headed "No-Lapse Provision" for more information about these provisions, including information about the death benefit payable.)

Decreasing Death Benefit. Any outstanding Policy Loans and any amount that you have surrendered or withdrawn will reduce your policy's death benefit. Depending upon your choice of Death Benefit Option, adverse performance of the Sub-Accounts you choose may also decrease your policy's death benefit.

Consequences of Surrender. Surrender charges are assessed if you surrender your policy within the first 10-15 policy years. There is no surrender charge assessed if you partially surrender your policy; however a surrender charge may be assessed if you specifically request a Reduction in the specified amount within the first 10 policy years or within ten policy years from the date of an increase in specified amount. (See the section headed "Surrender Charges" for a detailed discussion of when surrender charges are assessed.) Full or Partial Surrenders may result in tax consequences. Depending on the amount of premium paid, or any Reduction in specified amount, there may be little or no Surrender Value available. Partial Surrenders may reduce the policy value and death benefit, and may increase the risk of lapse.

Tax Consequences. As noted in greater detail in the section headed "Tax Issues", the federal income tax treatment of life insurance is complex and current tax treatment of life insurance may change. There are other federal tax consequences such as estate, gift and generation skipping transfer taxes, as well as state and local income, estate and inheritance tax consequences. You should always consult a tax adviser about the application of federal and state tax rules to your individual situation. The following discussion highlights tax risks in general, summary terms.

TAX TREATMENT OF LIFE INSURANCE CONTRACTS. The policies are designed to enjoy the favorable tax treatment afforded life insurance, including the exclusion of death benefits from income tax, the ability to take distributions and loans over the life of your policy, and the deferral of taxation of any increase in the value of your policy. If the policy does fail to qualify, you will be subject to the denial of those important benefits. In addition, if you pay more premiums than permitted under the federal tax law your policy may still be life insurance but will be classified as a modified endowment contract whereby only the tax benefits applicable to death benefits will apply and distributions will be subject to immediate taxation and to an added penalty tax.

TAX LAW COMPLIANCE. We believe that the policy will satisfy the federal tax law definition of life insurance, and we will monitor your policy for compliance with the tax law requirements. The discussion of the tax treatment of your policy is based on the current policy, as well as the current rules and regulations governing life insurance. Please note that changes made to the policy, as well as any changes in the current tax law requirements, may affect the policy's qualification as life insurance or may have other tax consequences.



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Charges and Fees

This section describes the fees and expenses that you will pay when buying, owning and surrendering your policy. Refer to the "Policy Charges and Fees" section later in this prospectus for more information.

Table I describes the fees and expenses that you will pay at the time you purchase your policy, surrender your policy, or transfer accumulation values between Sub-Accounts.

Table I: Transaction Fees

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| CHARGE | WHEN CHARGE IS DEDUCTED | AMOUNT DEDUCTED |
|---|---|---|
| <S> | <C> | <C> |
| Maximum sales charge imposed on premiums (Premium load) | When you pay a premium. | Guaranteed not to exceed 5.0% of each premium |
| Surrender Charge* (1) | Upon Full Surrender of your policy (years 1-15). When you make certain specified amount reductions (decreases) (years 1-10). | |
| Maximum Charge | | $56.21 per $1,000 of specified amount. |
| Minimum Charge | | $0.00 per $1,000 of specified amount. |
| Charge for a Representative Insured | | For a male, age 45, standard non-tobacco, in year one the maximum surrender charge is $29.75 per $1,000 of specified amount. |
| | | For a female, age 45, standard non-tobacco, in year one the maximum surrender charge is $27.28 per $1,000 of specified amount. |
| Transfer Fee | Applied to any transfer request in excess of 24 made during any policy year. | $ 25 |

</Table>

* These charges and costs vary based on individual characteristics. The charges and costs shown in the table may not be representative of the charges and costs that a particular policy owner will pay. You may obtain more information about the particular charges that would apply to you by requesting a personalized policy illustration from your financial adviser.

1 You may request one or more Partial Surrenders totaling 90% of your policy's Surrender Value without the imposition of a Surrender Charge. If you wish to surrender more than 90% of your policy's Surrender Value, you must request a Full Surrender of your policy, which is subject to the Surrender Charge reflected in the table above. (See section headed "Partial Surrenders" for a discussion of Partial Surrenders of your policy.)

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Table II describes the fees and expenses that you will pay periodically during the time that you own your policy, not including the fund operating expenses shown in Table III.

Table II: Periodic Charges Other Than Fund Operating Expenses

| CHARGE | WHEN CHARGE IS DEDUCTED | AMOUNT DEDUCTED |
|---|---|---|
| Cost of Insurance* | Monthly | |
| Maximum Charge | | $83.33 per month per $1,000 of net amount at risk. Individuals with a higher mortality risk than standard issue individuals can be charged from 125% to 800% of the standard rate. |
| Minimum Charge | | $0.00 per month per $1,000 of net amount at risk. |
| Charge for a Representative Insured | | For a male, age 45, standard non-tobacco, in year one the guaranteed maximum monthly cost of insurance rate is $0.20 per month per $1,000 of net amount at risk.<br><br>For a female, age 45, standard non-tobacco, in year one the guaranteed maximum monthly cost of insurance rate is $0.15 per month per $1,000 of net amount at risk. |
| Mortality and Expense Risk Charge ("M&E") | Daily (at the end of each valuation day). | Daily charge as a percentage of the value of the Separate Account, guaranteed not to exceed an effective annual rate of 0.20%. |
| Administrative Fee* | Monthly | A flat fee of $10 per month in all years.<br><br>In addition to the flat fee of $10 per month, for the first ten policy years from issue date or increase in specified amount, a monthly fee per dollar of initial specified amount or increase in |

*    These charges and costs vary based on individual characteristics. The charges and costs shown in the table may not be representative of the charges and costs that a particular policy owner will pay. You may obtain more information about the particular charges, cost of insurance, and the cost of certain riders that would apply to you by requesting a personalized policy illustration from your financial adviser.



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| CHARGE | WHEN CHARGE IS DEDUCTED | AMOUNT DEDUCTED |
|---|---|---|
| | | specified amount as follows: |
| Maximum Charge | | $1.83 per month per $1,000 of initial specified amount or increase in specified amount. |
| Minimum Charge | | $0.01 per month per $1,000 of initial specified amount or increase in specified amount. |
| Charge for a Representative Insured | | For a male age 45, standard non-tobacco, the maximum additional monthly charge is $0.33 per month per $1,000 of specified amount.<br><br>For a female age 45, standard |

| | | |
|---|---|---|
| | | non-tobacco, the maximum additional monthly charge is $0.21 per month per $1,000 of specified amount. |
| Policy Loan Interest | Annually | 4.0% annually of the amount held in the Loan Account. (2) |
| Interest on Accelerated Benefit Lien | Annually | |
| Accelerated Benefit Up to Surrender Value | | 4.0% annually of amount of Accelerated Benefit up to Surrender Value. (3) |
| Accelerated Benefit Exceeding Surrender Value | | Rate not to exceed higher of (i) published monthly average of Moody's Corporate Bond Yield Average - Monthly Average Corporates (determined 30 days in advance of beginning of policy year) and (ii) the rate used to compute the Accumulation Value of the Fixed Account plus 1.0%. (3) |

</Table>

2 Effective annual interest rate of 4.0% in years 1-10 and 3.0% in years 11 and later. Although deducted annually, interest accrues daily. As described in the section headed "Policy Loans", when you request a policy loan, amounts equal to the amount of the loan you request are withdrawn from the Sub-Accounts and the Fixed Account in proportion to their respective values. Such amount is transferred to the Loan Account, which is part of the Company's General Account. Amounts in the Loan Account are credited interest at an effective annual rate guaranteed not to be less than 3.0%. The net cost of your loan (that is, the difference between the interest rate charged on amounts borrowed and the interest rate credited to amounts held in the Loan Account) is 1.0% in policy years 1 - 10 and 0.0% in policy years 11 and later.

3 Under the Accelerated Benefits Riders, payments of benefits are considered as liens, which as described more fully in the section headed "Policy Loans", are charged interest on amounts not exceeding the Surrender



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| CHARGE | WHEN CHARGE IS DEDUCTED | AMOUNT DEDUCTED |
|---|---|---|
| <S> | <C> | <C> |
| Overloan Protection Rider | One-time charge when benefit is elected | Maximum charge of 5.0% of the then current Accumulation Value.(4) |
| OPTIONAL RIDER CHARGES | | INDIVIDUALIZED BASED ON WHETHER OPTIONAL RIDER(S) SELECTED. |
| Accelerated Benefits Riders (5) | When any benefit payment is made. | $250 (deducted from amount of benefit paid). |
| Change of Insured Rider | N/A | There is no charge for this rider. |
| Enhanced Surrender Value Rider (6) | Monthly (in policy years 2-5 only) | |
| Multi-life (LINCOLN ASSETEDGE (SM) Exec VUL) only (Option 2) | | Charge is $0.075 per $1,000 of initial specified amount. (6) |
| Individual issue aand Multi-life (LINCOLN ASSETEDGE (SM) VUL and LINCOLN ASSETEDGE (SM) Exec VUL) (Option 1) | | Charge is $0.05 per $1,000 of initial specified amount. (6) |
| Estate Tax Repeal Rider | One-time charge at issue. | $250 |

</Table>

3 (continued) Value of the policy at an effective annual interest rate of 4.0% in years 1-10 and 3.0% in years 11 and later. To the extent the Accelerated Benefit paid exceeds the Surrender Value of the policy, the interest rate charged will vary as described in the table above and in the section headed "Policy Loans". Although deducted annually, interest accrues daily. As described in the section headed "Policy Loans", when you request an Accelerated Benefit, amounts equal to the amount of the Accelerated Benefit you request are withdrawn from the Sub-Accounts and the Fixed Account in proportion to their respective values. Such amounts are transferred to the Loan Account, which is part of the Company's General Account. Amounts in the Loan Account are credited interest at an effective annual rate guaranteed not to be less than 3.0%.

4 Accumulation Value of the policy is the sum of the Fixed Account value, the Separate Account value, and the Loan Account value. See Policy Values section for detailed discussion of how each value is calculated.

5 There are two versions of this rider, and the charge for each version of the rider is the same. See Riders section for detailed discussion of the terms of each rider, including that the payment of a benefit under either version of the Rider is considered a loan against the policy.

6 This rider is optional if the policy is applied for on an individual basis. This rider is required for policies sold on a multi-life basis (LINCOLN ASSETEDGE (SM) Exec VUL) and the owner of the policy will have the opportunity to elect a higher Enhanced Surrender Value (option 2). See section headed "Enhanced Surrender Value Rider" in the Riders section of this prospectus for detailed discussion of the two options.



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Table II: Periodic Charges Other Than Fund Operating Expenses (continued)

<Table>
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| CHARGE | WHEN CHARGE IS DEDUCTED | AMOUNT DEDUCTED |
|---|---|---|
| <S> | <C> | <C> |
| Waiver of Monthly Deduction Rider (7) | Monthly | A percent of all other covered monthly charges. |
| Maximum Charge | | 12.0% of all other covered monthly charges. |
| Minimum Charge | | 2.0% of all other covered monthly charges. |
| Charge for a Representative Insured | | For a male, age 45, standard non-tobacco, the maximum percentage is 3.5% of all other covered monthly charges. |
| | | For a female, age 45, standard non-tobacco, the maximum percentage is 5% of all other covered monthly charges. |

</Table>

7 These charges and costs vary based on individual characteristics. The charges and costs shown in the tables may not be representative of the charges and costs that a particular policy owner will pay. "Covered monthly charges" are the Monthly Deductions under the policy: the Cost of Insurance Charge, Administrative Fee, and the cost of any riders. You may obtain more information about the particular charges, cost of insurance, and the cost of certain riders that would apply to you by requesting a personalized policy illustration from your financial adviser.

Table III shows the annual fund fees and expenses that are deducted daily from the underlying funds in which your Sub-Account invests. The table shows the minimum and maximum total operating expenses charged by the underlying funds that you may pay during the time you own your policy. More detail concerning each fund's fees and expenses is contained in the prospectus for each fund.

These fees and expenses may change at any time.

Table III: Total Annual Fund Operating Expenses
(expenses that are deducted from fund assets)

<Table>
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| TOTAL ANNUAL OPERATING EXPENSE | MINIMUM | MAXIMUM |
|---|---|---|
| <S> | <C> | <C> |
| Total management fees, distribution and/or service (12b-1) fees, and other expenses. | 0.32% | 6.06% (8) |

</Table>

8 The Total Annual Operating Expenses shown in the table do not reflect waivers and reductions. Funds may offer waivers and reductions to lower their fees. Currently such waivers and reductions range from 0.00% to 4.89%. These waivers and reductions generally extend through April 30, 2009 but may be terminated at any time by the fund. Refer to the funds prospectus for specific information on any waivers or reductions in effect. The minimum and maximum percentages shown in the table include Fund Operating Expenses of mutual funds, if any, which may be acquired by the underlying funds which operate as Fund of Funds. Refer to the funds prospectus for details concerning Fund Operating Expenses of mutual fund shares acquired by underlying funds, if any. In addition, certain underlying funds have reserved the right to impose fees when fund shares

are redeemed within a specified period of time of purchase ("redemption fees") not reflected in the table above. As of the date of this prospectus, none have done so. Redemption fees are discussed in the Market Timing section of this prospectus and further information about redemption fees is contained in the prospectus for such funds, copies of which accompany this prospectus or may be obtained by calling 1-800-444-2363.





LINCOLN LIFE, THE SEPARATE ACCOUNT AND THE GENERAL ACCOUNT

The Lincoln National Life Insurance Company ("Lincoln Life, the Company, we, us, our") (EIN 35-0472300), organized in 1905, is an Indiana-domiciled insurance company, engaged primarily in the direct issuance of life insurance contracts and annuities. Lincoln Life is wholly owned by Lincoln National Corporation ("LNC"), a publicly held insurance and financial services holding company incorporated in Indiana. Lincoln Life is obligated to pay all amounts promised to policy owners under the policies. Death benefit proceeds and rider benefits to the extent those proceeds exceed the then current Accumulation Value of your policy are backed by the claims-paying ability of Lincoln Life.

Lincoln Financial Group is the marketing name for Lincoln National Corporation (NYSE:LNC) and its affiliates. Lincoln Financial Group sells a wide variety of financial products and solutions through financial advisors: mutual funds, managed accounts, retirement solutions, life insurance, 401(k) and 403(b) plans, savings plans, institutional investments and comprehensive financial planning and advisory services.

Lincoln Life Flexible Premium Variable Life Account M ("Separate Account") is a separate account of the Company which was established on December 2, 1997. The investment performance of assets in the Separate Account is kept separate from that of the Company's General Account. Separate Account assets attributable to the policies are not charged with the general liabilities of the Company. Separate Account income, gains and losses are credited to or charged against the Separate Account without regard to the Company's other income, gains or losses. The Separate Account's values and investment performance are not guaranteed. It is registered with the Securities and Exchange Commission (the "SEC" or the "Commission") as a unit investment trust under the Investment Company Act of 1940 ("1940 Act") and meets the definition of "separate account." Any changes in the investment policy of the Separate Account must be approved by the Indiana Department of Insurance.

You may also allocate your premium payments and accumulation values in whole or in part to the Fixed Account ("Fixed Account"). In the Fixed Account, your principal is guaranteed. Fixed Account assets are general assets of the Company, and are held in the Company's General Account.

On April 3, 2006, Jefferson-Pilot Corporation ("Jefferson-Pilot"), a North Carolina corporation, merged with and into a wholly owned subsidiary of LNC, the parent company of Lincoln Life. On April 2, 2007, Jefferson-Pilot Life Insurance Company ("JPLife"), one of the insurance companies which became a subsidiary of LNC as a result of the LNC/Jefferson-Pilot merger, merged into and with Lincoln Life. In addition, on July 2, 2007, Jefferson Pilot Financial Insurance Company ("JPFIC") also one of the insurance companies which became a subsidiary of LNC as a result of the LNC/Jefferson-Pilot merger, merged into and with Lincoln Life. As a result of the two mergers, the assets and liabilities of JPLife and of JPFIC became part of the assets and liabilities of Lincoln Life and the life insurance policies previously issued by JPLife and JPFIC became the obligations of Lincoln Life. Lincoln Life's obligations as set forth in your policy, prospectus and Statement of Additional Information have not changed as a result of either merger.

Fund Participation Agreements





In order to make the funds in which the Sub-Accounts invest available, Lincoln Life has entered into agreements with the trusts or corporations and their advisers or distributors. In some of these agreements, we must perform certain administrative services for the fund advisers or distributors. For these administrative functions, we may be compensated at annual rates of between 0.00% and 0.46% based upon the assets of an underlying fund attributable to the policies. We (or our affiliates) may profit from these fees or use these fees to defray the costs of distributing the contract. Additionally, a fund's adviser and/or distributor (or its affiliates) may provide us with certain services that assist us in the distribution of the contracts and may pay us and/or certain affiliates amounts to participate in sales meetings. The compensation may come from 12b-1 fees, or be paid by the advisers or distributors. The funds offered by the following trusts or corporations make payments to Lincoln Life under their distribution plans in consideration of the administrative functions Lincoln Life performs: American Funds Insurance Series, Fidelity Variable

Insurance Products, and Lincoln Variable Insurance Products Trust.

Payments made out of the assets of the fund will reduce the amount of assets that otherwise would be available for investment and will reduce the return on your investment. The dollar amount of future asset-based fees is not predictable because these fees are a percentage of the fund's average net assets, which can fluctuate over time. If, however, the value of the fund goes up, then so would the payment to us (or our affiliates). Conversely, if the value of the funds goes down, payments to us (or our affiliates) would decrease.

Distribution of the Policies and Compensation

The policy is distributed by broker-dealer firms through their registered representatives who are appointed as life insurance agents for the Company. One of such broker-dealer firms is Lincoln Financial Advisors Corporation ("LFA"), which is an affiliate of the Company. Broker-dealer firms may receive commission and service fees up to 60% of first year premium, plus up to 5% of all other premiums paid. The amount of compensation may also be affected by choices the policy owner has made, including choices of riders, when the policy was applied for. In lieu of premium-based commission, equivalent amounts may be paid over time, based on accumulation value. Additionally, the broker-dealer may be paid additional compensation on first year premiums and all additional premiums and/or provided reimbursements for portions of policy sales expenses.

In some situations, the broker-dealer may elect to share its commission or expense reimbursement allowance with its registered representatives. Registered representatives of broker-dealer firms may also be eligible for cash bonuses and "non cash compensation." The latter, as defined in FINRA Conduct Rule 2820, includes such things as office space, computers, club credit, prizes, awards, and training and education meetings.

Broker-dealers or their affiliates may be paid additional amounts for: (1) "preferred product" treatment of the policies in their marketing programs, which may include marketing services and increased access to sales representatives; (2) sales promotions relating to the policies; (3) costs associated with sales conferences and educational seminars for their sales representatives; (4) other sales expenses incurred by them; and (5) inclusion in the financial products the broker-dealer offers. Loans may be provided to broker-dealers or their affiliates to help finance marketing and distribution of the policies, and those loans may be forgiven if aggregate sales goals are met. In addition, staffing or other administrative support and services may be provided to broker-dealers who distribute the policies.



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These additional types of compensation are not offered to all broker-dealers. The terms of any particular agreement governing compensation may vary among broker-dealers and the amounts may be significant. The prospect of receiving, or the receipt of, additional compensation may provide broker-dealers and/or their registered representatives with an incentive to favor sales of the policies over other variable life insurance policies (or other investments) with respect to which a broker-dealer does not receive additional compensation, or receives lower levels of additional compensation. You may ask your registered representative how he/she will personally be compensated for the transaction. You may wish to take such payments into account when considering and evaluating any recommendation relating to the policies.

Depending on the particular selling arrangements, there may be others who are compensated for distribution activities. For example, certain "wholesalers," who control access to certain selling offices, may be compensated for access to those offices or for referrals, and that compensation may be separate from the compensation paid for sales of the policies. One of the wholesalers is Lincoln Financial Distributors, Inc. ("LFD"), a registered broker-dealer, also an affiliate of Lincoln Life. Marketing organizations, associations, brokers or consultants which provide marketing assistance and other services to broker-dealers who distribute the policies, and which may be affiliated with those broker-dealers, may also be compensated. Commissions and other incentives or payments described above are not charged directly to policy owners or the Separate Account. The potential of receiving, or the receipt of, such marketing assistance or other services and the payment to those who control access or for referrals, may provide broker-dealers and/or their registered representatives an incentive to favor sales of the policies over other variable life insurance policies (or other investments) with respect to which a broker-dealer does not receive similar assistance or disadvantage issuers of other variable life insurance policies (or other investments) which do not compensate for access or referrals. All compensation is paid from our resources, which include fees and charges imposed on your policy.

We do not anticipate that the Surrender Charge, together with the portion of the premium load attributable to sales expense, will cover all sales and administrative expenses which we will incur in connection with your policy. Any such shortfall would be available for recovery from the Company's General Account, which supports insurance and annuity obligations.

Sub-Accounts and Funds

The variable investment options in the policy are Sub-Accounts of the Separate Account ("Sub-Accounts"). All amounts allocated or transferred to a Sub-Account are used to purchase shares of the appropriate fund to which we refer as the underlying fund. You do not invest directly in these funds. The investment performance of each Sub-Account will reflect the investment performance of the underlying fund.

We create Sub-Accounts and select the funds the shares of which are purchased by amounts allocated or transferred to the Sub-Accounts based on several factors, including, without limitation, asset class coverage, the strength of the manager's reputation and tenure, brand recognition, performance, and the capability and qualification of each sponsoring investment firm. Another factor we consider during the initial selection process is whether the fund or an affiliate of the fund will compensate us for providing administrative, marketing, and/or support services that would otherwise be provided by the fund, the fund's investment adviser, or its distributor. We review each fund periodically after it is selected. Upon review, we may either close a Sub-Account or restrict allocation of additional purchase payments to





a Sub-Account if we determine the fund in which such Sub-Account invests no longer meets one or more of the factors and/or if the Sub-Account has not attracted significant policy owner assets. Alternatively, we may seek to substitute another fund which follows a similar investment objective as the fund in which a Sub-Account invests, subject to receipt of applicable regulatory approvals. Finally, when we develop a variable life insurance product in cooperation with a fund family or distributor (e.g., a "private label" product), we generally will include funds based on recommendations made by the fund family or distributor, whose selection criteria may differ from our selection criteria.

A given underlying fund may have an investment objective and principal investment strategy similar to those for another fund managed by the same investment adviser or subadviser. However, because of timing of investments and other variables, there will be no correlation between the two investments. Even though the management strategy and the objectives of the funds are similar, the investment results may vary.

Several of the underlying funds may invest in non-investment grade, high-yield, and high-risk debt securities (commonly referred to as "junk bonds"), as detailed in the individual fund prospectus.

There is no assurance that the investment objective of any of the underlying funds will be met. You assume all of the investment performance risk for the Sub-Accounts you select. The amount of risk varies significantly among the Sub-Accounts. You should read each underlying fund's prospectus carefully before making investment choices.

Additional Sub-Accounts and underlying funds may be made available in our discretion. The right to select among Sub-Accounts will be limited by the terms and conditions imposed by the Company.

The underlying funds and their investment advisers/subadvisers and objectives are listed below. Comprehensive information on each fund, its objectives and past performance may be found in each fund prospectus. Prospectuses for each of the underlying funds listed below accompany this prospectus and are available by calling 1-800-444-2363.

AllianceBernstein Variable Products Series Fund, Inc., advised by AllianceBernstein, L.P.

- AllianceBernstein Global Technology Portfolio (Class A): Maximum capital appreciation.

- AllianceBernstein Growth and Income Portfolio (Class A): Growth and income.

- AllianceBernstein International Value Portfolio (Class A): Long-term growth.

- AllianceBernstein Small/Mid Cap Value Portfolio (Class A): Long-term growth.

American Century Investments Variable Portfolios, Inc., advised by American Century Investment Management, Inc.

- Inflation Protection Fund (Class I): Long-term total return.

American Funds Insurance Series, advised by Capital Research and Management Company.

- Global Growth Fund (Class 2): Long-term growth.

- Global Small Capitalization Fund (Class 2): Long-term growth.

- Growth Fund (Class 2): Long-term growth.

- Growth-Income Fund (Class 2): Growth and income.

- International Fund (Class 2): Long-term growth.

Delaware VIP Trust, advised by Delaware Management Company.

- Capital Reserves Series (Standard Class): Current income.

- Diversified Income Series (Standard Class): Total return.

- Emerging Markets Series (Standard Class): Capital appreciation.

- High Yield Series (Standard Class): Total return.

- Small Cap Value Series (Standard Class): Capital appreciation.

- Trend Series (Standard Class): Capital appreciation.

- U. S. Growth Series (Standard Class): Capital appreciation.

- Value Series (Standard Class): Capital appreciation.

Fidelity Variable Insurance Products, advised by Fidelity Management & Research Company.

- Contrafund Portfolio (Service Class): Long-term capital appreciation.

- Growth Portfolio (Service Class): Capital appreciation.

- Mid Cap Portfolio (Service Class): Long-term growth.

- Overseas Portfolio (Service Class): Long-term growth.

Franklin Templeton Variable Insurance Products Trust, advised by Franklin Advisers, Inc. for the Franklin Income Securities Fund, the Franklin Small-Mid Cap Growth Securities Fund and the Templeton Global Income Securities Fund, and by Franklin Mutual Advisers, LLC for the Mutual Shares Securities Fund.

- Franklin Income Securities Fund (Class 1): Current income.



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- Franklin Small-Mid Cap Growth Securities Fund (Class 1): Long-term growth.

- Mutual Shares Securities Fund (Class 1): Capital appreciation.

- Templeton Global Income Securities Fund (Class 1): Total return.

Lincoln Variable Insurance Products Trust, advised by Lincoln Investment Advisors Corporation.

- LVIP Baron Growth Opportunities Fund (Service Class): Capital appreciation.
  (Subadvised by BAMCO, Inc.)
  (formerly Baron Capital Asset Fund)

- LVIP Capital Growth Fund (Standard Class): Capital appreciation.
  (Subadvised by Wellington Management Company, LLP)

- LVIP Cohen & Steers Global Real Estate Fund (Standard Class): Total return.
  (Subadvised by Cohen & Steers Capital Management)

- LVIP Columbia Value Opportunities Fund (Standard Class): Long-term capital appreciation.
  (Subadvised by Columbia Management Advisors, LLC)
  (formerly LVIP Value Opportunities Fund)

- LVIP Delaware Bond Fund (Standard Class): Current income.
  (Subadvised by Delaware Management Company)

- LVIP Delaware Growth and Income Fund (Standard Class): Capital appreciation.

(Subadvised by Delaware Management Company)

- LVIP Delaware Social Awareness Fund (Standard Class): Capital appreciation.
  (Subadvised by Delaware Management Company)

- LVIP Delaware Special Opportunities Fund (Standard Class): Capital appreciation.
  (Subadvised by Delaware Management Company)

- LVIP FI Equity-Income Fund (Standard Class): Income.
  (Subadvised by Pyramis Global Advisors LLC)

- LVIP Janus Capital Appreciation Fund (Standard Class): Long-term growth.
  (Subadvised by Janus Capital Management LLC)

- LVIP Marsico International Growth Fund (Standard Class): Long-term capital appreciation.
  (Subadvised by Marsico Capital Management, LLC)

- LVIP MFS(R) Value Fund (Standard Class): Long-term growth of capital.
  (Subadvised by Massachusetts Financial Services Company)

- LVIP Mid-Cap Value Fund (Standard Class): Long-term capital appreciation.
  (Subadvised by Wellington Management Company, LLP)



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- LVIP Mondrian International Value Fund (Standard Class): Capital appreciation.
  (Subadvised by Mondrian Investment Partners Limited)

- LVIP Money Market Fund (Standard Class): Preservation of capital.
  (Subadvised by Delaware Management Company)

- LVIP SSgA Bond Index Fund (Standard Class): Current income.
  (Subadvised by SSgA Funds Management, Inc.)

- LVIP SSgA Developed International 150 Fund (Standard Class): Long-term capital appreciation.
  (Subadvised by SSgA Funds Management, Inc.)

- LVIP SSgA Emerging Markets 100 Fund (Standard Class): Long-term capital appreciation.
  (Subadvised by SSgA Funds Management, Inc.)

- LVIP SSgA International Index Fund (Standard Class): Long-term capital appreciation.
  (Subadvised by SSgA Funds Management, Inc.)

- LVIP SSgA Large Cap 100 Fund (Standard Class): Long-term capital appreciation.
  (Subadvised by SSgA Funds Management, Inc.)

- LVIP SSgA S&P 500 Index Fund (Standard Class)(1): Capital appreciation.
  (Subadvised by SSgA Funds Management. Inc.)

- LVIP SSgA Small/Mid Cap 200 Fund (Standard Class): Long-term capital appreciation.
  (Subadvised by SSgA Funds Management, Inc.)

- LVIP SSgA Small-Cap Index Fund (Standard Class): Capital appreciation.
  (Subadvised by SSgA Funds Management, Inc.)

- LVIP T. Rowe Price Growth Stock Fund (Standard Class): Long-term growth of capital.
  (Subadvised by T. Rowe Price Associates, Inc.)

- LVIP T. Rowe Price Structured Mid-Cap Growth Fund (Standard Class): Maximum capital appreciation.
  (Subadvised by T. Rowe Price Associates, Inc.)

- LVIP Templeton Growth Fund (Standard Class): Long-term growth of capital.
  (Subadvised by Templeton Investment Counsel, LLC)

- LVIP Turner Mid-Cap Growth Fund (Standard Class): Capital appreciation.
  (Subadvised by Turner Investment Partners)
  (formerly LVIP Mid-Cap Growth Fund)

- LVIP UBS Global Asset Allocation Fund (Standard Class): Total return. (Subadvised by UBS Global Asset Management (Americas) Inc. (UBS Global AM))



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- LVIP Wilshire 2010 Profile Fund (Standard Class) (2): Total return. (Subadvised by Wilshire Associates Incorporated)

- LVIP Wilshire 2020 Profile Fund (Standard Class) (2): Total return. (Subadvised by Wilshire Associates Incorporated)

- LVIP Wilshire 2030 Profile Fund (Standard Class) (2): Total return. (Subadvised by Wilshire Associates Incorporated)

- LVIP Wilshire 2040 Profile Fund (Standard Class) (2): Total return. (Subadvised by Wilshire Associates Incorporated)

- LVIP Wilshire Aggressive Profile Fund (Standard Class) (2): Capital appreciation.
  (Subadvised by Wilshire Associates Incorporated)

- LVIP Wilshire Conservative Profile Fund (Standard Class) (2): Current income.
  (Subadvised by Wilshire Associates Incorporated)

- LVIP Wilshire Moderate Profile Fund (Standard Class) (2): Total return.
  (Subadvised by Wilshire Associates Incorporated)

- LVIP Wilshire Moderately Aggressive Profile Fund (Standard Class) (2): Growth and income.
  (Subadvised by Wilshire Associates Incorporated)

MFS (R) Variable Insurance Trust, advised by Massachusetts Financial Services Company

- Growth Series (Initial Class): Capital appreciation.

- Total Return Series (Initial Class): Growth and income.

- Utilities Series (Initial Class): Growth and income.

(1) "S&P 500" is a trademark of The McGraw Hill Companies, Inc. and has been licensed for use by Lincoln Variable Insurance Products Trust and its affiliates. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of purchasing the product. (Please see Statement of Additional Information which sets forth additional disclaimers and limitations of liability on behalf of S&P.)

(2) The Lincoln Variable Insurance Products Trust LVIP Wilshire 2010 Profile Fund, LVIP Wilshire 2020 Profile Fund, LVIP Wilshire 2030 Profile Fund, LVIP Wilshire 2040 Profile Fund, LVIP Wilshire Aggressive Profile Fund, LVIP Wilshire Conservative Profile Fund, LVIP Wilshire Moderate Profile Fund, and LVIP Wilshire Moderately Aggressive Profile Fund are "Fund of Funds" and as such purchase shares of other mutual funds rather than directly investing in debt and equity securities. As a result, Fund of Funds may have higher expenses than mutual funds which invest directly in debt and equity securities. None of the mutual funds, the shares of which are purchased by these Funds of Funds, pay 12b-1 fees to Lincoln Life or its affiliates.

Sub-Account Availability and Substitution of Funds

Lincoln Life may close Sub-Accounts and may seek to substitute shares of other funds as the fund in which a Sub-Account invests if:



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1) the shares of any underlying fund should no longer be available for investment by the Separate Account; or

2) the Sub-Account has not attracted significant policyholder allocations; or

3) in our judgment, further investment in such shares ceases to be appropriate in view of the purpose of the Separate Account, legal, regulatory or federal income tax restrictions, or for any other reason.

We will obtain any necessary regulatory or other approvals prior to such a change. Substitute funds may have higher charges than the funds being replaced.

Voting Rights

The underlying funds do not hold regularly scheduled shareholder meetings. When a fund holds a special meeting for the purpose of approving changes in the ownership or operation of the fund, the Company is entitled to vote the shares held by our Sub-Account in that fund. Under our current interpretation of applicable law, you may instruct us how to vote those shares.

We will notify you when your instructions are needed and will provide information from the fund about the matters requiring the special meeting. We will calculate the number of votes for which you may instruct us based on the amount you have allocated to that Sub-Account, and the value of a share of the corresponding fund, as of a date chosen by the fund (record date). If we receive instructions from you, we will follow those instructions in voting the shares attributable to your policy. If we do not receive instructions from you, we will vote the shares attributable to your policy in the same proportion as we vote other shares based on instructions received from other policy owners. Since underlying funds may also offer their shares to entities other than the Company, those other entities also may vote shares of the underlying funds, and those votes may affect the outcome.

Each underlying fund is subject to the laws of the state in which it is organized concerning, among other things, the matters which are subject to a shareholder vote, the number of shares which must be present in person or by proxy at a meeting of shareholders (a "quorum"), and the percentage of such shareholders present in person or by proxy which must vote in favor of matters presented. Because shares of the underlying fund held in the Separate Account are owned by the Company, and because under the 1940 Act the Company will vote all such shares in the same proportion as the voting instruction which we receive, it is important that each Policy owner provide their voting instructions to the Company. Even though Policy owners may choose not to provide voting instruction, the shares of a fund to which such Policyholders would have been entitled to provide voting instruction will be voted by the Company in the same proportion as the voting instruction which we actually receive. As a result, the instruction of a small number of Policy owners could determine the outcome of matters subject to shareholder vote. In addition, because the Company expects to vote all shares of the underlying fund which it owns at a meeting of the shareholders of an underlying fund, all shares voted by the Company will be counted when the underlying fund determines whether any requirement for a minimum number of shares be present at such a meeting to satisfy a quorum requirement has been met.



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POLICY CHARGES AND FEES

Policy charges and fees compensate us for providing your insurance benefit, administering your policy, assuming risks associated with your policy, and incurring sales related expenses. We may profit from any of these charges, and we may use this profit for any purpose, including covering shortfalls from other charges.

In addition to policy charges, the investment adviser for each of the underlying funds deducts a daily charge as a percent of the value in each fund as an asset management charge. The charge reflects asset management fees of the investment adviser. Other expenses are incurred by the funds (including 12b-1 fees for Class 2 shares and other expenses) and deducted from fund assets. Values in the Sub-Accounts are reduced by these charges. Future fund expenses may vary. Detailed information about charges and expenses incurred by an underlying fund is contained in each fund's prospectus.

The Monthly Deductions, including the Cost of Insurance Charges, will be deducted proportionately from the Net Accumulation Value of each Sub-Account and the Fixed Account subject to the charge, unless you and we agree otherwise in writing. Currently we will permit you to designate the specific Sub-Accounts and/or the Fixed Account from which you wish Monthly Deductions to be deducted. However, we reserve the right to terminate or change the practice upon notice to you.

If you have selected designated Sub-Accounts, and in a given month there is not sufficient value in one or more of those Sub-Accounts to cover the Monthly Deduction, we will deduct the remaining Monthly Deduction pro rata from the Sub-Accounts which have value. The Monthly Deductions are made on the "Monthly Anniversary Day," the Policy Date, and the same day of each month thereafter. If the day that would otherwise be a Monthly Anniversary Day is non-existent for that month, or is not a Valuation Day, then the Monthly Anniversary Day is the next Valuation Day. You may select or change designated Sub-Accounts at any time prior to a Monthly Anniversary Day by contacting our Administrative Office.

If the value is insufficient to cover the current Monthly Deduction, you have a 61-day Grace Period to make a payment sufficient to cover that deduction.

Premium Load; Net Premium Payment

We make a deduction from each premium payment. This amount, referred to as "Premium Load," covers certain policy-related state and federal tax liabilities. It also covers a portion of the sales expenses incurred by the Company. We currently deduct 3.5% from each premium payment. We reserve the right to increase this charge, but guarantee that it will not exceed 5.0% from each premium payment. The premium payment, net of the Premium Load, is called the "Net Premium Payment."

Surrender Charges

General:

Your policy gives you the right to (i) fully surrender your policy (a "Full Surrender") and receive the Accumulation Value of the policy less any applicable Surrender Charges (which



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is called the policy's "Surrender Value"); (ii) partially surrender your policy and receive from the Accumulation Value of your policy the amount you specifically request in cash (a "Partial Surrender"); and (iii) request a reduction in the specified amount of your policy (a "Reduction in specified amount"). The "Accumulation Value" of your policy is the sum of the Fixed Account value, the Separate Account value, and the Loan Account value (see section headed "Premiums - Policy Values" for discussion of how these values are calculated). In addition, Partial Surrenders are limited to 90% of the policy's Surrender Value (see section headed "Policy Surrenders - Partial Surrenders" for a detailed discussion).

A "Surrender Charge" may apply if you request a Full Surrender or a Reduction in Specified Amount. The Surrender Charge is in part a deferred sales charge and in part a recovery of certain first year administrative costs. A schedule of Surrender Charges is included in each policy. No Surrender Charge is imposed if you request a Partial Surrender.

The Surrender Charge varies by age of the insured, the number of years since the "Policy Date" or the date of an increase in specified amount, and the specified amount. (See section headed "Your Insurance Policy" for a discussion of Policy Date.) The Surrender Charge will never exceed $56.21 per $1,000 of specified amount. A personalized schedule of Surrender Charges is included in each policy when your policy is issued. That schedule will calculate for you for each year during which a Surrender Charge based upon the initial specified amount will be imposed, the result of multiplying (a) the amount per $1,000 of initial specified amount by (b) the initial specified amount divided by 1,000.

If you increase the specified amount, a new Surrender Charge schedule will be applicable to each increase. This charge would be imposed if you surrender all or a part of the increased specified amount, and it is in addition to any Surrender Charge on the existing specified amount. Upon an increase in specified amount, we will send you a confirmation of the increase. You may obtain more information about the Surrender Charges that would apply to your policy by requesting a personalized illustration from your financial adviser. This personalized illustration will demonstrate the amount of the Surrender Charges that would be imposed in the event you thereafter requested a reduction of that increased specified amount and their impact on your policy values. In addition, an example of how the various actions described below would impact the Surrender Charge is included in Appendix A of this prospectus.

For Full Surrenders, the duration of the Surrender Charge is up to 15 years from the Policy Date for the initial specified amount and up to 15 years from the date of each increase in specified amount. For Reductions in specified amount, the duration of the Surrender Charge is 10 years from the Policy Date for the initial specified amount and 10 years from the date of each increase in the specified amount. If there has been more than one increase in specified amount, each increase is separately tracked for the purpose of determining the applicable Surrender Charge. The length of the Surrender Charge period for a Full Surrender varies based upon the age of the insured on the Policy Date or the date of an increase in your specified amount as follows:

- Ages 0-50, 15 years
- Age 51, 14 years
- Age 52, 13 years
- Age 53, 12 years
- Age 54, 11 years
- Ages 55 and above, 10 years



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The length of the Surrender Charge period for Reductions in specified amount does not vary, that is it is always 10 years from the Policy Date for the initial specified amount or from the effective date of each increase in specified amount.

Surrender Charges are assessed by withdrawing value from the Sub-Accounts and the Fixed Account proportionately. The Surrender Charge will not exceed the policy value. All Surrender Charges decline to zero within, at most, 15 years following the Policy Date or, at most, 15 years from the effective date of each increase in specified amount.

When you apply for the policy, your financial adviser can prepare personalized illustrations that reflect the Surrender Charges that would apply if you request a Full Surrender or a Reduction in specified amount at various points during your policy ownership. In addition, after your policy is issued, please also contact your financial adviser before you request a Full Surrender or a Reduction in specified amount of your policy and ask for a personalized illustration that would reflect the amount of the Surrender Charges that would be imposed on the transaction you are considering and their impact on your policy values.

Full Surrenders:

If you request a Full Surrender of your policy in which the specified amount has previously neither increased or decreased, the Surrender Charge will equal 1) multiplied by 2) where:

1) is the amount per $1,000 of initial specified amount for the number of years since the Policy Date;

and

2) the initial specified amount divided by 1,000.

For example, the surrender charge for a Full Surrender of a policy at the end of the tenth policy year for a male, standard non-tobacco, issue age 45 with an initial specified amount of $1,000,000 which has not been increased would be: a) $17.11 multiplied by b) 1,000 ($1,000,000 divided by 1,000), or $17,110.

If you request a Full Surrender of the policy in which you have previously requested one or more increases in the specified amount (but have not previously requested a decrease in the specified amount) the Surrender Charge will equal 1) plus 2) where:

1) is

   a) the amount per $1,000 of initial specified amount for the number of years since the Policy Date; multiplied by

   b) the initial specified amount divided by 1,000; and

2) is for each increase in specified amount

   a) the amount per $1,000 of increase in specified amount for the number of years since the date of each increase; multiplied by

   b) the increased specified amount divided by 1,000.

If you request a Full Surrender of your policy in which you had previously requested a Reduction in Specified Amount (but have not previously requested an increase in the



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specified amount), the Surrender Charge will equal 1) multiplied by 2) multiplied by 3) where:

1) is the amount per $1,000 of initial specified amount for the number of years since the Policy Date;

2) is one minus the percentage of the initial specified amount for which a Surrender Charge was previously assessed; and

3) is the specified amount divided by 1,000.

The charge assessed upon a Full Surrender will not exceed the policy's Accumulation Value.

Reduction in Specified Amount:

If you request a Reduction in specified amount of your policy where you have not previously requested an increase in specified amount , the Surrender Charge will be calculated as 1) divided by 2) and then multiplied by 3), where:

1) is the amount of this decrease;

2) is the initial specified amount; and

4) is the Surrender Charge applicable for the policy year as stated in your policy specifications.

The length of the surrender charge period for Reductions in specified amount is 10 years from the Policy Date for the initial specified amount or 10 years from the effective date of each increase in specified amount.

The same calculation is made each time you request a Reduction in specified amount.

If you request a Reduction in specified amount of your policy when you previously have requested an increase in specified amount, each increase in specified amount (or part thereof, if your request for Reduction in specified amount is for less than the full amount of the most recent increase in specified amount) will be surrendered separately on a last in, first out basis. That is, the most recently requested increase in specified amount will be surrendered first, then the next most recently requested increase in specified amount (or part thereof) will be surrendered next, until the specified amount has been reduced in accordance with your request for a Reduction in specified amount. Rather than impose a charge to recover the expenses incurred by the Company to process the increase at the time the increase is approved, the Company spreads out those expenses over a period of years. The use of the last in, first out order helps the Company to recover such expenses should a Reduction in specified amount result in the surrender of an increase in specified amount for which the Company had not recovered its costs. The last in, first out order will be followed even if there are earlier increases in specified amount which were made more than 10 years prior to your request for a Reduction in specified amount.

If your request for Reduction in specified amount exceeds the amount of the most recent increase in specified amount, then the next most recent increase (or part thereof) will be surrendered, and the Surrender Charge will be calculated separately for the amount of that



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increase which is surrendered. Increases in specified amounts will be surrendered successively (including, if necessary a part of the initial specified amount) until the total amount of such successive surrenders equal the amount of your requested Reduction in specified amount. Any requests for Reduction in specified amount thereafter will be handled in a similar manner, that is, the most recent increase in specified amount or unsurrendered part of an increase in specified amount will be next surrendered in whole or in part.

If you engage in a series of increases and reductions in specified amount, the latest increase in the specified amount of your policy will be surrendered in whole or in part should you subsequently request a Reduction in specified amount. If the only increase in specified amount (or part thereof) which will be surrendered became effective more than 10 years ago, then no Surrender Charge would be imposed on a Reduction in specified amount involving the surrender of such increase in specified amount.

We may limit requests for Reduction in specified amount, to the extent there is insufficient value to cover the necessary Surrender Charges.

Partial Surrender:

There is no Surrender Charge if you request a Partial Surrender. However, we reserve the right to limit the total of all Partial Surrenders to 90% of the policy's Surrender Value (see section headed "Policy Surrenders - Partial Surrenders" for a detailed discussion). In addition, a Partial Surrender may reduce the policy's specified amount if you have elected Death Benefit Option 1 or Death Benefit Option 3 (see section headed "Policy Surrenders - Partial Surrenders" for detailed discussion). In addition, we may decline a request for a Partial Surrender which results in a reduction in the policy's specified amount below the minimum specified amount or below the level required to maintain the policy as life insurance for the purposes of federal income tax law (see section headed "Tax Issues - Taxation of Life Insurance in General" for detailed discussion).

If your policy includes the Estate Tax Repeal Rider, and if you satisfy its special conditions, you will have a one-time right to cancel your policy without being subject to Surrender Charges. This is a limited benefit and is subject to our specific definition of Estate Tax Repeal.

In addition, if your policy includes the Enhanced Surrender Value Rider, you may surrender your policy for an enhanced surrender value during policy years 1 though 5, without being subject to the policy surrender charges.

Any surrender may have tax implications. Consult your tax or other adviser before initiating a surrender.

Partial Surrender Fee

No Surrender Charge or administrative fee is imposed on a Partial Surrender.

Transfer Fee



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For each transfer request in excess of 24 made during any policy year, we reserve the right to charge you an administrative fee of $25.

Mortality and Expense Risk Charge

We assess a daily mortality and expense risk charge as a percentage of the value of the Sub-Accounts. The mortality risk assumed is that the insured may live for a shorter period than we originally estimated. The expense risk assumed is that our expenses incurred in issuing and administering the policies will be greater than we originally estimated. The charge is guaranteed not to exceed an effective annual rate of 0.20% in all policy years. The current charge is the effective annual rate of 0.10% in policy years 1-20, and 0.00% in policy years 21 and beyond.

Cost of Insurance Charge

A significant cost of variable life insurance is the "Cost of Insurance Charge". This charge is the portion of the Monthly Deduction designed to compensate the Company for the anticipated cost of paying death benefits in excess of the policy value. It is determined based on our expectation of future mortality, investment earnings, persistency and expenses (including taxes).

The Cost of Insurance Charge depends on the policy duration, the age, underwriting category and gender (in accordance with state law) of the insured, and the current "Net Amount at Risk. The Net Amount at Risk is the death benefit minus the greater of zero or the policy value, and may vary with investment performance, premium payment patterns, and charges. The rate on which the Monthly Deduction for the Cost of Insurance Charge is based will generally increase each policy year as the insured ages. Cost of insurance rates are generally lower for healthy individuals.

The Cost of Insurance Charge is determined monthly by dividing the death benefit at the beginning of the policy month by 1 plus .00246627 (the monthly equivalent of an effective annual rate of 3.0%), subtracting the value at the beginning of the policy month, and multiplying the result (the "Net Amount at Risk") by the applicable cost of insurance rate as determined by the Company.

The current Cost of Insurance Charge may be less than the guaranteed Cost of Insurance Charge, but it will never exceed the maximum Cost of Insurance charge. A schedule of guaranteed maximum cost of insurance rates is part of your policy.

Administrative Fee

There is a flat monthly deduction of $10 during all policy years.

For the first ten policy years from the Policy Date or increase in specified amount, there is an additional charge which varies generally with the insured's issue age, sex, death benefit option, Benefit Selection Option, and premium class. This charge will never exceed $1.83 per month per $1,000 of initial specified amount or increase in specified amount. This fee compensates the Company for administrative expenses associated with policy issue and



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ongoing policy maintenance including premium billing and collection, policy value calculation, confirmations, periodic reports and other similar matters.

Policy Loan Interest

If you borrow against your policy, interest will be charged to the Loan Account value. The annual effective interest rate is 4.0% in years 1-10, 3.0% in years 11 and beyond. We will credit 3.0% interest on the Loan Account value in all years.

Rider Charges

The following paragraphs describe the charges for the riders listed below. The features of the riders available with this policy and any limitations on the selection of riders are discussed in the section headed "Riders".

Accelerated Benefits Riders. There is a flat charge of $250 (limited in certain states), which will be deducted from any benefit when paid.

Enhanced Surrender Value Rider. There is a monthly charge during policy years 2-5 of $0.05 per $1,000 of initial specified amount.

While this rider is optional if policy is applied for on an individual basis, this rider is required for policies applied for on a multi-life basis (LINCOLN ASSETEDGE (SM) Exec VUL), and the owner of the policy will have the opportunity to elect a higher Enhanced Surrender Value. The charge for the higher Enhanced Surrender Value (Option 2) is $0.075 per month per $1,000 of initial specified amount. In the event the owner of a policy issued on a multi-life basis does not elect the higher Enhanced Surrender Value, the charge of $0.05 per $1,000 will be made. (See section headed "Riders-Enhanced Surrender Value Rider" for a discussion of the two options available if the policy is applied for on a multi-life basis.)

For example, a policy with an initial specified amount of $500,000 would have a $25 charge per month (or $300 per year), and a policy with an initial specified amount of $1,000,000 would have a $50 charge per month (or $600 per year) for Option 1. For Option 2, the charge for a policy which an initial specified amount of $500,000 would be $37.50 per month (or $450 per year), and the charge for a policy with an initial specified amount of $1,000,000 would be $75 per month (or $900 per year).

Waiver of Monthly Deduction Rider. The monthly charge for this benefit is equal to the sum of all other covered monthly charges for the policy and all riders, multiplied by a percentage. The percentage depends on the age, underwriting category and gender of the insured. The maximum percentage is 12.0%. If you have elected this rider, a table of percentages appears on the rider pages in your policy.

Estate Tax Repeal Rider. There is a $250 one-time charge at issue for this rider.





Overloan Protection Rider. There is a one-time charge for this rider if you choose to elect the benefit. This charge will not exceed 5.0% of the then current accumulation value.

YOUR INSURANCE POLICY

Your policy is a life insurance contract that provides for a death benefit payable on the death of the insured. The policy and the application constitute the entire contract between you and Lincoln Life.

We may add, change or eliminate any underlying funds that the Separate Account or the Sub-Accounts invest in, subject to state and federal laws and regulations. We may substitute a new fund for one that is no longer available for investment, or is no longer suitable for the policy. We will obtain any required approvals from policy owners, the SEC, and state insurance regulators before substituting any funds.

We may choose to add or remove Sub-Accounts as investment options under the policies, based on marketing needs or investment conditions. If we change any Sub-Accounts or substitute any funds, we will make appropriate endorsements to the policies.

If we obtain appropriate approvals from policy owners and securities regulators, we may:

- change the investment objective of the Separate Account;
- operate the Separate Account as a management investment company, unit investment trust, or any other form permitted under applicable securities laws;
- deregister the Separate Account; or
- combine the Separate Account with another separate account.

We will notify you of any change that is made.

The policy includes policy specifications pages. These pages provide important information about your policy such as: the identity of the insured and owner; Policy Date; the initial specified amount; the death benefit option selected; issue age and sex; Planned Premium Payment; Surrender Charges; expense charges and fees; No-Lapse Premium (subject to availability); and guaranteed maximum cost of insurance rates.

When your policy is delivered to you, you should review it promptly to confirm that it reflects the information you provided in your application. If not, please notify us immediately.

The policy is nonparticipating. This means that no dividends are payable to you. In addition, your policy does not share in the profits or surplus earnings of the Company.

Before purchasing the policy to replace, or to be funded with proceeds from an existing life insurance policy or annuity, make sure you understand the potential impact. The insured will need to prove current insurability and there may be a new contestable period for the new policy. The death benefit and policy values may be less for some period of time in the new policy.



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The "Policy Date" is the date on which we begin life insurance coverage under the policy if you have paid your initial premium with your application. If you have not paid your initial premium with your application, your life insurance coverage will begin on the day we receive your initial premium. The Policy Date is also the date from which policy years, policy anniversary, Monthly Anniversary Days, policy months, premium due dates, and age are determined.

Once your policy is in force, the effective date of payments and requests you send us is usually determined by the day and time we receive them.

We allow telephone or other electronic transactions when you complete our authorization form and return it to us. Contact our Administrative Office for information on permitted electronic transactions and authorization for electronic transactions.

Any telephone or other electronic transmission, whether it is yours, your service provider's, your agent's, or ours, can experience outages or slowdowns for a variety of reasons. Although we have taken precautions to help our systems handle heavy use, we cannot promise complete reliability under all circumstances. If you experience problems, you should send your request in writing to our Administrative Office.

Application

If you decide to purchase a policy, you must first complete an application. A completed application identifies the proposed insured and provides sufficient information to permit us to begin underwriting risks in the policy. We require a medical history and examination of the proposed insured. Based on our review of medical information about the proposed insured, we may decline to provide insurance, or we may place the proposed insured in a special underwriting category. The monthly Cost of Insurance Charge deducted from the policy value after issue varies depending on the age, sex, and underwriting category of the insured.

A policy may only be issued upon receipt of satisfactory evidence of insurability, and generally when the insured is at least age 15 and at most age 85, if the policy is fully underwritten. Other age limits may apply if this policy is not fully underwritten. Age will be determined by the nearest birthday of the insured.

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who applies for a policy. When you apply for a policy, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We, or our agent, may also ask to see your driver's license, photo i.d. or other identifying documents.

Owner

The Owner on the date of issue is designated in the policy specifications. You, as Owner, will make the following choices:

1) initial death benefit amount, death benefit option, and death benefit qualification test;



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2) optional riders;

3) the amount and frequency of Premium Payments; and

4) the amount of Net Premium Payment to be allocated to the selected Sub-Accounts or the Fixed Account.

In addition, for policies sold on a multi-life basis as LINCOLN ASSETEDGE (SM) Exec VUL, the Enhanced Surrender Value Rider will automatically be included with each policy, and the owner of each policy will have choice of which enhancement option is desired. (See discussion of "Enhanced Surrender Value Rider" in the Riders section of this prospectus).

You are entitled to exercise rights and privileges of your policy as long as the insured is living. These rights generally include the power to select the beneficiary, request Policy Loans, make Partial Surrenders, surrender the policy entirely, request a Reduction in specified amount, name a new Owner, and assign the policy. You must inform us of any change in writing. We will record change of Owner and beneficiary forms to be effective as of the date of the latest signature on the request.

Right to Examine Period

You may return your policy to us for cancellation within ten days after you receive it (or a greater number of days if required by your state). This is called the "Right to Examine Period". If the policy is returned for cancellation within the Right to Examine Period, depending on the state of issue of your policy, we will refund to you either all Premium Payments or the policy value plus any charges and fees. If a Premium Payment was made by check, there may be a delay until the check clears.

If your policy is issued in a state that requires return of Premium Payments, any Net Premium Payments received by us within ten days of the date the policy was issued will be held in the Money Market Sub-Account. At the end of that period, it will be allocated to the Sub-Accounts and the Fixed Account, if applicable, which you designated. If the policy is returned for cancellation within the Right to Examine Period, we will return the full amount of any Premium Payments made.

If your policy is issued in a state that provides for return of value, any Net Premium Payments received before the end of the Right to Examine Period will be allocated directly to the Sub-Accounts and the Fixed Account, if applicable, which you designated. The Owner bears the risk of a decline in Sub-Account values. If the policy is returned for cancellation within the Right to Examine Period, we will return the policy value, plus any charges and fees, as of the date the cancelled policy is received at our Administrative Office.

Initial Specified Amount

You will select the initial specified amount of death benefit on the application. This may not be less than $100,000 (other limits may apply when policy is not fully underwritten). This amount, in combination with a death benefit option, will determine the initial death benefit. The initial specified amount is shown on the policy specifications page.



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Transfers

You may make transfers among the Sub-Accounts and the Fixed Account, subject to certain provisions. You should carefully consider current market conditions and each fund's objective and investment policy before allocating money to the Sub-Accounts.

During the first policy year, transfers from the Fixed Account to the Sub-Accounts may be made only as provided for in the dollar cost averaging program described below. The amount of all transfers from the Fixed Account in any other policy year may not exceed the greater of:

1) 25% of the Fixed Account value as of the immediately preceding policy anniversary, or

2) the total dollar amount transferred from the Fixed Account in the immediately preceding policy year.

Up to 24 transfer requests (a request may involve more than a single transfer) may be made in any policy year without charge. We may limit transfers from the Fixed Account at any time.

Requests for transfers must be made in writing, or electronically, if you have previously authorized telephone or other electronic transfers in writing, subject to our consent.

Any transfer among the Sub-Accounts or to the Fixed Account will result in the crediting and cancellation of accumulation units. This will be based on the accumulation unit values determined after our Administrative Office receives a request in writing or adequately authenticated electronic transfer request. Transfer and financial requests received in good order before 4:00 P.M. Eastern time on a business day will normally be effective that day.

Market Timing

Frequent, large, or short-term transfers among Sub-Accounts and the Fixed Account, such as those associated with "market timing" transactions, can affect the underlying funds and their investment returns. Such transfers may dilute the value of the fund shares, interfere with the efficient management of the fund's portfolio, and increase brokerage and administrative costs of the funds. As an effort to protect our policy owners and the funds from potentially harmful trading activity, we utilize certain market timing policies and procedures (the "Market Timing Procedures"). Our Market Timing Procedures are designed to detect and prevent such transfer activity among the Sub-Accounts and the Fixed Account that may affect other policy owners or fund shareholders.

In addition, the underlying funds may have adopted their own policies and procedures with respect to frequent purchases and redemptions of their respective shares. The prospectuses for the funds describe any such policies and procedures, which may be more or less restrictive than the frequent trading policies and procedures of other funds and the Market Timing Procedures we have adopted to discourage frequent transfers among Sub-Accounts. While we reserve the right to enforce these policies and procedures, policy owners and other persons with interests under the policies should be aware that we may not have the contractual authority or the operational capacity to apply the frequent trading policies and procedures of the underlying funds.



However, under the SEC rules, we are required to: (1) enter into written agreement with each underlying fund or its principal underwriter that obligates us to provide to the underlying fund promptly upon request certain information about the trading activity of individual policy owners, and (2) execute instructions from the underlying fund to restrict or prohibit further purchases or transfers by specific policy owners who violate excessive trading policies established by the underlying fund.

You should be aware that the purchase and redemption orders received by underlying funds generally are "omnibus" orders from intermediaries such as retirement plans or separate accounts to which premium payments and cash values of variable insurance policies are allocated. The omnibus orders reflect the aggregation and netting of multiple orders from individual retirement plan participants and/or individual owners of variable insurance policies. The omnibus nature of these orders may limit the underlying funds' ability to apply their respective disruptive trading policies and procedures. We cannot guarantee that the underlying funds (and thus our policy owners) will not be harmed by transfer activity relating to the retirement plans and/or other insurance companies that may purchase the underlying funds. In addition, if an underlying fund believes that an omnibus order we submit may reflect one or more transfer requests from policy owners engaged in disruptive trading activity, the underlying fund may reject the entire omnibus order.

Our Market Timing Procedures detect potential "market timers" by examining the number of transfers made by policy owners within given periods of time. In addition, managers of the funds might contact us if they believe or suspect that there is market timing. If requested by a fund company, we may vary our Market Timing Procedures from Sub-Accounts to Sub-Accounts to comply with specific fund policies and procedures.

We may increase our monitoring of policy owners who we have previously identified as market timers. When applying the parameters used to detect market timers, we will consider multiple contracts owned by the same policy owner if that policy owner has been identified as a market timer. For each policy owner, we will investigate the transfer patterns that meet the parameters being used to detect potential market timers. We will also investigate any patterns of trading behavior identified by the funds that may not have been captured by our Market Timing Procedures.

Once a policy owner has been identified as a "market timer" under our Market Timing Procedures, we will notify the policy owner in writing that future transfers (among the Sub-Accounts and/or the Fixed Account) will be temporarily permitted to be made only by original signature sent to us by U.S. mail, standard delivery for the remainder of the policy year. Overnight delivery or electronic instructions (which may include telephone, facsimile, or Internet instructions) submitted during this period will not be accepted. If overnight delivery or electronic instructions are inadvertently accepted from a policy owner that has been identified as a market timer, upon discovery, we will reverse the transaction within 1 to 2 business days of our discovery. We will impose this "original signature" restriction on that policy owner even if we cannot identify, in the particular circumstances, any harmful effect from that policy owner's particular transfers.

Policy owners seeking to engage in frequent, large, or short-term transfer activity may deploy a variety of strategies to avoid detection. Our ability to detect such transfer activity may be limited by operational systems and technological limitations. The identification of policy owners determined to be engaged in such transfer activity that may adversely affect other policy owners or fund shareholders involves judgments that are inherently subjective.

We cannot guarantee that our Market Timing Procedures will detect every potential market timer. If we are unable to detect market timers, you may experience dilution in the value of your fund shares and increased brokerage and administrative costs in the funds. This may result in lower long-term returns for your investments.

Our Market Timing Procedures are applied consistently to all policy owners. An exception for any policy owner will be made only in the event we are required to do so by a court of law. In addition, certain funds available as investment options in your contract may also be available as investment options for owners of other, older life insurance policies issued by us.

Some of these older life insurance policies do not provide a contractual basis for us to restrict or refuse transfers which are suspected to be market timing activity. In addition, because other insurance companies and/or retirement plans may invest in the underlying funds, we cannot guarantee that the funds will not suffer harm from frequent, large, or short-term transfer activity among sub-accounts and the fixed accounts of variable contracts issued by other insurance companies or among investment options available to retirement plan participants.

In our sole discretion, we may revise our Market Timing Procedures at any time without prior notice as necessary to better detect and deter frequent, large, or short-term transfer activity, to comply with state or federal regulatory requirements, and/or to impose additional or alternate restrictions on market timers (such as dollar or percentage limits on transfers). If we modify our Market Timing Procedures, they will be applied uniformly to all policy owners or as applicable to all policy owners with policy values allocated to Sub-Accounts investing in particular underlying funds. We also reserve the right to implement and administer redemption fees imposed by one or more of the funds in the future.

Some of the underlying funds have reserved the right to temporarily or permanently refuse payments or transfer requests from us if, in the judgment of the underlying fund's investment adviser, the underlying fund would be unable to invest effectively in accordance with its investment objective or policies, or would otherwise potentially be adversely affected. To the extent permitted by applicable law, we reserve the right to defer or reject a transfer request at any time that we are unable to purchase or redeem shares of any of the funds in which the Separate Account invests, including any refusal or restriction on purchases or redemptions of the Sub-Account units as a result of the funds' own policies and procedures on market timing activities. If a fund refuses to accept a transfer request we have already processed, we will reverse the transaction within 1-2 business days of the day on which we receive notice of the refusal. We will notify you in writing if we have reversed, restricted or refused any of your transfer requests. Some of the underlying funds may also impose redemption fees on short-term trading (i. e., redemptions of underlying fund shares within a certain number of business days after purchase). We reserve the right to administer and collect any such redemption fees on behalf of the underlying funds. You should read the prospectuses of the funds for more details on their redemption fees and their ability to refuse or restrict purchases or redemptions of their shares.

Optional Sub-Account Allocation Programs

You may elect to participate in programs for dollar cost averaging or automatic rebalancing. There is currently no charge for these programs. You may participate in only one program at any time.



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DOLLAR COST AVERAGING systematically transfers specified dollar amounts from the Money Market Sub-Account or on a limited basis from the Fixed Account. Transfer allocations may be made to one or more of the Sub-Accounts (not the Fixed Account) on a monthly or quarterly basis. These transfers do not count against the free transfers available. Dollar Cost Averaging transfers from the Fixed Account can only be elected at the time your policy is issued. Transfers from the Money Market Sub-Account may be elected at any time while your policy is in force. By making allocations on a regularly scheduled basis, instead of on a lump sum basis, you may reduce exposure to market volatility. Dollar cost averaging will not assure a profit or protect against a declining market.

If the Owner elects Dollar Cost Averaging from either the Money Market Sub-Account or the Fixed Account the value in that account must be at least $1,000 initially. The minimum amount that may be allocated is $50 monthly.

You may elect dollar cost averaging at the time of you apply for your policy. In addition, you may elect dollar cost averaging after your policy has been issued by contacting our Administrative Office in writing at the address shown on the first page of this prospectus or by calling 1-800-444-2363.

Dollar cost averaging terminates automatically:

1) if the value in the Money Market Sub-Account or the Fixed Account is

insufficient to complete the next transfer;

2) seven calendar days after our Administrative Office receives a request for termination in writing or by telephone, with adequate authentication;

3) after 12 or 24 months (as elected by you); or

4) if your policy is surrendered or otherwise terminates.

AUTOMATIC REBALANCING periodically restores to a pre-determined level the percentage of policy value allocated to each Sub-Account. The Fixed Account is not subject to rebalancing. The pre-determined level is the allocation initially selected on the application, until changed by the Owner. If automatic rebalancing is elected, all net premium payments allocated to the Sub-Accounts will be subject to automatic rebalancing. Automatic Rebalancing provides a method for reestablishing fixed proportions among your allocations to your Sub-Accounts on a systematic basis. Automatic Rebalancing helps to maintain your allocation among market segments, although it entails reducing your policy values allocated to the better performing segments. Therefore, you should carefully consider market conditions and the investment objectives of each Sub-Account and underlying fund before electing to participate in Automatic Rebalancing.

You may select automatic rebalancing on a quarterly, semi-annual, or annual basis. Automatic rebalancing may be elected, terminated, or the allocation may be changed at any time, by contacting our Administrative Office.

Riders



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We may offer you riders to your policy from time to time. Riders may alter the benefits or charges in your policy. Rider availability may vary by state of issue and whether the policy is fully underwritten. Election of riders may have tax consequences to you. Also, exercising a rider will enhance or restrict the benefits otherwise available under your policy; any such enhancements or restrictions are discussed when the terms of the rider is discussed. (See discussion of each rider in the sub-sections headed "Accelerated Benefits Riders", "Waiver of Monthly Deduction Rider", "Change of Insured Rider", "Enhanced Surrender Value Rider", "Estate Tax Repeal Rider", and "Overloan Protection Rider".) Consult your financial and tax advisers before adding riders to, or deleting them from, your policy. Please ask your financial adviser for an illustration that reflects the impact of adding a rider to your policy or deleting a rider from your policy before you make your decision.

Some of the riders discussed below are optional and you must decide whether to apply for those riders. Optional riders include the Accelerated Benefits Riders, the Waiver of Monthly Deduction Rider, the Change of Insured Rider, the Estate Tax Repeal Rider, and the Enhanced Surrender Value Rider (unless the policy is applied for on a multi-life basis). The Overloan Protection Rider will automatically be included with your policy if available in your state, and the Enhanced Surrender Value Rider will also automatically be included if your policy is applied for on a multi-life basis.

Accelerated Benefits Riders. There are two Accelerated Benefits Riders. The availability of the riders is based upon your meeting our underwriting criteria (including your age and the state of your health at the time of your application), which will determine which, if any, form of rider will be issued to you. If you meet our underwriting requirements and if you apply for the riders at the same time as you apply for your policy, you will be issued the second version of the rider (as described below). If you do not meet our underwriting requirements (or do not apply for the riders when you apply for your policy), you will be issued the first version of the rider that is described below. There is a charge for these riders of $250 (limited in certain states), which will be deducted from any benefit when paid. Benefits payable under either form of rider will be considered as a lien against your policy for the amount of the accelerated benefit paid, and the lien will be considered as a Policy Loan and will be charged interest. (See section headed "Policy Loans".) As the benefit paid is a lien, you may, if you wish, repay any part (but not less than $25) or all of the amount paid. The amount of any lien outstanding at the time of the death of the Insured will be deducted from the death benefit otherwise payable. In certain states, the availability of the riders, and the benefits available thereunder, are limited; please consult with your financial adviser as to availability and benefits.

One version of this rider pays a portion of the Death Benefit upon occurrence of terminal illness (defined by the rider as when the Insured's life expectancy is reduced to less than 12 months) or nursing home confinement (defined by the rider as the Insured being confined to a qualifying nursing home for the balance of life), subject to the terms of the rider. This version of the rider will pay 50% of the Death Benefit for terminal illness and 40% of the death benefit for nursing home confinement, subject to an overall maximum of $250,000 on all policies in force with us, in accordance with the terms of the rider. You may apply for this rider either at the time your application for the policy is made or at any time thereafter. Our underwriting rules in effect at the time you apply will determine whether the rider will be issued.

The second version of this rider, which must be applied for at the time you apply for your policy, in addition to paying the same portion of the Death Benefit upon the occurrence of





terminal illness or nursing home confinement (as discussed above), also may pay a portion of the death benefit upon critical illness or a condition specified in the rider. The illnesses which qualify are detailed in the rider and generally include, but are not limited to, heart attack (myocardial infarction) and life threatening cancer. In the instance of critical illness, the portion of the Death Benefit payable is 5% (not to exceed a total of $25,000) upon the occurrence of the first critical illness covered by the rider.

To receive a benefit, you must contact us and let us know which benefit you are requesting and the benefit amount (subject to maximum limits) you would like. We will let you know what physician's certification or other requirements you must submit. If you request less than the maximum benefit, you may later apply for the balance of the benefit. For example, if you are confined to a qualifying nursing home for the balance of life, and your only policy with us has a $100,000 death benefit, you could request up to 40% or $40,000, and if you are later diagnosed with a medical condition resulting in a less than 12 month life expectancy, you may request an additional 10% (for a total benefit of 50%) or $10,000 (for a total benefit of $50,000). Because the benefit payable creates a lien on the policy, the maximum amount of your benefit may also be restricted (or no benefit may be payable) if you have an outstanding Policy Loan or if the policy has been assigned to a third party. Benefits paid under the Rider may restrict your ability to request future Policy Loans.

Waiver of Monthly Deduction Rider. If desired, you must select this rider when you initially apply for insurance. Lincoln Life will maintain the death benefit by paying covered monthly deductions during periods of disability. Charges for this rider, if elected, are part of the Monthly Deductions.

Change of Insured Rider. With this rider, you may name a new insured in place of the current insured. Underwriting and policy value requirements must be met. The benefit expires on the anniversary nearest to the current insured's 65th birthday. There is no separate charge for this rider; however policy charges applicable to the new insured may differ from charges applicable to the current insured. Exercising the Change of Insured Rider is a fully taxable event.

Enhanced Surrender Value Rider. If desired, you must select this rider when you initially apply for insurance. The rider provides an enhanced surrender value without imposition of a Surrender Charge (the "Enhanced Surrender Value") if you Fully Surrender your policy during the first five policy years (the "Enhanced Surrender Value Period") (see section headed "Surrender Charges - General" for a discussion of when Surrender Charges are imposed and how Surrender Charges are calculated). This rider does not provide for Enhanced Surrender Value for Partial Surrenders, Policy Loans, or in connection with the exchange of this policy for any other policy. This rider will terminate at the earliest of the Full Surrender of the policy for the benefit provided by this rider; the end of the fifth policy year; lapse of the policy; or exchange, replacement, or any termination of the policy except for the benefits provided by the Change of Insured Rider. In policy years 2-5, there will be a monthly charge per $1,000 of initial specified amount for this rider.

If application is made for a policy on an individual basis and you wish this rider to be issued with your policy, you must select this rider when you initially apply for insurance; it will not automatically be issued with your policy. The Enhanced Surrender Value provided under





the individual version of the rider is called "Option 1" in the example of hypothetical accumulation and surrender values for the sample policy below.

If application is made for policies on a multi-life basis (as the LINCOLN ASSETEDGE (SM) Exec VUL), the Enhanced Surrender Value Rider will automatically be issued with each policy, and the owner of each policy will have the opportunity to elect between two Enhanced Surrender Value options: a higher Enhanced Surrender Value (which for the multi-life LINCOLN ASSETEDGE (SM) Exec VUL policies is called "Option 2") and the standard Enhanced Surrender Value (which for LINCOLN ASSETEDGE (SM) Exec VUL policies is called "Option 1"). Option 2 described below is only available with the Lincoln ASSETEDGE (SM) Exec VUL policy. Please see sample policy below for an example of hypothetical accumulation and Surrender Values for Option 1 and Option 2. You may obtain more information about the possible impact of your choice of option by requesting a personalized policy illustration from your financial adviser.

If your policy is issued with the Enhanced Surrender Value Rider, you may not terminate the rider without terminating the policy.

If the policy is Fully Surrendered at any time during the Enhanced Surrender Value Period, the Enhanced Surrender Value payable on the date your policy is surrendered under Option 1 will equal:

1. the policy's Accumulation Value; minus

2 Indebtedness

If the policy is Fully Surrendered at any time during the Enhanced Surrender Value Period, the Enhanced Surrender Value payable on the date your policy is surrendered under Option 2 will equal:

1. the policy's Accumulation Value; minus

2. Indebtedness; plus

3. (a) the lesser of (i) the initial specified amount or (ii) the current specified amount, multiplied by

   (b) a per thousand of specified amount adjustment rate (which will be shown in the policy specifications of your policy following the words "Enhanced Surrender Value Per Thousand Adjustment Rate.

Your policy Accumulation Value at any point in time equals the sum of Fixed Account value, the Separate Account value, and the Loan Account value (see the section headed "Policy Values" for a more detailed discussion). Your policy Surrender Value equals the policy Accumulation Value less any Indebtedness less any applicable Surrender Charge (see section headed "Policy Surrenders" for a more detailed discussion).

The "per thousand of specified amount adjustment rate" is designed to provide a higher Surrender Value during the first five years of the policy. Purchasers of the LINCOLN ASSETEDGE (SM) Exec VUL policies may find the higher surrender value which this option provides helpful where the Surrender Value of the policy in the first five years has greater importance to the purchaser.



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The following example demonstrates hypothetical Accumulation Values and Surrender Values without the Enhanced Surrender Value Rider and with the Enhanced Surrender Value Rider showing the election of either Option 1 or Option 2 during the first five policy years of the policy described below:

Sample Policy

- Insured: Male Standard Non-tobacco, age 55

- Specified amount: $1,500,000

- Benefit Selection Option: Not Elected

- Planned annual premium payment: $60,000

- No Indebtedness

- Assumed Investment Return: 8.00% gross (7.24% net)

- For this case, the per thousand of specified amount adjustment rate is 6.64 for Option 2

<Table>
<Caption>

| | WITHOUT ESV RIDER | | WITH ESV RIDER - OPTION 1* | | WITH ESV RIDER - OPTION 2** | |
|---|---|---|---|---|---|---|
| END OF YEAR | ACCUMULATION VALUE | SURRENDER VALUE | ACCUMULATION VALUE | ENHANCED SURRENDER VALUE | ACCUMULATION VALUE | ENHANCED SURRENDER VALUE |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| 1 | 51,022 | 0 | 51,022 | 51,022 | 51,022 | 60,982 |
| 2 | 105,057 | 47,262 | 104,120 | 104,120 | 103,651 | 113,611 |
| 3 | 162,345 | 107,040 | 160,396 | 160,396 | 159,421 | 169,381 |
| 4 | 223,355 | 170,040 | 220,313 | 220,313 | 218,792 | 228,752 |
| 5 | 288,344 | 238,214 | 284,120 | 284,120 | 282,008 | 291,968 |

</Table>

At the end of year 1 for ESVRider Option 2, the Enhanced Surrender Value equals a) plus b) multiplied by c), where

a) is $51,022 (Accumulation Value);

b) is 6.64 ("per thousand of specified amount adjustment rate"); and

c) is 1,500 ($1,500,000 divided by 1,000).

* Option 1 is available on the individual and multi-life versions of the rider.

** Option 2 is available only on the multi-life version of the rider.

If you request a Full Surrender of your policy while the Enhanced Surrender Value Rider is in effect, you will receive the greater of the Surrender Value calculated under the provisions of your policy and the Enhanced Surrender Value calculated under Enhanced Surrender Value Rider - Option 1 or Enhanced Surrender Value Rider - Option 2, as applicable. As noted above, because both options of the Enhanced Surrender Value Rider base the benefit to be paid in part upon the Accumulation Value of your policy at the time you request a Full Surrender, increases or decreases in the Accumulation Value of your policy will impact the benefit payable under the rider upon a Full Surrender of the policy. If you are applying for the policy on an individual basis, you should consider with your financial adviser whether the potential benefits of the rider during the first five policy years would assist you in reaching your goals, as there is a cost associated with this rider. Your financial adviser can prepare an illustration which would demonstrate how the policy might work both with the rider and without the rider. If you are applying for the policy on a multi-life basis, the Enhanced Surrender Value Rider will be automatically issued with your policy; however, you should consider with financial adviser which enhanced surrender value option would assist you in reaching your goals, as the costs associated with this rider differ between the two options.





Your financial adviser can provide you with an illustration which would demonstrate how the policy might work with Enhanced Surrender Value Rider - Option 1 or Enhanced Surrender Value Rider - Option 2.

Estate Tax Repeal Rider. If desired, you must select this rider when you initially apply for your insurance policy. You should discuss with your financial and tax advisers whether, and the extent to which, the benefits of this rider would assist you in reaching your long term financial, estate planning, and other goals. For example, if you and your financial and tax advisers determined that this policy is to be purchased SOLELY for the purpose of reducing federal estate taxes, you should discuss with your financial and tax advisers what impact possible Congressional action (or inaction) with respect to the federal estate tax may have on your estate or other plans. There is a one-time $250 charge at issue for this rider.

Under the Economic Growth and Tax Relief Reconciliation Act of 2001 (H.R. 1836) ("EGTRRA"), the Federal Estate Tax law will be repealed effective on and after January 1, 2011. However, EGTRRA also provided that this repeal is only temporary, and unless Congress acts by December 31, 2010 (with such action being effective as of January 1, 2010) to extend the repeal or to make the repeal permanent, the estate tax will be reinstated on January 1, 2011.

This rider gives you the right to cancel your policy for an amount equal to the Surrender Value of the policy plus any applicable Surrender Charge under certain circumstances. You may exercise your right under this rider to cancel your policy if (i) the EGTRRA repeal of the Federal Estate Tax law is made permanent; or (ii) the temporary repeal expiration date (that is January 1, 2010) is extended for at least two years beyond January 1, 2011.

Your right to cancel your policy must be exercised within 12 months from the later of (i) January 1, 2010, or (ii) the date in 2010 upon which legislation is enacted and signed into law which either permanently repeals the Federal Estate Tax law or extends for at least two years the temporary repeal expiration date (that is January 1, 2011).

This rider terminates on the earliest of:

1) one year from the "start date" (which is the later of (i) January 1, 2010, or (ii) the date in 2010 upon which legislation is enacted and signed into law which either permanently repeals the Federal Estate Tax law or extends for at least two years the temporary repeal expiration date (that is January 1, 2011));

2) December 31, 2010, provided no legislation had been enacted and signed into law which either permanently repeals the Federal Estate Tax law or extends for at least two years the temporary repeal expiration date (that is January 1, 2011);

3) the date you request termination of the rider;

4) termination of your policy; or

5) Full Surrender of your policy prior to the "start date".

If your policy lapses but is reinstated, the rider will likewise be reinstated, provided such reinstatement occurs before 1), 2), or 3) above.





Overloan Protection Rider. If this rider is issued with your policy, you meet the requirements as described in this rider and have elected this benefit, your policy will not lapse solely based on Indebtedness exceeding the Accumulation Value less the Surrender Charges. It is a limited benefit, in that it does not provide any additional death benefit or any increase in Accumulation Value. Also, it does not provide any type of market performance guarantee.

We will automatically issue this rider with your policy in states where it is available. There is no charge for adding this rider to your policy. However, if you choose to elect this benefit, there is a one-time charge which will not exceed 5.0% of the then current Accumulation Value. Once you elect the benefit, certain provisions of your policy will be impacted as described in the rider.

Continuation of Coverage

If the insured is still living at attained age 100, and the policy has not been surrendered, the policy will automatically remain in force until surrender or death of the insured.

The death benefit will equal the Death Benefit Proceeds. The Death Benefit Proceeds will be the greater of:

1) the amount determined by the death benefit option in effect on the date of death of the insured; and

2) an amount equal to the Accumulation Value on the date of death multiplied by the applicable percentage shown in the Corridor Percentages Table in the specifications pages of your policy

less any Indebtedness. (See section headed "Death Benefits - Death Benefit Options" for more information concerning the death benefit options.)

The Death Benefit Proceeds payable under this Continuation of Coverage provision may be reduced if you have elected a Benefit Selection Option percentage. The Benefit Selection Option and the impact the Benefit Selection Option may have on the Continuation of Coverage provision is detailed in the section below headed "Benefit Selection Option".

There are certain changes that will take place on the policy anniversary when the insured reaches attained age 100:

1) we will no longer accept Premium Payments;

2) we will make no further deductions;

3) policy values held in the Separate Account will be transferred to the Fixed Account;

4) we will continue to credit interest to the Fixed Account; and

5) we will no longer transfer amounts to the Sub-Accounts.

However, loan interest will continue to accrue. Provisions may vary in certain states.





Benefit Selection Option

When you apply for the policy, you may elect the Benefit Selection Option. If you elect this Option, you will reduce the specified amount used to calculate the Death Benefit Proceeds under the Continuation of Coverage provision if the insured dies after reaching attained age 100. If you do not elect this option, then the amount of the specified amount in effect at the time of the insured's death after attained age 100 will not be reduced by the Benefit Selection Option, and therefore the full amount of the specified amount in effect at the time of the insured's death after reaching attained age 100 will be used in the calculation of the Death Benefit Proceeds.

With this option, you can select a balance between potentially greater Accumulation Value and the death benefit protection provided after attained age 100 by the Continuation of Coverage provision of your policy. When considering this option, you should consider the amount of market risk which is appropriate for you and your circumstances. This option is designed to reduce the charges for the per $1,000 of specified amount monthly administrative expense fee (the "Monthly Administrative Expense Fee") deducted from your policy and thereby reduce the cost of the death benefit provided by your policy. Since reducing the monthly charges will reduce the amounts deducted from your policy's Accumulation Value, you have the opportunity to have a larger Accumulation Value allocated to the Fixed Account and invested in the Sub-Accounts. Inasmuch as your election to reduce the Continuation of Coverage death benefit would not affect your policy until the insured reaches attained age 100, you should discuss with your financial adviser the extent to which your need for such protection may decrease at that point. Your financial adviser can prepare personalized illustrations which would demonstrate the impact of your choosing a Benefit Selection Option percentage greater than zero.

You elect this option, by choosing a Benefit Selection Option percentage greater than zero. Your election will reduce the policy's Monthly Administrative Expense Fee; however, it will also reduce the death benefit provided by the Continuation of Coverage provision of your policy to the extent that the death benefit is based upon the specified amount. The Continuation of Coverage provision of your policy provides for a death benefit after the insured has reached Attained Age 100 which is the greater of

(i) the death benefit provided by the Death Benefit Option you have chosen (which is the specified amount or uses the specified amount as a factor in its calculation) (referred to as the "Continuation of Coverage Death Benefit Based Upon Specified Amount"); or

(ii) an amount equal to your policy's Accumulation Value on the date of death multiplied by the percentage shown in the corridor percentages table in the specifications pages of your policy (referred to as the "Continuation of Coverage Death Benefit Based Upon Accumulation Value"),

both less Indebtedness (see section headed "Death Benefits - Death Benefit Options" for discussion of impact on death benefits of your choice of Death Benefit Options). Therefore, choosing the maximum Benefit Selection Option percentage (that is, 100%) will only reduce the specified amount used to calculate the death benefit provided by the Continuation of Coverage Death Benefit Based Upon Specified Amount (sub-clause (i) above) to zero, but will not reduce the death benefit provided by the Continuation of Coverage Death Benefit



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Based Upon Accumulation Value (sub-clause (ii) above) to zero if your policy has positive cash value (see section headed "Continuation of Coverage" for a discussion of the death benefit provided by this provision). The Benefit Selection Option percentage you have selected will be shown in the policy specifications pages of you policy following the words "Benefit Selection Option: __%", along with the reduction to the Continuation of Coverage specified amount (following the words "If the Insured is still living and this policy is still In Force at Attained Age 100, the Specified Amount will be reduced by __%").

The following example shows three policies on the same insured. In the first policy, the Benefit Selection Option was not elected; and in the second and third policies the Benefit Selection Option (with differing percentages) was elected:

<Table>
<Caption>

| BENEFIT SELECTION OPTION | MONTHLY ADMINISTRATIVE EXPENSE FEE | CONTINUATION OF COVERAGE SPECIFIED AMOUNT | RESULT |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Election: None | $0.14167 per thousand of Specified Amount (higher) | 100% of Specified Amount (higher) | This option offers the full specified amount during Continuation of Coverage. The price of the protection is reflected in the higher Monthly Administrative Expense Fee. |
| Election: 50% | $0.07376 per thousand of Specified Amount (lower) | 50% of Specified Amount (lower) | This option offers less than the full specified amount during Continuation of Coverage. The Monthly Administrative Expense Fee is reduced in exchange. Therefore, this option allows somewhat more money to be invested in the Sub-Accounts or allocated to the Fixed Account while providing a part of the specified amount during Continuation of Coverage. |
| Election: 100% | $0.00583 per thousand of Specified Amount (lowest) | 0% of Specified Amount (lowest) | This option offers no Continuation of Coverage specified amount*. The Monthly Administrative Expense Fee is reduced in exchange. Therefore, this option allows more money to be invested in the |

Sub-Accounts or allocated to the Fixed Account.

</Table>

* Note: Although Continuation of Coverage specified amount is zero, the Continuation of Coverage provision of your policy provides for an alternate calculation based on your policy's Accumulation Value on the date of death. See section headed "Continuation of Coverage" for a discussion of the death benefit to be paid.

The following examples demonstrate hypothetical Accumulation Values and Continuation of Coverage death benefits. The column headed "Continuation of Coverage Specified Amount" shows the amount of the death benefit to be paid under the Continuation of Coverage provisions of the policy when the calculation of that amount is based upon the specified amount. The column headed "Illustrated Death Benefit Proceeds" shows the amount of the death benefit paid under the Continuation of Coverage provisions of the policy when the calculation of that amount is based on Accumulation Value. The example below assumes that your allocations to the Sub-accounts available under the policy return an amount equal to the Assumed Investment Return each year shown:



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- Insured: Male Standard Non-tobacco, age 60
- Specified Amount: $1,000,000
- Annual premium payment: $36,000 for 40 years is paid at or before the beginning of each of the first 40 policy years
- No Indebtedness on the policy
- Death Benefit Option: 1 (level)
- Death Benefit Qualification Test: Cash Value AccumulationTest
- Assumed Investment Return: 8.00% gross (7.24% net)
- Assumed Fixed Account Interest Rate: 5.05%

<Table>
<Caption>

| BENEFIT SELECTION OPTION % | | 0% (NOT ELECTED) | | | 50% | | | 100% | | |
|---|---|---|---|---|---|---|---|---|---|---|
| END OF YEAR | AGE | ACCUMULA-TION VALUE | CONTINUA-TION OF COVERAGE SPECIFIED AMOUNT | ILLUSTRATED DEATH BENEFIT PROCEEDS | ACCUMULA-TION VALUE | CONTINUA-TION OF COVERAGE SPECIFIED AMOUNT | ILLUSTRATED DEATH BENEFIT PROCEEDS | ACCUMULA-TION VALUE | CONTINUA-TION OF COVERAGE SPECIFIED AMOUNT | ILLUSTRATED DEATH BENEFIT PROCEEDS |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 40 | 100 | 5,440,861 | 1,000,000 | 5,495,270 | 5,676,829 | 500,000 | 5,733,585 | 5,910,385 | 0 | 5,969,489 |
| 41 | 101 | 5,724,198 | 1,000,000 | 7,781,440 | 5,972,445 | 500,000 | 6,032,169 | 6,218,173 | 0 | 6,280,354 |
| 42 | 102 | 6,022,290 | 1,000,000 | 6,082,513 | 6,283,464 | 500,000 | 6,346,299 | 6,541,989 | 0 | 6,607,409 |
| 43 | 103 | 6,335,905 | 1,000,000 | 6,399,264 | 6,610,680 | 500,000 | 6,676,787 | 6,882,668 | 0 | 6,951,494 |

</Table>

The following example uses the same sample policy and assumptions as the example above except that the Assumed Investment Return is 0.00% gross (-0.76% net):

<Table>
<Caption>

| BENEFIT SELECTION OPTION % | | 0% (NOT ELECTED) | | | 50% | | | 100% | | |
|---|---|---|---|---|---|---|---|---|---|---|
| END OF YEAR | AGE | ACCUMULA-TION VALUE | CONTINUA-TION OF COVERAGE SPECIFIED AMOUNT | ILLUSTRATED DEATH BENEFIT PROCEEDS | ACCUMULA-TION VALUE | CONTINUA-TION OF COVERAGE SPECIFIED AMOUNT | ILLUSTRATED DEATH BENEFIT PROCEEDS | ACCUMULA-TION VALUE | CONTINUA-TION OF COVERAGE SPECIFIED AMOUNT | ILLUSTRATED DEATH BENEFIT PROCEEDS |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 40 | 100 | 62,411 | 1,000,000 | 1,000,000 | 238,865 | 500,000 | 500,000 | 410,271 | 0 | 414,374 |
| 41 | 101 | 65,661 | 1,000,000 | 1,000,000 | 251,304 | 500,000 | 500,000 | 431,637 | 0 | 435,953 |
| 42 | 102 | 69,080 | 1,000,000 | 1,000,000 | 264,391 | 500,000 | 500,000 | 454,114 | 0 | 458,656 |
| 43 | 103 | 72,678 | 1,000,000 | 1,000,000 | 278,159 | 500,000 | 500,000 | 477,763 | 0 | 482,540 |

</Table>

In addition, the Continuation of Coverage specified amount will be $1,000,000 without the Benefit Selection Option elected, $500,000 when a 50% Benefit Selection Option is selected, and $0.00 when a 100% Benefit

Selection Option is selected. Therefore, if you elect the maximum Benefit Selection Option percentage of 100%, you will be relying on the Accumulation Value of your policy to provide a death benefit under your policy's Continuation of Coverage provision.

You elect this option by selecting a percentage from 1 to 100%. This election must be made at Policy issue and is irrevocable. The impact of selecting a Benefit Selection Option percentage greater than zero on your policy is best shown in an illustration. Please ask your



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financial adviser for illustrations which demonstrate the impact of electing various Benefit Selection Option percentages greater than zero.

If elected, the percentage you select under this option will be shown in your policy specifications. Once your policy is issued with the Benefit Selection Option, you may not change the percentage you selected nor may you terminate your election.

Termination of Coverage

All policy coverage terminates on the earliest of:

1) Full Surrender of the policy;

2) death of the insured; or

3) failure to pay the necessary amount of premium to keep your policy in force before the end of any applicable Grace Period.

State Regulation

The state in which your policy is issued will govern whether or not certain features, riders, charges and fees will be allowed in your policy. You should refer to your policy for these state specific features.

PREMIUMS

You may select and vary the frequency and the amount of Premium Payments and the allocation of Net Premium Payments. There is no minimum premium required, except as may be required to maintain the No-Lapse provision, or to keep the policy in force. Premiums may be paid any time before the insured attains age 100.

The initial premium must be paid for policy coverage to be effective. .

Allocation of Net Premium Payments

Your Net Premium Payment is the portion of a Premium Payment remaining after deduction of the Premium Load. The Net Premium Payment is available for allocation to the Sub-Accounts or the Fixed Account. See section headed "Right to Examine Period" for a discussion of when Net Premium Payments are allocated to the Sub-Accounts or the Fixed Account.

You first designate the allocation of Net Premium Payments among the Sub-Accounts and Fixed Account on a form provided by us for that purpose. Subsequent Net Premium Payments will be allocated on the same basis unless we are instructed otherwise, in writing. You may change the allocation of Net Premium Payments among the Sub-Accounts and Fixed Account at any time. The amount of Net Premium Payments allocated to the Sub-Accounts and Fixed Account must be in whole percentages and must total 100%. We credit Net Premium Payments to your policy as of the end of the Valuation Period in which it is



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received at our Administrative Office. The end of the Valuation Period is 4:00 P.M., Eastern Time, unless the New York Stock Exchange closes earlier.

The Valuation Period is the time between Valuation Days. A "Valuation Day" is every day on which the New York Stock Exchange is open and trading is unrestricted. Your policy values are calculated on every Valuation Day.

Planned Premiums; Additional Premiums

Planned Premiums are the amount of periodic premium (as shown in the policy specifications) you choose to pay the Company on a scheduled basis. This is the amount for which we send a premium reminder notice. We reserve the right to stop sending premium reminder notices if no Premium Payment has been made within 2 policy years. Premium Payments may be billed annually, semi-annually, or quarterly. You may arrange for monthly pre-authorized automatic premium payments at any time.

In addition to any Planned Premium, you may make additional Premium Payments. These additional payments must be sent directly to our Administrative Office, and will be credited when received by us.

You should remain cognizant that the amount and timing of your Premium Payments will have an impact on your policy benefits.

AMOUNT OF PREMIUM PAYMENTS: For example, if you pay a premium in an amount higher than the premium you planned to pay, the additional amount would be available for allocation to the Sub-Accounts and the Fixed Account. Those additional amounts could, depending upon investment results to the extent you allocate the additional amount to the Sub-Accounts, create additional policy values. Generally, if additional policy values were created, those additional policy values could, depending upon the death benefit option you choose (see section headed "Death Benefits" for further information on choice of death benefit options), provide additional benefits upon the death of the insured and additional value against which a loan on the policy could be made. In addition, those potential additional policy values could reduce the deductions from your policy values for cost of insurance charges (this may occur because the policy's net amount at risk may be lower- see section headed "Cost of Insurance Charge" for discussion of cost of insurance charges).

Conversely, if you pay less premium than planned, smaller amounts would be available to be allocated to the Sub-Accounts and the Fixed Accounts. Those smaller amounts could, depending upon investment results to the extent you allocate Premium Payments to the Sub-Accounts, result in smaller policy values. In addition, those potentially smaller policy values could increase deductions from those policy values for Cost of Insurance Charges (by increasing the policy's net amount at risk - see section headed "Cost of Insurance Charge" for discussion of Cost of Insurance Charges).

Investment results, as noted above, will also determine the extent to which policy values are created. Positive investment results would increase the potential for additional policy values, while negative investment results would decrease the potential for additional policy values.

In addition, policy charges which are asset based, such as the mortality and expense risk charge, would increase as policy values increase and would, thereby, reduce the potential



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for additional policy values. Conversely, those asset-based policy charges would decrease as policy values decrease and would, thereby, reduce the amounts deducted from policy values.

However, the amount of premium you can pay for your policy are subject to limits which are discussed in the Tax Issues section of the prospectus. In addition, the amount of premiums you may pay also may be limited as discussed later in this section.

TIMING OF PREMIUM PAYMENTS: Making a Premium Payment earlier than you planned to make the payment would make that additional amount available for allocations to the Sub-Accounts and the Fixed Account sooner than planned, and could, depending upon investment results to the extent you allocate the earlier premium Payment to the Sub-Accounts, create additional policy values, in part because your premiums would be available for investment earlier than you had planned.

Conversely, making a Premium Payment later than you planned to make the payment would make that amount available for allocation to the Sub-Accounts and the Fixed Account later than planned, and could, depending upon investment results to the extent you allocate the later Premium Payment to the Sub-Accounts, result in smaller policy values, in part because your premiums would be available for investment later than you had planned.

Investment results, as noted above, will also determine the extent to which policy values are created. Positive investment results would increase the potential for additional policy values, while negative investment results would decrease the potential for additional policy values.

Please ask your financial adviser for an illustration which would demonstrate the impact the amount and timing of your premium payments may have on your policy.

Unless you specifically direct otherwise, any payment received (other than any Premium Payment necessary to prevent, or cure, policy lapse) will be applied as premium and will not repay any outstanding loans. There is no Premium Load on any payment which you specifically direct as repayment of an outstanding loan.

You may increase Planned Premiums, or pay additional premiums, subject to the certain limitations. We reserve the right to limit the amount or frequency of additional Premium Payments.

We may require evidence of insurability if any payment of additional premium (including planned premium) would increase the difference between the specified amount and the Accumulation Value. If we are unwilling to accept the risk, your increase in premium will be refunded without interest.

We may decline any additional premium (including Planned Premium) or a portion of a premium that would cause total premium payments to exceed the limit for life insurance under federal tax laws. Our test for whether or not your policy exceeds the limit is referred to as the Guideline Premium Test or, if you so elected at the time you applied for the policy, the Cash Value Accumulation Test. The excess amount of premium will be returned to you. We may accept alternate instructions from you to prevent your policy from becoming a MEC (Modified Endowment Contract). Refer to the section headed "Tax Issues" for more information.



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Policy Values

Policy value in your variable life insurance policy is also called the Accumulation Value.

The Accumulation Value equals the sum of the Fixed Account value, the Separate Account value, and the Loan Account value. At any point in time, the Accumulation Value reflects:

1) Net Premium Payments made;

2) the amount of any Partial Surrenders;

3) any increases or decreases as a result of market performance of the Sub-Accounts;

4) interest credited to the Fixed Account or the Loan Account;

5) Persistency Bonuses;

6) Monthly Deductions; and

7) all charges and fees deducted.

The Separate Account value, if any, is the portion of the Accumulation Value attributable to the Separate Account. The value is equal to the sum of the current values of all the Sub-Accounts in which you have invested. The current value of each Sub-Account is determined by multiplying the number of variable accumulation units credited or debited to that Sub-Account with respect to this policy by the Variable Accumulation Unit Value of that Sub-Account for such Valuation Period.

A unit of measure used in the calculation of the value of each Sub-Account is the "variable accumulation unit". It may increase or decrease from one Valuation Period to the next. The variable accumulation unit value for a Sub-Account for a Valuation Period is determined as follows:

1) the total value of fund shares held in the Sub-Account is calculated by multiplying the number of fund shares owned by the Sub-Account at the beginning of the Valuation Period by the net asset value per share of the fund at the end of the Valuation Period, and adding any dividend or other distribution of the fund made during the Valuation Period; minus

2) the liabilities of the Sub-Account at the end of the Valuation Period. Such liabilities include daily charges imposed on the Sub-Account, and may include a charge or credit with respect to any taxes paid or reserved for by Lincoln Life that we determine result from the operations of the Separate Account; and

3) the result of (1) minus (2) is divided by the number of Variable Accumulation Units for that Sub-Account outstanding at the beginning of the Valuation Period.

In certain circumstances, and when permitted by law, we may use a different standard industry method for this calculation, called the Net Investment Factor method. We will achieve substantially the same result using either method.



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The daily charge imposed on a Sub-Account for any Valuation Period is equal to the daily mortality and expense risk charge multiplied by the number of calendar days in the Valuation Period.

The Fixed Account value, if any, reflects amounts allocated or transferred to the Fixed Account, plus interest credited, and less any deductions including the Fixed Account Asset Charge or partial surrenders. We guarantee the Fixed Account value. Interest is credited daily on the Fixed Account value at the greater of a rate of 0.00809863% (equivalent to a compounded annual rate of 3.0%) or a higher rate determined by the Company. The Fixed Account Asset Charge is deducted daily.

The Loan Account value, if any, reflects any outstanding Policy Loans, including any interest charged on the loans. This amount is held in the Company's General Account. We do not guarantee the Loan Account value. Interest is credited on the Loan Account at an effective annual rate of 3.0% in all years.

The "net" accumulation value is the Accumulation Value less the Loan Account value. It represents the net value of your policy and is the basis for calculating the Surrender Value.

We will tell you at least annually the Accumulation Value, the number of accumulation units credited to your policy, current accumulation unit values, Sub-Account values, the Fixed Account value and the Loan Account value. We strongly suggest that you review your statements to determine whether additional premium payments may be necessary to avoid lapse of your policy.

Persistency Bonus

On each Monthly Anniversary Day beginning with the first Monthly Anniversary Day in policy year 21, we will credit a "persistency bonus" to Net Accumulation Values in each Sub-Account and the Fixed Account at an annual rate guaranteed to be not less than 0.15% of the values in each Sub-Account and the Fixed Account on the Monthly Anniversary Day. The Persistency Bonus is based on reduced costs in later policy years that we can pass on to policies that are still in force. Our payment of the Persistency Bonus will not increase or otherwise affect the charges and expenses of your policy or any policy riders.

DEATH BENEFITS

The "death benefit proceeds" is the amount payable to the beneficiary upon the death of the insured, based upon the death benefit option in effect. Loans, loan interest, partial surrenders, and overdue charges, if any, are deducted from the Death Benefit Proceeds prior to payment. Riders and your selection of a Benefit Selection Option percentage may impact the amount payable as Death Benefit Proceeds in your policy. For example, as benefits paid under the Accelerated Benefits Riders are considered liens on the policy, the amount of such benefits would be deducted from Death Benefit Proceeds. Refer to the sections of this prospectus headed "Riders" for a discussion of the treatment of benefits paid under the Accelerated Benefits Riders and "Continuation of Coverage" for a discussion of the death benefits for age 100 and later.

Death Benefit Proceeds



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The Death Benefit Proceeds payable upon the death of the insured will be the greater of:

1) the amount determined by the death benefit option (see below) in effect on the date of the death of the insured, less any Indebtedness; or

2) an amount equal to the Accumulation Value on the date of death multiplied by the applicable percentage shown in the Corridor Percentages Table in the policy specifications, less any Indebtedness.

Death Benefit Options

Three different death benefit options are available. You may choose the death benefit option at the time you apply for your policy. If you do not choose a death benefit option at that time, death benefit option 1 will apply. (See discussion under heading "Changes to the Initial Specified Amount and Death Benefit Options" for details as to changes you are permitted to make in your choice of death benefit option after your policy has been issued.)

The following table provides more information about the death benefit options.

<Table>
<Caption>

| OPTION | DEATH BENEFIT PROCEEDS EQUAL TO THE | VARIABILITY |
|---|---|---|
| <S> | <C> | <C> |
| 1 | Specified amount (a minimum of $100,000) level death benefit | None; level death benefit. |
| 2 | Sum of the specified amount plus the Net Accumulation Value as of the date of the insured's death, less any Partial Surrenders after the date of death. | May increase or decrease over time, depending on the amount of premium paid and the investment performance |

| | | |
|---|---|---|
| | | of the Sub- Accounts or the interest credited to the Fixed Account. |
| 3 | Either<br><br>a) Sum of the specified amount plus the accumulated premiums; or<br><br>b) If elected by the policy owner at the time the policy is applied for, sum of the specified amount plus the accumulated premiums minus the cumulative policy factor<br><br>and in each case up to the Death Benefit Option 3 limit shown in the policy Specification, as of the date of the insured's death. Any premium paid that will cause the Death Benefit Proceeds to exceed this limit will be applied to the policy value, but will not increase the death benefit. The cumulative policy factor is calculated at the time the policy is issued as:<br><br>i) the applicable monthly rate then used by the Internal Revenue Service (IRS); or<br><br>ii) an alternative monthly rate permitted by the IRS, if you have selected this alternative rate at the time the policy is applied for; times<br><br>iii) the specified amount divided by 1000. | Will generally increase, depending upon the amount of premium paid. |

</Table>



<Page>

<Table>
<Caption>

| <S> | <C> | <C> |
|---|---|---|
| | Amounts of any Partial Surrenders after the date of death will be deducted from any amount payable under this Death Benefit Option 3. | |

</Table>

The "cumulative policy factor" referred to in the table above is elected at the time you apply for the policy. Generally, the calculation with the cumulative policy factor is elected in situations where a business will own the policy. The "applicable monthly rate" and the "alternative monthly rate" are determined by the Internal Revenue Service in accordance with Section 1474 (d) of the Internal Revenue Code. While these rates may vary over time, the rate at the time your policy is issued will be used. The IRS from time to time publishes the rate used. You may obtain that rate from the IRS or by calling our Administrative Office.

Your choice of death benefit option will impact the Cost of Insurance Charge because the Cost of Insurance Charge is based upon the Net Amount at Risk. The Net Amount at Risk for your policy is the difference between the specified amount and the Net Accumulation Value of your policy. Therefore, for example, if you choose Death Benefit Option 1, if your policy Net Accumulation Value increases (because of positive investment results), your Cost of Insurance Charge will be less that if your policy Net Accumulation Value did not increase or declined. (See section headed "Cost of Insurance" for discussion of Cost of Insurance Charges.)

The death benefit payable under any of the death benefit options will also be reduced by the amount necessary to repay the Indebtedness in full and, if the policy is within the Grace Period, any payment required to keep the policy in force.

Changes to the Initial Specified Amount and Death Benefit Options

Within certain limits, you may decrease (reduce) or, with satisfactory evidence of insurability, increase the specified amount. The minimum specified amount is currently $100,000.

The death benefit option may be changed to Death Benefit Option 1, subject to our consent, as long as the policy is in force.

You must submit all requests for a change to Death Benefit Option 1 and changes in the specified amount in writing to our Administrative Office. The minimum increase in specified amount currently permitted is $1,000. If you request a change, a supplemental application and evidence of insurability must also be submitted to us.

<Table>
<Caption>

| OPTION CHANGE | IMPACT |
| --- | --- |
| <S> | <C> |
| 2 to 1 | The specified amount will be increased by the Accumulation Value as of the effective date of change. |
| 3 to 1 | The specified amount will be increased by accumulated premiums (less the cumulative policy factor if that factor is elected) as of the effective date of the change. |

</Table>

A Surrender Charge may apply to a Reduction in specified amount. Please refer to the Surrender Charges section of this prospectus for more information on conditions that would cause a surrender charge to be applied. A table of Surrender Charges is included in the specifications pages of each policy.



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Any Reduction in specified amount will be made against the initial specified amount and any later increase in the specified amount on a last in, first out basis. Any increase in the specified amount will increase the amount of the Surrender Charge applicable to your policy. Changes in specified amount do not affect the Premium Load as a percentage of premium.

We may decline any request for Reduction of specified amount if, after the change, the specified amount would be less than the minimum specified amount or would reduce the specified amount below the level required to maintain the policy as life insurance for purposes of federal income tax law according to the death benefit qualification test you elected at the time you applied for the policy.

In addition, the death benefit qualification tests, as discussed below, require certain relationships between premium and death benefit and between policy Accumulation Value and death benefit. As a result, we may increase the policy's death benefit above the specified amount in order to satisfy the test you elected. If the increase in the policy's death benefit causes an increase in the Net Amount at Risk, the Cost of Insurance Charge will increase as well.

Any change is effective on the first Monthly Anniversary Day on, or after, the date of approval of the request by Lincoln Life, provided that any increase in cost is either included in a premium payment by you or the policy Accumulation Value is sufficient to cover the increased Monthly Deduction. If the Monthly Deduction amount would increase as a result of the change, the changes will be effective on the first Monthly Anniversary Day on which the Accumulation Value is equal to, or greater than, the Monthly Deduction amount.

Death Benefit Qualification Test

You will also choose between the two death benefit qualification tests, the "cash value accumulation test" and the "guideline premium test". You must choose the death benefit qualification test when you apply for the policy. If you do not choose a death benefit qualification test at that time, you will be deemed to have chosen the Guideline Premium Test. Once your policy has been issued and is in force, the death benefit qualification test cannot be changed. The Cash Value Accumulation Test is not available if you choose Death Benefit Option 3.

The Guideline Premium Test limits the amount of premium payable for an Insured of a particular age and sex. It also applies a prescribed cash value corridor percentage to determine a minimum ratio of death benefit to Accumulation Value.

The Cash Value Accumulation Test requires that the death benefit be sufficient to prevent the Accumulation Value, as defined in Section 7702 of the Code, from ever exceeding the net single premium required to fund the future benefits under the Policy. If the Accumulation Value is ever greater than the net single premium at the Insured's age and sex for the proposed death benefit, the death benefit will be automatically increased by multiplying the Accumulation Value by a death benefit conversion percentage that is defined as $1,000 divided by the net single premium. A table of the corridor percentages for the death benefit qualification test you elected will be included as a part of the policy specifications when you receive your policy.

The tests differ as follows:



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(1) the Guideline Premium Test expressly limits the amount of premium that you can pay into your policy; the Cash Value Accumulation Test indirectly limits the premium.

(2) the factors that determine the minimum death benefit relative to the policy's Accumulation Value are different. Required increases in the minimum

death benefit due to growth in Accumulation Value will generally be greater under the Cash Value Accumulation Test.

(3) If you wish to pay more premium than is permitted under the Guideline Premium Test, for example to target a funding objective, you should consider the Cash Value Accumulation Test, because it generally permits higher premium payments. However, the higher death benefit conversion percentage might cause you to pay higher Cost of Insurance Charges. Payment of higher premiums could also cause your policy to be deemed a MEC.

(4) If your primary objective is to maximize the potential for growth in Accumulation Value, or to conserve Accumulation Value, generally the Guideline Premium Test will better serve this objective. Since the corridor percentages are lower, the smaller required death benefit generally results in lower Cost of Insurance Charges.

The death benefit payable under any of the death benefit options will also be reduced by the amount necessary to repay the Indebtedness in full and, if the policy is within the Grace Period, any payment required to keep the policy in force.

You should consult with a qualified tax adviser before choosing the death benefit qualification test.

Please ask your financial adviser for illustrations which demonstrate the impact of selection of each test on the particular policy, including any riders, which you are considering.

Payment of Death Benefit Proceeds

Proof of death should be furnished to us at our Administrative Office as soon as possible after the death of the insured. This notification must include a certified copy of an official death certificate, a certified copy of a decree of a court of competent jurisdiction as to the finding of death, or any other proof satisfactory to us.

After receipt at our Administrative Office of proof of death of the insured, the Death Benefit Proceeds will ordinarily be paid within seven days. The proceeds will be paid in a lump sum or in accordance with any settlement option selected by the owner or the beneficiary. Payment of the Death Benefit Proceeds may be delayed if your policy is contested or if Separate Account values cannot be determined.

If the recipient of the Death Benefit Proceeds has elected a lump sum settlement and the Death Benefit Proceeds are over $5,000, the proceeds will be placed into an interest-bearing account in the recipient's name. The SecureLine (Reg. TM) account allows the recipient additional time to decide how to manage the proceeds with the balance earning interest from the day the account is opened.

The SecureLine (Reg. TM) account is a special service that we offer in which your death benefit or surrender proceeds are placed into an interest-bearing account. Instead of mailing you (or the recipient of the proceeds) a check, we will send a checkbook so that you (or the



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proceeds recipient) will have access to the account simply by writing a check for all or any part of the proceeds. The SecureLine (Reg. TM) account is part of our general account. It is not a bank account, and it is not insured by the FDIC or any other government agency. As part of our general account, it is subject to the claims of our creditors. We receive a benefit from all amounts left in the SecureLine (Reg. TM) account.

You (or the recipient of the proceeds) may request that the proceeds be paid in the form of a check rather than receiving the SecureLine (Reg. TM) checkbook.

POLICY SURRENDERS

You may surrender your policy at any time by sending us your policy along with a written request for surrender. If you surrender your policy, all policy coverage will automatically terminate and may not be reinstated. Consult your tax adviser to understand tax consequences of any surrender you are considering.

The Surrender Value of your policy is the amount you can receive by surrendering the policy. The Surrender Value is the Net Accumulation Value (which is the policy's Accumulation Value less any Indebtedness) less any applicable Surrender Charge, less any accrued loan interest not yet charged (the "Surrender Value"). If you have elected the Enhanced Surrender Value Rider, your Surrender Value may be enhanced if you fully surrender your policy during the first five policy years. Policy Indebtedness includes loans under the policy and Accelerated Benefits paid under the Accelerated Benefits Riders.

Any surrender results in a withdrawal of values from the Sub-Accounts and Fixed Account that have values allocated to them. Any surrender from a Sub-Account will result in the cancellation of Variable Accumulation Units. The cancellation of such units will be based on the Variable Accumulation Unit Value determined at the close of the valuation period during which the surrender is effective. Surrender proceeds will generally be paid within seven calendar days (or the valuation day next succeeding such day) of our receipt of your request.

If you request lump sum surrender and the policy's Surrender Value is over $5,000, your surrender proceeds will be placed into a SecureLine (Reg. TM) account in your name. Refer to the description of the SecureLine (Reg. TM) account under the section headed "Death Benefit Proceeds" for more information.

Partial Surrender

You may make a Partial Surrender, withdrawing a portion of your policy values. You may request a Partial Surrender in writing or electronically with our consent. The total of all Partial Surrenders may not exceed 90% of the Surrender Value of your policy. We may limit Partial Surrenders to the extent necessary to meet the federal tax law requirements. Each Partial Surrender must be at least $500. Partial Surrenders are subject to other limitations as described below. If you wish to make a surrender in excess of 90% of the Surrender Value of your policy, you must specifically request a Full Surrender of your policy. Charges for Full Surrenders will apply (see section headed "Surrender Charges" for a discussion of Surrender Charges). Your policy's Surrender Value equals the policy Accumulation Value less any Indebtedness, less any applicable Surrender Charge. Policy Loans and



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Accelerated Benefits received under the Accelerated Benefits Riders are Indebtedness under your policy and will reduce the Surrender Value available to you.

Partial Surrenders may reduce the Accumulation Value and the specified amount. The amount of the Partial Surrender will be withdrawn from the Sub-Accounts and Fixed Account in proportion to their values. The effect of Partial Surrenders on the Death Benefit Proceeds depends on the death benefit option in effect at the time of the Partial Surrender.

<Table>
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| Death Benefit Option in Effect | Impact of Partial Surrender |
|---|---|
| <S> | <C> |
| 1 | The specified amount will be reduced by the greater of:<br>a. zero; or<br>b. an amount equal to the amount of the Partial Surrender minus the result of [(1) minus (2)] divided by 3 where:<br>(1) is an amount equal to the Accumulation Value on the Valuation Day immediately prior to the partial surrender multiplied by the applicable percentage shown in the Corridor Percentages Table in the policy specifications;<br>(2) is the specified amount immediately prior to the Partial Surrender; and<br>(3) is the applicable percentage shown in the Corridor Percentages Table in the policy specifications. |
| 2 | Will reduce the Accumulation Value, but not the specified amount. |
| 3 | Will reduce the accumulated premiums, and the specified amount to the extent that the amount of the Partial Surrender exceeds the accumulated premiums. |

</Table>

If the chart above indicates that the specified amount is reduced because of a Partial Surrender (Death Benefit Options 1 and 3), the benefit available under the Accelerated Benefits Riders will also be reduced because the benefits of those Riders are based on the death benefit of the policy.

Partial Surrender proceeds will generally be paid within seven calendar days of our receipt of your request.

POLICY LOANS

Your policy permits you to borrow against the Surrender Value of your policy. The loan may be for any amount up to 100% of the current Surrender Value. However, we reserve the right to limit the amount of your loan so that total policy Indebtedness will not exceed 90% of an amount equal to the Accumulation Value less Surrender Charge. A loan agreement must be executed and your policy assigned to us free of any other assignments. Outstanding policy loans and accrued interest reduce the policy's death benefit and Accumulation Value. If you wish to make a surrender in excess of 90% of the Surrender Value of your policy, you must specifically request a Full Surrender of your policy. Charges for Full Surrenders will apply (see section headed "Surrender Charges" for a discussion of Surrender Charges.)

The amount of your loan will be withdrawn from the Sub-Accounts and Fixed Account in proportion to their values. The Loan Account is the account in which policy Indebtedness



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(outstanding loans and interest) accrues once it is transferred out of the Sub-Accounts and Fixed Account. Amounts transferred to the Loan Account do not participate in the performance of the Sub-Accounts or the Fixed Account. Loans, therefore, can affect the policy's death benefit and Accumulation Value whether or not they are repaid. Interest on policy loans accrues daily at an effective annual rate of 4.0% in years 1-10 and 3.0% thereafter, and is payable once a year in arrears on each policy anniversary, or earlier upon Full Surrender or other payment of proceeds of your policy.

The amount of your loan, plus any accrued but unpaid interest, is added to your outstanding Policy Loan balance. Unless paid in advance, loan interest due will be transferred proportionately from the Sub-Accounts and Fixed Account. This amount will be treated as an additional Policy Loan, and added to the Loan Account value. Lincoln Life credits interest to the Loan Account value at a rate of 3.0% in all years, so the net cost of your Policy Loan is 1.0% in years 1-10 and 0.0% thereafter.

Your outstanding loan balance may be repaid at any time during the lifetime of the insured. The Loan Account will be reduced by the amount of any loan repayment. Any repayment, other than loan interest, will be allocated to the Sub-Accounts and Fixed Account in the same proportion in which Net Premium Payments are currently allocated, unless you instruct otherwise. When making a payment other than an initial payment to us, we will apply your payment as premiums and not loan repayments unless you specifically instruct us otherwise.

If at any time the total Indebtedness against your policy, including interest accrued but not due, equals or exceeds the then current Accumulation Value less Surrender Charges, the policy will terminate subject to the conditions in the Grace Period provision, unless the provisions of the No-Lapse provision are preventing policy termination. If your policy lapses while a loan is outstanding, there may be adverse tax consequences.

The amount of a benefit paid (the "Accelerated Benefit") under the Accelerated Benefits Riders (see section headed "Riders - Accelerated Benefits Riders") is a lien against the policy and is considered as a Policy Loan. Therefore, an amount equal to the Accelerated Benefit paid will be withdrawn from Accumulation Values of the Sub-Accounts and Fixed Account in proportion to their values. That amount is transferred to the Loan Account. Interest will be credited by the Company as described above. Because the amount of the Accelerated Benefit is considered as a Policy Loan, the amount received may reduce the amount of loans that may be taken in the future. To the extent that the Accelerated Benefit paid does not exceed the Surrender Value, interest will be charged in the same manner as described above. However, to the extent that the Accelerated Benefit exceeds the Surrender Value at the time it is paid, interest charged during each policy year is determined annually at least 30 days in advance of the beginning of a policy year and will not exceed the higher of (i) the published monthly average of the Moody's Corporate Bond Yield Average--Monthly Average Corporates (as published by Moody's Investors Service, Inc. for the calendar month ending 2 months before the beginning of the policy year), and (ii) the rate used to compute the accumulation value of the Fixed Account plus 1.0%. Please ask your financial adviser for additional details.

You should carefully consider that requesting a Policy Loan will reduce (or may eliminate) the Accelerated Benefit available under the Accelerated Benefits Riders (see section headed "Riders - Accelerated Benefits Riders" for discussion of the benefits available); will reduce the Enhanced Surrender Value available under the Enhanced Surrender Value Rider (see section headed "Riders - Enhanced Surrender Value Rider" for discussion of the



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benefits available); and will reduce the Surrender Value of your policy available if you exercise the Estate Tax Repeal Rider (see section headed "Riders - Estate Tax Repeal Rider" for a discussion of the benefits available). In addition, as your policy will include the Overloan Protection Rider, your policy will not lapse solely because the total of your Policy Loans plus unpaid interest exceeds the Accumulation Value of your policy less Surrender Charges (see section headed "Riders - Overloan Protection Rider" for a discussion of the benefits available).

LAPSE AND REINSTATEMENT
If at any time

1) the Net Accumulation Value of the policy is insufficient to pay the Monthly Deduction, and

2) the No-Lapse provision of the policy is not preventing policy termination,

then all policy coverage will terminate. This is referred to as policy lapse.

The Net Accumulation Value may be insufficient:

1) because it has been exhausted by earlier deductions;

2) as a result of poor investment performance;

3) due to Partial Surrenders;

4) due to Indebtedness for Policy Loans; or

5) because of a combination of any of these factors.

If we have not received your Premium Payment (or payment of Indebtedness on Policy Loans) necessary so that the Net Accumulation Value of your policy is sufficient to pay the Monthly Deduction amount on a Monthly Anniversary Day, we will send a written notice to you, or any assignee of record. The notice will state the amount of the premium payment (or payment of Indebtedness on Policy Loans) that must be paid to avoid termination of your policy.

If the amount in the notice is not paid to us within the Grace Period then the policy will terminate. The Grace Period is the later of (a) 31 days after the notice was mailed, and (b) 61 days after the Monthly Anniversary Day on which the Monthly Deduction could not be paid. If the insured dies during the Grace Period, we will deduct any charges due to us from any death benefit that may be payable under the terms of the policy.

In addition, your policy includes a No-Lapse Provision, if available (see section headed "No-Lapse Provision" below for discussion of availability), which is described below, and may prevent lapse.

No-Lapse Provision



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Your policy includes a No-Lapse provision. if available. This means that if this provision is available to you your policy will not lapse as long as you have paid the required No-Lapse premium. The No-Lapse premium is the cumulative premium required to maintain the No-Lapse provision, preventing your policy from lapse, and is shown in the policy specifications.

There is no difference in the calculation of policy values and death benefit between a policy that has the No-Lapse provision, and a policy that does not. This is true whether or not the No-Lapse provision is active and keeping the policy from lapsing.

Availability of the No-Lapse provision may vary in some states. Where available, there is no charge for this feature. It is only available with death benefit options 1 and 2.

There are two levels of No-Lapse protection:

1) a guarantee for the first 20 policy years; and

2) a guarantee for the first 10 policy years.

<Table>
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| LEVEL | LAPSE PROTECTION | PROVISION WILL TERMINATE UPON THE EARLIEST OF |
|---|---|---|
| <S> | <C> | <C> |
| First 20 policy years | During the first 20 years the policy will not lapse, even if the Net Accumulation Value is insufficient to meet the Monthly Deductions, as long as the sum of: | 1) the insured reaches age 100, or<br>2) the beginning of the 21st policy year. |
| | - all Premium Payments (less any Partial Surrenders) accumulated at 4.0% interest | Failure to meet the No-Lapse premium requirement during the first 20 years does not terminate the No-Lapse provision. Any premium shortfall can be made up while the policy is in force or during the policy's Grace Period. |
| | - minus any Indebtedness | Continuing to pay the 20 year |

| | | |
|---|---|---|
| | is at least equal to the sum of the 20 year No-Lapse premiums due since date of issue (shown in the policy specifications), accumulated at 4.0% interest. | No-Lapse premium beyond the termination of the 20 Year No-Lapse provision does not guarantee that the policy will not lapse. Payments must be sufficient to cover your Monthly Deductions.<br><br>However, you may still qualify for the 10 year No Lapse provision. |
| First 10 policy years | During the first 10 years the policy will not lapse, even if the Net Accumulation Value is insufficient to meet the Monthly Deductions, as long as the sum of: | 1) the insured reaches age 100, or<br><br>2) the beginning of the 11th policy year. |
| | - all Premium Payments (less any Partial Surrenders) accumulated at 4.0% interest | Failure to meet the No-Lapse premium requirement during the first 10 years does not terminate the No-Lapse provision. Any premium shortfall can be made up while the policy is in force or during the policy's Grace Period. |
| | - minus any Indebtedness | |
| | is at least equal to the sum of the 10 | Continuing to pay the 10 year No-Lapse |

</Table>



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<Table>

| <S> | <C> | <C> |
|---|---|---|
| | year No-Lapse premiums due since date of issue (shown in the policy specifications), accumulated at 4.0% interest. | premium beyond the termination of the 10 year No-Lapse provision does not guarantee that the policy will not lapse. Payments must be sufficient to cover your Monthly Deductions. |

</Table>

If you fail to satisfy the requirements for the 20 year and 10 year No-Lapse provisions, and you have paid insufficient premium to cover your Monthly Deductions, the policy, after notice, and expiration of the policy's Grace Period, will lapse.

If this provision is available to you, your levels of No-Lapse premiums are shown on the policy specifications pages. To determine if you are meeting the cumulative premium payment required to retain the No-Lapse protection, review your most recent quarterly statement or contact our Administrative Office.

You do not need to make an election as to which of the No-Lapse provisions you wish to apply to your policy. The cumulative amount of premiums you actually pay will determine whether either provision would be available to prevent your policy from lapsing during either the first 10 or the first 20 policy years. Therefore, for example, you may begin by paying the premiums necessary to meet the 10 year No-Lapse provision and in the fourth policy year determine that you would like to take advantage of the 20 year No-Lapse provision. You may then pay the additional premiums needed to meet the cumulative premiums required by the 20 year No-Lapse provision, and if you do pay such amounts you may take advantage of the 20 year No-Lapse provision. Your financial adviser can provide you with an illustration which would demonstrate how this might work.

The following hypothetical example compares each of the two no-lapse benefits for a male, standard non-tobacco, issue age 55, with a specified amount of $1,000,000 and no indebtedness:

<Table>
<Caption>

| <S> | NO-LAPSE PROVISION WITH 10-YEAR NO-LAPSE PERIOD <C> | NO-LAPSE PROVISION WITH 20-YEAR NO-LAPSE PERIOD <C> |
|---|---|---|
| Required annual premium amount | $9,690 | $19,110 |
| Required premium period | 10 years | 20 years |
| Duration of no-lapse protection if premium requirement met | 10 years | 20 years |
| Death benefit amount if no-lapse protection is preventing lapse | Same as policy death benefit | Same as policy death benefit |

</Table>

If the No-Lapse provision terminates, the premiums you must pay to keep the policy in force may be significantly higher than the No-Lapse premium would have been. If you pay only the minimum premium needed to keep the No-Lapse provision in force, you may be foregoing the potential for increased Accumulation Value that higher Premium Payments could provide.

Your policy may also include the Overloan Protection Rider. If this rider is issued with your policy, you meet the requirements as described in this rider and have elected this benefit, your policy will not lapse solely based on Indebtedness exceeding the Accumulation Value less the surrender charges. There is no charge for adding this rider to your policy. However,



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if you choose to elect the benefit, there is a one-time charge which will not exceed 5.0% of the then current Accumulation Value. Once you elect the benefit, certain provisions of your policy will be impacted as described in the rider.

Reinstatement of a Lapsed Policy

If your policy has lapsed and the insured has not died since lapse, you may reinstate your policy within five years of the policy lapse date, provided:

1) it has not been surrendered;

2) there is an application for reinstatement in writing;

3) satisfactory evidence of insurability of the insured is furnished to us and we agree to accept the risk for the insured;

4) we receive a payment sufficient to keep your policy in force for at least two months; and

5) any accrued loan interest is paid and any remaining Indebtedness is either paid or reinstated.

The reinstated policy will be effective as of the Monthly Anniversary Day on or next following the date on which we approve your application for reinstatement. Surrender Charges will be reinstated as of the policy year in which your policy lapsed. Your Accumulation Value at reinstatement will be the Net Premium Payment then made less all Monthly Deductions due.

TAX ISSUES

The federal income tax treatment of your policy is complex and sometimes uncertain. The federal income tax rules may vary with your particular circumstances. This discussion does not include all the federal income tax rules that may affect you and your policy and is not intended as tax advice. This discussion also does not address other federal tax consequences, such as estate, gift and generation skipping transfer taxes, or any state and local income, estate and inheritance tax consequences, associated with the policy. You should always consult a tax adviser about the application of tax rules to your individual situation.

Taxation of Life Insurance Contracts in General

Tax Status of the Policy. Section 7702 of the Internal Revenue Code ("Code") establishes a statutory definition of life insurance for federal tax purposes. We believe that the policy will meet the statutory definition of life insurance under the Guideline Premium Test, which provides for a maximum amount of premium paid depending upon the insured's age, gender, and risk classification in relation to the death benefit and a minimum amount of death benefit in relation to policy value. As a result, the death benefit payable will generally be excludable from the beneficiary's gross income, and interest and other income credited will not be taxable unless certain withdrawals are made (or are deemed to be made) from



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the policy prior to the death of the insured, as discussed below. This tax treatment will only apply, however, if (1) the investments of the Separate Account are "adequately diversified" in accordance with Treasury Department regulations, and (2) we, rather than you, are considered the owner of the assets of the Separate Account for federal income tax purposes.

The Code also recognizes a Cash Value Accumulation Test, which does not limit premiums paid depending upon the insured's age, gender, and risk classification, but requires the policy to provide a minimum death benefit in relation to the policy value, depending on the insured's age, gender, and risk classification. We will apply this test to the policy if you have so elected at the time you applied for the policy.

Investments in the Separate Account Must be Diversified. For a policy to be treated as a life insurance contract for federal income tax purposes, the investments of the Separate Account must be "adequately diversified." IRS regulations define standards for determining whether the investments of the Separate Account are adequately diversified. If the Separate Account fails to comply with these diversification standards, you could be required to pay tax currently on the excess of the policy value over the policy premium payments. Although we do not control the investments of the Sub-Accounts, we expect that the Sub-Accounts will comply with the IRS regulations so that the Separate Account will be considered "adequately diversified."

Restriction on Investment Options. Federal income tax law limits your right to choose particular investments for the policy. Because the IRS has issued little guidance specifying those limits, the limits are uncertain and your right to allocate policy values among the Sub-Accounts may exceed those limits. If so, you would be treated as the owner of the assets of the Separate Account and thus subject to current taxation on the income and gains from those assets. We do not know what limits may be set by the IRS in any guidance that it may issue and whether any such limits will apply to existing policies. We reserve the right to modify the policy without your consent to try to prevent the tax law from considering you as the owner of the assets of the Separate Account.

No Guarantees Regarding Tax Treatment. We make no guarantee regarding the tax treatment of any policy or of any transaction involving a policy. However, the remainder of this discussion assumes that your policy will be treated as a life insurance contract for federal income tax purposes and that the tax law will not impose tax on any increase in your policy value until there is a distribution from your policy.

Tax Treatment of Life Insurance Death Benefit Proceeds. In general, the amount of the death benefit payable from a policy because of the death of the insured is excludable from gross income. Certain transfers of the policy for valuable consideration, however, may result in a portion of the death benefit being taxable. If the death benefit is not received in a lump sum and is, instead, applied to one of the settlement options, payments generally will be prorated between amounts attributable to the death benefit which will be excludable from the beneficiary's income and amounts attributable to interest (accruing after the insured's death) which will be includible in the beneficiary's income.



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Tax Deferral During Accumulation Period. Under existing provisions of the Code, except as described below, any increase in your policy value is generally not taxable to you unless amounts are received (or are deemed to be received) from the policy prior to the insured's death. If there is a total withdrawal from the policy, the Surrender Value will be includible in your income to the extent the amount received exceeds the "investment in the contract." (If there is any debt at the time of a total withdrawal, such debt will be treated as an amount received by the owner.) The "investment in the contract" generally is the aggregate amount of Premium Payments and other consideration paid for the policy, less the aggregate amount received previously to the extent such amounts received were excludable from gross income. Whether partial withdrawals (or other amounts deemed to be distributed) from the policy constitute income to you depends, in part, upon whether the policy is considered a "modified endowment contract" (a "MEC") for federal income tax purposes.

Policies Which Are MECs

Characterization of a Policy as a MEC. A modified endowment contract (MEC) is a life insurance policy that meets the requirements of Section 7702 and fails the "7-pay test" of 7702A of the Code. A policy will be classified as a MEC if premiums are paid more rapidly than allowed by the "7-pay test", a test that compares actual paid premium in the first seven years against a pre-determined premium amount as defined in 7702A of the Code. A policy may also be classified as a MEC if it is received in exchange for another policy that is a MEC. In addition, even if the policy initially is not a MEC, it may in certain circumstances become a MEC. These circumstances would include a material change of the policy (within the meaning of the tax law), and a withdrawal or reduction in the death benefit during the first seven policy years following the last material change.

Tax Treatment of Withdrawals, Loans, Assignments and Pledges under MECs. If the policy is a MEC, withdrawals from your policy will be treated first as withdrawals of income and then as a recovery of premium payments. Thus, withdrawals will be includible in income to the extent the policy value exceeds the investment in the policy. The Code treats any amount received as a loan under a policy, and any assignment or pledge (or agreement to assign or pledge) any portion of your policy value, as a withdrawal of such amount or portion. Your investment in the policy is increased by the amount includible in income with respect to such assignment, pledge, or loan.

Penalty Taxes Payable on Withdrawals. A 10% penalty tax may be imposed on any withdrawal (or any deemed distribution) from your MEC which you must include in your gross income. The 10% penalty tax does not apply if one of several exceptions exists. These exceptions include withdrawals or surrenders that: you receive on or after you reach age 59 1/2, you receive because you became disabled (as defined in the tax law), or you receive as a series of substantially equal periodic payments for your life (or life expectancy). None of the penalty tax exceptions apply to a taxpayer who is not an individual.

Special Rules if You Own More than One MEC. In certain circumstances, you must combine some or all of the life insurance contracts which are MECs that you own in order to determine the amount of a withdrawal (including a deemed withdrawal) that you must include in income. For example, if you purchase two or more MECs from the same life insurance company (or its affiliates) during any calendar year, the Code treats all such



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policies as one contract. Treating two or more policies as one contract could affect the amount of a withdrawal (or a deemed withdrawal) that you must include in income and the amount that might be subject to the 10% penalty tax described above.

Policies Which Are Not MECs

Tax Treatment of Withdrawals. If the policy is not a MEC, the amount of a withdrawal from the policy will generally be treated first as a non-taxable recovery of premium payments and then as income from the policy. Thus, a withdrawal from a policy that is not a MEC will not be includible in income except to the extent it exceeds the investment in the policy immediately before the withdrawal.

Certain Distributions Required by the Tax Law in the First 15 Policy Years. Section 7702 places limitations on the amount of premium payments that may be made and the policy values that can accumulate relative to the death benefit. Where cash distributions are required under Section 7702 in connection with a reduction in benefits during the first 15 years after the policy is issued (or if withdrawals are made in anticipation of a reduction in benefits, within the meaning of the tax law, during this period), some or all of such amounts may be includible in income. A reduction in benefits may occur when the face amount is decreased, withdrawals are made, and in certain other instances.

Tax Treatment of Loans. If your policy is not a MEC, a loan you receive under the policy is generally treated as your indebtedness. As a result, no part of any loan under such a policy constitutes income to you so long as the policy remains in force. Nevertheless, in those situations where the interest rate credited to the Loan Account equals the interest rate charged to you for the loan, it is possible that some or all of the loan proceeds may be includible in your income. If a policy lapses (or if all policy value is withdrawn) when a loan is outstanding, the amount of the loan outstanding will be treated as withdrawal proceeds for purposes of determining whether any amounts are includible in your income.

Other Considerations

Insured Lives Past Age 100. If the insured survives beyond the end of the mortality table, which is used to measure charges for the policy and which ends at age 100, and an option 1 death benefit is in effect, in some circumstances the policy value may equal or exceed the specified amount level death benefit. Thus the policy value may equal the death benefit proceeds. In such a case, we believe your policy will continue to qualify as life insurance for federal tax purposes. However, there is some uncertainty regarding this treatment, and it is possible that you would be viewed as constructively receiving the cash value in the year the insured attains age 100.

Compliance with the Tax Law. We believe that the maximum amount of premium payments we have determined for the policies will comply with the federal tax definition of life insurance. We will monitor the amount of premium payments.

If at any time you pay a premium that would exceed the amount allowable to permit the policy to continue to qualify as life insurance, we will either refund the excess premium to you within 60 days of the end of the policy year or, if the excess premium exceeds $250,



<Page>

offer you the alternative of instructing us to hold the excess premium in a premium deposit fund and apply it to the policy later in accordance with your instructions. We will credit interest at an annual rate that we may declare from time to time on advance premium deposit funds.

The policy will be allowed to become a MEC under the Code only with your consent. If you pay a premium that would cause your policy to be deemed a MEC and you do not consent to MEC status for your policy, we will either refund the excess premium to you within 60 days of the end of the policy year, offer you the opportunity to apply for an increase in Death Benefit, or if the excess premium exceeds $250, offer you the alternative of instructing us to hold the excess in a premium deposit fund and apply it to the policy on the next, succeeding policy anniversary when the premium no longer causes your policy to be deemed a MEC in accordance with your premium allocation instructions on file at the time the premium is applied.

Any interest and other earnings will be includible in income subject to tax as required by law.

Disallowance of Interest Deductions. Interest on Policy Loan Indebtedness is not deductible.

If an entity (such as a corporation or a trust, not an individual) purchases a policy or is the beneficiary of a policy issued after June 8, 1997, a portion of the interest on Indebtedness unrelated to the policy may not be deductible by the entity. However, this rule does not apply to a policy owned by an entity engaged in a trade or business which covers the life of an individual who is a 20% owner of the entity, or an officer, director, or employee of the trade or business, at the time first covered by the policy. This rule also does not apply to a policy owned by an entity engaged in a trade or business which covers the joint lives of the 20% owner of the entity and the owner's spouse at the time first covered by the policy.

In the case of an "employer-owned life insurance contract" as defined in the tax law that is issued (or deemed to be issued) after August 17, 2006, the portion of the death benefit excludable from gross income generally will be limited to the premiums paid for the contract. However, this limitation on the death benefit exclusion will not apply if certain notice and consent requirements are satisfied and one of several exceptions is satisfied. These exceptions include circumstances in which the death benefit is payable to certain heirs of the insured to acquire an ownership interest in a business, or where the contract covers the life of a director or an insured who is "highly compensated" within the meaning of the tax law. These rules, including the definition of an employer-owned life insurance contract, are complex, and you should consult with your advisers for guidance as to their application.

Federal Income Tax Withholding. We will withhold and remit to the IRS a part of the taxable portion of each distribution made under a policy unless you notify us in writing at or before the time of the distribution that tax is not to be withheld. Regardless of whether you request that no taxes be withheld or whether the Company withholds a sufficient amount of taxes, you will be responsible for the payment of any taxes and early distribution penalties that may be due on the amounts received. You may also be required to pay penalties under the estimated tax rules, if your withholding and estimated tax payments are insufficient to satisfy your total tax liability.



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Changes in the Policy or Changes in the Law. Changing the owner, exchanging the policy, and other changes under the policy may have tax consequences (in addition to those discussed herein) depending on the circumstances of such change. The above discussion is based on the Code, IRS regulations, and interpretations existing on the date of this prospectus. However, Congress, the IRS, and the courts may modify these authorities, sometimes retroactively.

Fair Value of Your Policy

It is sometimes necessary for tax and other reasons to determine the "value" of your policy. The value can be measured differently for different purposes. It is not necessarily the same as the Accumulation Value or the Net Accumulation Value. You, as the owner, should consult with your advisers for guidance as to the appropriate methodology for determining the fair market value of the policy.

Tax Status of Lincoln Life

Under existing federal income tax laws, the Company does not pay tax on investment income and realized capital gains of the Separate Account. However, the Company does expect, to the extent permitted under Federal tax law, to claim the benefit of the foreign tax credit as the owner of the assets of the Separate Account. Lincoln Life does not expect that it will incur any federal income tax liability on the income and gains earned by the Separate Account. We, therefore, do not impose a charge for federal income taxes. If federal income tax law changes and we must pay tax on some or all of the income and gains earned by the Separate Account, we may impose a charge against the Separate Account to pay the taxes.

RESTRICTIONS ON FINANCIAL TRANSACTIONS

In accordance with money laundering laws and federal economic sanction policy, the Company may be required in a given instance to reject a premium payment and/or freeze a policy owner's account. This means we could refuse to honor requests for transfers, withdrawals, surrenders, loans, assignments, beneficiary changes or death benefit payments. Once frozen, monies would be moved from the Separate Account to a segregated interest-bearing account maintained for the policy owner, and held in that account until instructions are received from the appropriate regulator. We also may be required to provide additional information about a policy owner's account to government regulators.

LEGAL PROCEEDINGS

In the ordinary course of its business, the Company and its subsidiaries are involved in various pending or threatened legal proceedings, including purported class actions, arising from the conduct of its business. In some instances, the proceedings include claims for unspecified or substantial punitive damages and similar types of relief in addition to amounts for alleged contractual liability or requests for equitable relief.





After consultation with legal counsel and a review of available facts, it is management's opinion that the proceedings, after consideration of any reserves and rights to indemnification, ultimately will be resolved without materially affecting the consolidated financial position of the Company and its subsidiaries, or the financial position of the Separate Account or the Principal Underwriter. However, given the large and indeterminate amounts sought in certain of these proceedings and the inherent difficulty in predicting the outcome of such legal proceedings, it is possible that an adverse outcome in certain matters could be material to our operating results for any particular reporting period.

FINANCIAL STATEMENTS

The financial statements of the Separate Account, and the consolidated financial statements of The Lincoln National Life Insurance Company, are located in the SAI.

CONTENTS OF THE STATEMENT OF ADDITIONAL INFORMATION

Additional information about Lincoln Life, the Separate Account and your policy may be found in the Statement of Additional Information (SAI).

Contents of the SAI









The SAI may be obtained, at no cost to you, by contacting our Administrative Office at the address or telephone number listed on the first page of this prospectus. Your SAI will be sent to you via first class mail within three business days of your request. You may make inquiries about your policy to this same address and telephone number.

You may request personalized illustrations of death benefits and policy values from your financial adviser without charge.

You may review or copy this prospectus, the SAI, or obtain other information about the Separate Account at the Securities and Exchange Commission's Public Reference Room. You should contact the SEC at (202) 551-8090 to obtain information regarding days and hours the reference room is open. You may also view information at the SEC's Internet site, http://www.sec.gov. Copies of information may be obtained, upon payment of a duplicating fee, by writing the Public Reference Section, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-0102.

This prospectus, the funds prospectus, and the SAI are also available on our internet site, www.LFG.com

Lincoln Life Flexible Premium Variable Life Account M
1933 Act Registration No. 333-146507
1940 Act Registration No. 811-08557

End of Prospectus



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APPENDIX A

EXAMPLE OF SURRENDER CHARGE CALCULATIONS:

The following hypothetical examples demonstrate the impact of Surrender Charges under different scenarios shown below for a male, standard non-tobacco, issue age 45 with an initial specified amount of $1,000,000, no indebtedness, assumed investment return of 8.00% (7.24% net) and a planned annual Premium Payment of $15,000:

1) Fully surrender the policy at the end of the representative policy years shown:

| END OF YEAR | ACCUMULATION VALUE | SURRENDER CHARGE | SURRENDER VALUE |
|---|---|---|---|
| 1 | 11,807 | 28,640 | 0 |
| 10 | 154,882 | 17,110 | 137,772 |
| 16 | 317,129 | 0 | 317,129 |

In the table above, the Surrender Charge at the end of year 1 would be:

a) 28.64 multiplied by

b) 1,000 ($1,000,000 divided by 1,000),

or $28,640.

2) Decrease the initial specified amount by $250,000 from $1,000,000 to $750,000 at the end of the representative policy years shown:

| END OF YEAR | SURRENDER CHARGE |
|---|---|
| 1 | 7,160 |
| 5 | 5,970 |
| 11 | 0 |

In the table above, the Surrender Charge at the end of year 1 would be:

a) 28.64 multiplied by

b) 250 ($250,000 divided by 1,000),

or $7,160.

3) Increase the initial specified amount by $500,000 from $1,000,000 to $1,500,000 at the beginning of year 7, at attained age 52, standard non-tobacco, and then Fully Surrender the policy at the end of the representative policy years shown:

<Table>

<Caption>

| END OF YEAR | ACCUMULATION VALUE | SURRENDER CHARGE ON INITIAL $1,000,000 OF SPECIFIED AMOUNT | SURRENDER CHARGE ON ADDITIONAL $500,000 OF SPECIFIED AMOUNT | TOTAL SURRENDER CHARGE | SURRENDER VALUE |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| 9 | 125,725 | 18,540 | 15,935 | 34,475 | 91,250 |
| 12 | 178,517 | 14,130 | 13,675 | 27,805 | 150,712 |
| 16 | 268,642 | 0 | 10,380 | 10,380 | 258,262 |
| 21 | 420,096 | 0 | 0 | 0 | 420,096 |

</Table>

In the table above, the Surrender Charge at the end of year 9 would be:



<Page>

a)

(i) 18.54 multiplied by

(ii) 1,000 ($1,000,000 divided by 1,000),

plus

b)

(i) 31.87 multiplied by

(ii) 500 ($500,000 divided by 1,000),

or $34,475.

- At the end of year 9 and 12, the Surrender Charge equals the charge on the initial specified amount plus the charge on the additional specified amount.

- At the end of year 16, the Surrender Charge for the initial specified amount would have expired.

- At the end of year 21, the Surrender Charge for both the initial and additional specified amount would have expired.

4) Increase the initial specified amount by $500,000 from $1,000,000 to $1,500,000 at the beginning of year 7, at attained age 52, standard non-tobacco, and then decrease the specified amount by $900,000 from $1,500,000 to $600,000 at the end of the representative policy year shown:

<Table>
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| END OF YEAR | SURRENDER CHARGE ON INITIAL $1,000,000 OF SPECIFIED AMOUNT | SURRENDER CHARGE ON ADDITIONAL $500,000 OF SPECIFIED AMOUNT | TOTAL SURRENDER CHARGE |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| 9 | 7,416 | 15,935 | 23,351 |
| 12 | 0 | 13,675 | 13,675 |
| 21 | 0 | 0 | 0 |

</Table>

In the table above, the Surrender Charge at the end of year 9 would be:

a)

(i) 18.54 multiplied by

(ii) 400 ($400,000 divided by 1,000)

plus

b)

(i) 31.87 multiplied by

(ii) 500 ($500,000 divided by 1,000),

or $23,351.

- At the end of year 9, the Surrender Charge equals the charge on the initial specified amount plus the charge on the additional specified amount.

- At the end of year 12, the Surrender Charge for a decrease on the initial specified amount would have expired after year 10.

- At the end of year 21, the Surrender Charge for a decrease on both the initial and additional specified amount would have expired after year 17.



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GLOSSARY OF TERMS

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| TERM DEFINED | DEFINITION |
|---|---|
| 7-pay test | A test that compares actual paid premium in the first seven years against a pre-determined premium amount as defined in 7702A of the Code. |
| Accumulation Value | An amount equal to the sum of the Fixed Account value, the Separate Account value, and the Loan Account Value. |
| Act, 1940 Act | The Investment Company Act of 1940 |
| Administrative Fee | The fee which compensates the Company for administrative expenses associated with policy issue and ongoing policy maintenance including premium billing and collection, policy value calculation, confirmations, periodic reports and other similar matters. |
| Automatic rebalancing | A program which periodically restores to a pre-determined level the percentage of policy value allocated to each Sub-Account. The pre-determined level may changed by the owner by contacting our Administrative Office. |
| Beneficiary | The person designated to receive the Death Benefit Proceeds. |
| Cash Value Accumulation Test | A provision of the Code that requires that the death benefit be sufficient to prevent the accumulation value from ever exceeding the net single premium required to fund the future benefits under the Policy. If the accumulation value is ever greater than the net single premium at the Insured's age and sex for the proposed death benefit, the death benefit will be automatically increased. |
| Code | Internal Revenue Code of 1986, as amended. |
| Company | The Lincoln National Life Insurance Company |
| Cost of Insurance Charge | The charge which is designed to compensate the Company for the anticipated cost of paying death benefits in excess of the policy value. It is determined based on our expectation of future mortality, investment earnings, persistency and expenses (including taxes). The Cost of Insurance Charge depends on the policy duration, the age, underwriting category and gender of the insured, and the current Net Amount at Risk. |
| Death Benefit Option 1 | This Option provides a death benefit equal to the specified amount. |
| Death Benefit Option 2 | This Option provides a death benefit equal to the sum of the specified amount plus the Net Accumulation Value as of the date of the insured's death. |
| Death Benefit Option 3 | This Option provides a death benefit equal to either a) Sum of the specified amount plus the accumulated premiums; or b) if elected by the policy owner, sum of the specified amount plus the accumulated premiums minus the cumulative policy factor and in each case up to the Death Benefit Option 3 limit |

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| | shown in the policy Specification, as of the date of the insured's death. |
| Death Benefit Proceeds | The amount payable to the beneficiary upon the death of the insured, based upon the death benefit option in effect. Loans, loan interest, Partial Surrenders, and overdue charges, if any, are deducted from the Death Benefit Proceeds prior to payment. |
| Dollar cost averaging | An optional program which you select that systematically transfers specified dollar amounts, for a 12 or 24 month period as you elect, from the Money Market Sub-Account or on a limited basis from the Fixed Account to one or more Sub-Accounts. Dollar Cost Averaging transfers from the Fixed Account can only be elected at the time your policy is issued. Transfers from the Money Market Sub-Account may be elected at any time while your policy is in force. |
| Enhanced Surrender Value Rider - Option 1 | This option permits the policy owner to surrender the policy during the first 5 policy years for the Net Accumulation Value of the policy less any accrued interest without the imposition of a surrender charge. It must be elected at the time application is made for the policy. If application is made in a multi-life situation for the LINCOLN ASSETEDGE (SM) Exec VUL, the policy will be issued with this Option (unless Enhanced Surrender Value Option 2 is elected). |
| Enhanced Surrender Value Rider - Option 2 | Available only if policy is issued in multi-life situation as LINCOLN ASSETEDGE (SM) Exec VUL. Provides, if elected at time policy is applied for, a higher enhanced surrender value which is equal to the policy's Accumulation Value; minus Indebtedness; plus (a) the lesser of (i) the initial specified amount or (ii) the current specified amount, multiplied by (b) a per thousand of specified amount adjustment rate (which will be shown in the policy specifications of your policy following the words "Enhanced Surrender Value Per Thousand Adjustment Rate". |
| Fixed Account | An allocation option under the policy, which is a part of our General Account, to which we credit a guaranteed minimum interest rate. |
| Fund (Underlying Fund) | The mutual fund the shares of which are purchased for all amounts you allocate or transfer to a Sub-Account. |
| Grace Period | The period during which you may make additional premium payments (or repay indebtedness) to prevent policy lapse. That period is the later of (a) 31 days after the notice was mailed, and (b) 61 days after the Monthly Anniversary Day on which the Monthly Deduction could not be paid. |
| Guideline Premium Test | A provision of the Code under which the maximum amount of premium paid in relation to the death benefit and a minimum amount of death benefit in relation to policy value is determined. |
| Indebtedness | The sum of all outstanding loans and accrued interest. |
| Initial Specified Amount | The amount you select on the application as the initial death benefit of the policy. The Initial Specified Amount is shown on the policy specifications page. |
| Jefferson-Pilot | Jefferson-Pilot Corporation |

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| Lapse Notice | Written notice to you (or any assignee of record) |

| | |
|---|---|
| | that your policy will terminate unless we receive payment of premiums (or payment of Indebtedness on Policy Loans). The notice will state the amount of the premium payment (or payment of Indebtedness on Policy Loans) that must be paid to avoid termination of your policy. |
| LFA | Lincoln Financial Advisors Corporation |
| LFD | Lincoln Financial Distributors, Inc. |
| Lincoln Life | The Lincoln National Life Insurance Company |
| LNC | Lincoln National Corporation |
| Loan Account | The account in which policy indebtedness accrues once it is transferred out of the Sub-Accounts and the Fixed Account. |
| Loan Account value | An amount equal to any outstanding policy loans, including any interest charged on the loans. This amount is held in the Company's General Account. |
| M & E | Mortality and Expense Risk Charge |
| Market Timing Procedures | Policies and procedures from time to time adopted by us as an effort to protect our policy owners and the funds from potentially harmful trading activity. |
| Modified Endowment Contract (MEC) | A life insurance policy that meets the requirements of Section 7702 and fails the "7-pay test" of 7702A of the Code. If the policy is a MEC, withdrawals from your policy will be treated first as withdrawals of income and then as a recovery of premium payments. |
| Monthly Anniversary Day | The Policy Date and the same day of each month thereafter. If the day that would otherwise be a Monthly Anniversary Day is non-existent for that month, or is not a Valuation Day, then the Monthly Anniversary Day is the next Valuation Day. The Monthly Deductions are made on the Monthly Anniversary Day. |
| Monthly Deduction | The amount of the monthly charges for the Cost of Insurance Charge, the Administrative Fee, and charges for riders to your policy. |
| Net Accumulation Value | An amount equal to the Accumulation Value less the Loan Account Value. |
| Net Amount at Risk | The death benefit minus the greater of zero or the policy value. The Net Amount at Risk may vary with investment performance, premium payment patterns, and charges. |
| Net Premium Payment | An amount equal to the premium payment, minus the Premium Load. |
| No-Lapse Premium | The No-Lapse premium is the cumulative premium required to maintain the No-Lapse provision, preventing your policy from lapse, and is shown in the policy specifications. |

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| No-Lapse Provision | A provision of your policy that provides that your policy will not lapse as long as you have paid the required No-Lapse premium. |
| Owner | The person or entity designated in the policy specifications on the date of issue unless a new owner is thereafter named, and we receive written notification of such change. The Owner is entitled to exercise rights and privileges of the policy as long as the insured is living. These rights generally include the power to select the beneficiary, request Policy Loans, make Partial Surrenders, surrender the policy entirely, name a new owner, and assign the policy. |
| Partial Surrender | A withdrawal of a portion of your policy values. |

| | |
|---|---|
| Persistency Bonus | An amount we will credit to Net Accumulation Values in each Sub-Account and the Fixed Account, beginning with the first Monthly Anniversary Day in policy year 21. |
| Planned Premium Payment, Planned Payment | The amount of periodic premium (as shown in the policy specifications) you have chosen to pay the Company on a scheduled basis. This is the amount for which we send a premium reminder notice. |
| Policy | LINCOLN ASSETEDGE (SM) VUL is a flexible premium variable life insurance contract. This same individual policy product may also be made available for purchase by entities and businesses in instances when the insured people share a common employment or business relationship. When marketed to such entities and businesses to insure such persons (known as marketing on a multi-life basis), the policy is referred to as the LINCOLN ASSETEDGE (SM) Exec VUL. |
| Policy Date | The date on which we begin life insurance coverage under the policy if you have paid your initial premium with your application. If you have not paid your initial premium with your application, your life insurance coverage will begin on the day we receive your initial premium. |
| Policy Loan | The amount you have borrowed against the Surrender Value of your policy. |
| Policy Loan Interest | The charge made by the Company to cover the cost of your borrowing against your policy. Policy Loan Interest will be charged to the Loan Account value. |
| Policy Termination, Policy Lapse | Occurs when 1) the net accumulation value of the policy is insufficient to pay the accumulated, if any, and current monthly deduction, and 2) the No-Lapse provision of the policy is not preventing policy termination, subject to the conditions in the grace period provision. |
| Premium Load | A deduction from each premium payment which covers certain policy-related state and federal tax liabilities as wells as a portion of the sales expenses incurred by the Company. |
| Premium Payment | The amount that you pay to us for your policy. You may select and vary the frequency and the amount of premium payments. After the initial premium payment is made there is no minimum premium required, except premium payments to keep the policy in force. Premiums may be paid any time before the insured attains age 100. |

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| Quorum | The number of shares which must be present in person or by proxy in order to transact business at a meeting of shareholders. |
| Redemption Fees | Fees which may be imposed by certain underlying funds when shares are redeemed within a specified period of time of purchase |
| Reduction in Specified Amount | A decrease in the Specified Amount of your policy. |
| Reinstatement of Lapsed Policy | The period during which you may apply for reinstatement of your policy. If the insured has not died since lapse, you may apply for reinstatement of your policy within five years of the policy lapse date, provided: 1) it has not been surrendered; 2) there is an application for reinstatement in writing; 3) satisfactory evidence of insurability is furnished to us and we agree to accept the risk; 4) we receive a payment sufficient to keep your policy in force for at least two months; and 5) any accrued loan interest is paid and any remaining Indebtedness is either paid or reinstated. |

| | |
|---|---|
| Right to Examine Period | The period during which the policy may be returned to us for cancellation. It is 10 days after you receive the policy (or a greater number of days if required by your state). |
| SAI | Statement of Additional Information |
| SEC | The Securities and Exchange Commission |
| SecureLine (TM) Account | A special service that we offer in which death benefit or surrender proceeds are placed into an interest-bearing account. |
| Separate Account | Lincoln Life Flexible Premium Variable Life Account M of The Lincoln National Life Insurance Company |
| Separate Account Value | An amount equal to the value of amounts allocated or transferred to the Sub-Accounts on a Valuation Day. We also refer to this as the Variable Accumulation Value. |
| Surrender Charge | The charge we may make if you request a Full Surrender of your policy or request a Reduction in Specified Amount of the death benefit. The Surrender Charge is in part a deferred sales charge and in part a recovery of certain first year administrative costs. A schedule of Surrender Charges is included in each policy. |
| Surrender Value | An amount equal to the Net Accumulation Value less any applicable Surrender Charge, less any accrued loan interest not yet charged. |
| Valuation Day | Each day on which the New York Stock Exchange is open and trading is unrestricted. |
| Valuation Period | The time between Valuation Days |
| Variable Account Value | See Separate Account value. |

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| Variable Accumulation Unit | A unit of measure used in the calculation of the value of each Sub-Account |
| We, Us, Our | The Lincoln National Life Insurance Company |

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STATEMENT OF ADDITIONAL INFORMATION (SAI)

Dated ______ __, 2008
Relating to Prospectus Dated ______ __, 2008 for

LINCOLN ASSETEDGE (SM) VUL and
LINCOLN ASSETEDGE (SM) Exec VUL

Lincoln Life Flexible Premium Variable Life Account M, Registrant

The Lincoln National Life Insurance Company, Depositor

The SAI is not a prospectus. The SAI provides you with additional information about Lincoln Life, the Separate Account and your policy. It should be read in conjunction with the product prospectus. It includes additional information about the LINCOLN ASSETEDGE (SM) VUL (and about the LINCOLN ASSETEDGE (SM) Exec VUL policy which is issued on a multi-life basis).

A copy of the product prospectus may be obtained without charge by writing to our Administrative Office:

Customer Service Center
One Granite Place
Concord, New Hampshire 03301

or by telephoning (800) 444-2363, and requesting a copy of the prospectus for the LINCOLN ASSETEDGE (SM) VUL/LINCOLN ASSETEDGE (SM) Exec VUL product.

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GENERAL INFORMATION

Lincoln Life

The Lincoln National Life Insurance Company ("Lincoln Life", "the Company", "we", "us", "our") (EIN 35-0472300), organized in 1905, is an Indiana-domiciled insurance company, engaged primarily in the direct issuance of life insurance contracts and annuities. Lincoln Life is wholly owned by Lincoln National Corporation (LNC), a publicly held insurance and financial services holding company incorporated in Indiana. Lincoln Life is obligated to pay all amounts promised to policy owners under the policies.

On April 3, 2006, Jefferson-Pilot Corporation ("Jefferson-Pilot"), a North Carolina corporation, merged with and into a wholly owned subsidiary of LNC, the parent company of Lincoln Life. On April 2, 2007, Jefferson-Pilot Life Insurance Company ("JPLife"), one of the insurance companies which became a subsidiary of LNC as a result of the LNC/Jefferson-Pilot merger, merged into and with Lincoln Life. In addition, on July 2, 2007, Jefferson Pilot Financial Insurance Company ("JPFIC") also one of the insurance companies which became a subsidiary of LNC as a result of the LNC/Jefferson-Pilot merger, merged into and with Lincoln Life. As a result of the two mergers, the assets and liabilities of JPLife and of JPFIC became part of the assets and liabilities of Lincoln Life. Lincoln Life's obligations as set forth in your policy, prospectus and Statement of Additional Information have not changed as a result of either merger.

Lincoln Financial Group is the marketing name for Lincoln National Corporation (NYSE:LNC) and its affiliates. Lincoln Financial Group sells a wide variety of financial products and solutions through financial advisors: mutual funds, managed accounts, retirement solutions, life insurance, 401(k) and 403(b) plans, savings plans, institutional investments and comprehensive financial planning and advisory services.

Lincoln Life is subject to the laws of Indiana governing insurance companies and to regulation by the Indiana Department of Insurance ("Insurance Department"). An annual statement in a prescribed form is filed with the Insurance Department each year covering the operation of the Company for the preceding year along with the Company's financial condition as of the end of that year. Regulation by the Insurance Department includes periodic examination to determine our contract liabilities and reserves. Our books and accounts are subject to review by the Insurance Department at all times and a full examination of our operations is conducted periodically by the Insurance Department. Such regulation does not, however, involve any supervision of management practices or policies, or our investment practices or policies.

A blanket bond with a per event limit of $50 million and an annual policy aggregate limit of $100 million covers all of the officers and employees of the Company.

Registration Statement

A Registration Statement has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, with respect to the policies offered. The Registration Statement, its amendments and exhibits, contain information beyond that found in the prospectus and the SAI. Statements contained in the prospectus and the SAI as to the content of policies and other legal instruments are summaries.

Changes of Investment Policy





Lincoln Life may materially change the investment policy of the Separate Account. If this decision is made, we must inform the owners and obtain all necessary regulatory approvals. Any change must be submitted to the various state insurance departments. The state insurance departments would not approve the change in investment policy if found to be detrimental to the interests of the owners of the policies or the end result would render our operations hazardous to the public.

If an owner objects, his or her policy may be converted to a substantially comparable fixed benefit life insurance policy offered by us on the life of the insured. The owner has the later of 60 days (6 months in Pennsylvania) from the date of the investment policy change or 60 days (6 months in Pennsylvania) from being informed of such change to make this conversion. We will not require evidence of insurability for this conversion. The new policy will not be affected by the investment experience of any separate account. The new policy will be for an amount of insurance equal to or lower than the amount of the death benefit of the current policy on the date of the conversion.

Principal Underwriter

Lincoln Financial Distributors, Inc. ("LFD"), One Granite Place, Concord, NH 03301, is the principal underwriter for the policies, which are offered continuously. LFD is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the Financial Industry Regulatory Authority ("FINRA"). The principal underwriter has overall responsibility for establishing a selling plan for the policies. LFD received $31,900,362 in 2007 for the sale of policies offered through the Separate Account. LFD retains no underwriting commissions from the sale of the policies.

Disaster Plan

Lincoln's business continuity and disaster recovery strategy employs system and telecommunication accessibility, system back-up and recovery, and employee safety and communication. The plan includes documented and tested procedures that will assist in ensuring the availability of critical resources and in maintaining continuity of operations during an emergency situation.

Advertising

Lincoln Life is ranked and rated by independent financial rating services, including Moody's, Standard & Poor's, Duff & Phelps and A.M. Best Company. The purpose of these ratings is to reflect the financial strength or claims-paying ability of Lincoln Life. The ratings are not intended to reflect the investment experience or financial strength of the Separate Account. We may advertise these ratings from time to time. In addition, we may include in certain advertisements, endorsements in the form of a list of organizations, individuals or other parties which recommend Lincoln Life or the policies. Furthermore, we may occasionally include in advertisements comparisons of currently taxable and tax deferred investment programs, based on selected tax brackets, or discussions of alternative investment vehicles and general economic conditions.

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SERVICES

Independent Registered Public Accounting Firm

The financial statements of the Separate Account and the consolidated financial statements of The Lincoln National Life Insurance Company appearing in this SAI and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, 2300 National City Center, 110 West Berry Street, Fort Wayne, Indiana 46802, as set forth in their reports, also appearing in this SAI and in the Registration Statement. The financial statements audited by Ernst & Young LLP have been included herein in reliance on their reports given on their authority as experts in accounting and auditing.

Accounting Services

We have entered into an agreement with Bank of New York Mellon, N.A., One Mellon Bank Center, 500 Grant Street, Pittsburgh, PA 15258 to provide accounting services to the Separate Account. Lincoln Life makes no separate charge against the assets of the Separate Account for this service.

Checkbook Service for Disbursements





We offer a checkbook service in which the death benefit proceeds are transferred into an interest-bearing account, in the beneficiary's name as owner of the account. Your beneficiary has quick access to the proceeds and is the only one authorized to transfer proceeds from the account. This service allows the beneficiary additional time to decide how to manage death benefit proceeds with the balance earning interest from the day the account is opened.

We also offer this same checkbook service for surrenders of your policy of $5,000 or more. Once your request is processed, proceeds are placed in an interest-bearing account in your name. You have complete access to your proceeds through check writing privileges. You have the choice of leaving proceeds in this account or you may write checks immediately-even a check for the entire amount.

POLICY INFORMATION

Corporate and Group Purchasers and Case Exceptions

This policy is available for purchase by corporations and other groups or sponsoring organizations on a multiple-life case basis. When this policy is applied for by an employer, association, or other group for itself or on behalf of employees, members, or other individuals associated with a group, we may issue such policies on a simplified or guaranteed underwriting basis. In addition, we reserve the right to reduce premium loads or any other charges on certain cases, where it is expected that the amount or nature of such cases will result in savings of sales, underwriting, administrative or other costs. Eligibility for these reductions and the amount of reductions will be determined by a number of factors, including but not limited to, the number of lives to be insured, the total premiums expected to be paid, total assets under management for the policy owner, the nature of the relationship among the insured individuals, the purpose for which the policies are being purchased, the expected persistency of the individual policies and any other circumstances which we believe to be relevant to the expected reduction of its expenses. Some of these reductions may be guaranteed and others may be subject to withdrawal or modification by us on a uniform case basis. Reductions in these charges will not be unfairly discriminatory against any person, including the affected policy owners invested in the Separate Account.

Assignment

While the insured is living, you may assign your rights in the policy, including the right to change the beneficiary designation. The assignment must be in writing, signed by you and received at our Administrative Office. We will not be responsible for any assignment that is not received by us, nor will we be responsible for the sufficiency or validity of any assignment. Any assignment is subject to any indebtedness owed to Lincoln Life at the time the assignment is received and any interest accrued on such indebtedness after we have received any assignment.

Once received, the assignment remains effective until released by the assignee in writing. As long as an assignment remains effective, you will not be permitted to take any action with respect to the policy without the consent of the assignee in writing.

Transfer of Ownership



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As long as the insured is living, you may transfer all of your rights in the policy by submitting a Written Request to our Administrative Office. You may revoke any transfer of ownership prior to its effective date. The transfer of ownership, or revocation of transfer, will not take effect until recorded by us. Once we have recorded the transfer or revocation of transfer, it will take effect as of the date of the latest signature on the Written Request.

On the effective date of transfer, the transferee will become the Owner and will have all the rights of the Owner under the policy. Unless you direct us otherwise, with the consent of any assignee recorded with us, a transfer will not affect the interest of any beneficiary designated prior to the effective date of transfer.

Beneficiary

The beneficiary is initially designated on a form provided by us for that purpose and is the person who will receive the death benefit proceeds payable. Multiple beneficiaries will be paid in equal shares, unless otherwise specified to the Company.

You may change the beneficiary at any time while the insured is living, except when we have received an assignment of your policy or an agreement not to change the beneficiary. Any request for a change in the beneficiary must be in writing, signed by you, and recorded at our Administrative Office. If the owner has specifically requested not to reserve the right to change the beneficiary, such a request requires the consent of the beneficiary. The change will not be effective until recorded by us. Once we have recorded the change of beneficiary, the change will take effect as of the date of latest signature on the Written Request or, if there is no such date, the date recorded.

If any beneficiary dies before the insured, the beneficiary's potential interest shall pass to any surviving beneficiaries in the appropriate beneficiary class, unless otherwise specified to the Company. If no named beneficiary survives the insured, any death benefit proceeds will be paid to you, as the owner, or to your executor, administrator or assignee.

Right to Convert Contract

You may at any time transfer 100% of the Policy's Accumulation Value to the General Account and choose to have all future premium payments allocated to the General Account. After you do this, the minimum period the Policy will be in force will be fixed and guaranteed. The minimum period will depend on the amount of Accumulation Value, the Specified Amount, the sex, Attained Age and rating class of the Insured at the time of transfer. The minimum period will decrease if you choose to surrender the Policy or make a withdrawal. The minimum period will increase if you choose to decrease the Specified Amount, make additional premium payments, or we credit a higher interest rate or charge a lower cost of insurance rate than those guaranteed for the General Account.

Change of Plan

Your policy may be exchanged for another policy issued by the Company only if the Company consents to the exchange and all requirements for the exchange, as determined by the Company, are met. Your request for exchange must be in writing.



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The Company may not make an offer to you to exchange your policy without obtaining required regulatory approvals.

Settlement Options

Proceeds will be paid in a lump sum unless you choose a settlement option we make available.

Deferment of Payments

Amounts payable as a result of loans, surrenders or partial surrenders will be paid within seven calendar days of our receipt of such a request in a form acceptable to us. We may defer payment or transfer from the Fixed Account up to six months at our option. If we exercise our right to defer any payment from the Fixed Account, interest will accrue and be paid (as required by law) from the date you would otherwise have been entitled to receive the payment. We will not defer any payment used to pay premiums on policies with us.

Incontestability

The Company will not contest your policy or payment of the death benefit proceeds based on the initial specified amount, or an increase in the specified amount requiring evidence of insurability, after your policy or increase has been in force for two years from date of issue or increase (in accordance with state law).

Misstatement of Age or Sex

If the age or sex of the insured has been misstated, benefits will be those which would have been purchased at the correct age and sex.

Suicide

If the insured dies by suicide, while sane or insane, within two years from the date of issue, the Company will pay no more than the sum of the premiums paid, less any indebtedness and the amount of any partial surrenders. If the insured dies by suicide, while sane or insane, within two years from the date any increase in the specified amount, the Company will pay no more than a refund of the monthly charges for the cost of the increased amount. This time period could be less depending on the state of issue.

PERFORMANCE DATA

Performance data may appear in sales literature or reports to owners or prospective buyers.

Past performance cannot guarantee comparable future results.



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Performance data reflects the time period shown on a rolling monthly basis and is based on Sub-Account level values adjusted for your policy's expenses.

Data reflects:

- an annual reduction for fund management fees and expenses, and
- a policy level mortality and expense charge applied on a daily equivalent basis, but
- no deductions for additional policy expenses (i.e., premium loads, administrative fees, and cost of insurance charges), which, if included, would have resulted in lower performance.

These charges and deductions can have a significant effect on policy values and benefits. Ask your financial representative for a personalized illustration reflecting these costs.

Sub-Account performance figures are historical and include change in share price, reinvestment of dividends and capital gains and are net of the asset management expenses that can be levied against the Sub-Account.

The Average Annual Returns are calculated in two ways, one for Money Market Sub-Account, one for all other Sub-Accounts. Both are according to methods prescribed by the SEC.

Money Market Sub-Account:

The Average Annual Return is the income generated by an investment in the Money Market Sub-Account over a seven-day period, annualized. The process of annualizing results when the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment.

The Money Market Sub-Account's return is determined by:

a) calculating the change in unit value for the base period (the 7-day period ended December 31, of the previous year); then

b) dividing this figure by the account value at the beginning of the period; then

c) annualizing this result by the factor of 365/7.

Other Sub-Accounts:

The Average Annual Return for each period is determined by finding the average annual compounded rate of return over each period that would equate the initial amount invested to the ending redeemable value for that period, according to the following formula:

$$P(1 + T)n = ERV$$

Where: P = a hypothetical initial purchase payment of $1,000



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T = average annual total return for the period in question

N = number of years

ERV = ending redeemable value (as of the end of the period in question) of a hypothetical $1,000 purchase payment made at the beginning of the 1-year, 3-year, 5-year, or 10-year period in question (or fractional period thereof)

The formula assumes that:

(1) all recurring fees have been charged to the policy owner's accounts; and

(2) there will be a complete redemption upon the anniversary of the 1-year, 3-year, 5-year, or 10-year period in question.

In accordance with SEC guidelines, we report Sub-Account performance back to the first date that the fund became available, which could pre-date its inclusion in this product. Where the length of the performance reporting period exceeds the period for which the fund was available, Sub-Account performance will show an "N/A".

FINANCIAL STATEMENTS

The financial statements of the Separate Account and the consolidated financial statements of The Lincoln National Life Insurance Company follow.



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THE LINCOLN NATIONAL LIFE INSURANCE COMPANY



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THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007, 2006 AND 2005



<Page>

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

<Table>
<Caption>

| | AS OF DECEMBER 31, 2007 | AS OF DECEMBER 31, 2006 |
|---|---|---|
| <S> | <C> | <C> |
| ASSETS | | |
| Investments: | | |
| Available-for-sale securities, at fair value: | | |
| Fixed maturity (amortized cost: 2007 -- $53,250; 2006 -- $53,846) | $ 53,405 | $ 54,697 |
| Equity (cost: 2007 -- $132; 2006 -- $205) | 134 | 218 |
| Trading securities | 2,533 | 2,820 |
| Mortgage loans on real estate | 7,117 | 7,344 |

| | | |
|---|---|---|
| Real estate | 258 | 409 |
| Policy loans | 2,798 | 2,755 |
| Derivative investments | 172 | 245 |
| Other investments | 986 | 783 |
| Total investments | 67,403 | 69,271 |
| Cash and invested cash | 1,395 | 1,762 |
| Deferred acquisition costs and value of business acquired | 8,574 | 7,609 |
| Premiums and fees receivable | 382 | 331 |
| Accrued investment income | 801 | 838 |
| Reinsurance recoverables | 7,939 | 7,949 |
| Goodwill | 3,539 | 3,514 |
| Other assets | 2,030 | 1,765 |
| Separate account assets | 82,263 | 71,777 |
| Total assets | $174,326 | $164,816 |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| LIABILITIES | | |
| Future contract benefits | $ 13,619 | $ 13,645 |
| Other contract holder funds | 58,168 | 58,718 |
| Short-term debt | 173 | 21 |
| Long-term debt | 1,675 | 1,439 |
| Reinsurance related derivative liability | 211 | 218 |
| Funds withheld reinsurance liabilities | 1,862 | 1,816 |
| Deferred gain on indemnity reinsurance | 696 | 760 |
| Payables for collateral under securities loaned | 1,135 | 1,504 |
| Other liabilities | 2,083 | 2,073 |
| Separate account liabilities | 82,263 | 71,777 |
| Total liabilities | 161,885 | 151,971 |
| CONTINGENCIES AND COMMITMENTS (SEE NOTE 13) | | |
| STOCKHOLDER'S EQUITY | | |
| Common stock-- 10,000,000 shares, authorized, issued and outstanding | 9,105 | 9,088 |
| Retained earnings | 3,283 | 3,341 |
| Accumulated other comprehensive income | 53 | 416 |
| Total stockholder's equity | 12,441 | 12,845 |
| Total liabilities and stockholder's equity | $174,326 | $164,816 |

</Table>

See accompanying notes to the Consolidated Financial Statements



<Page>

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF INCOME
(IN MILLIONS)

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| <S> | <C> | <C> | <C> |
| REVENUES | | | |
| Insurance premiums | $ 1,560 | $ 1,118 | $ 67 |
| Insurance fees | 2,994 | 2,439 | 1,575 |
| Net investment income | 4,188 | 3,869 | 2,592 |
| Realized loss | (112) | (2) | (16) |
| Amortization of deferred gain on indemnity reinsurance | 83 | 76 | 77 |
| Other revenues and fees | 325 | 289 | 316 |
| Total revenues | 9,038 | 7,789 | 4,611 |
| BENEFITS AND EXPENSES | | | |
| Interest credited | 2,398 | 2,241 | 1,506 |
| Benefits | 2,329 | 1,757 | 616 |
| Underwriting, acquisition, insurance and other expenses | 2,472 | 2,086 | 1,544 |
| Interest and debt expenses | 96 | 84 | 78 |
| Total benefits and expenses | 7,295 | 6,168 | 3,744 |
| Income before taxes | 1,743 | 1,621 | 867 |
| Federal income taxes | 504 | 460 | 223 |
| Net income | $ 1,239 | $ 1,161 | $ 644 |

</Table>

See accompanying notes to the Consolidated Financial Statements



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THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
(IN MILLIONS)

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| COMMON STOCK | | | |
| Balance at beginning-of-year | $ 9,088 | $ 2,125 | $ 2,106 |
| Lincoln National Corporation purchase price | (9) | 6,932 | -- |
| Stock compensation/issued for benefit plans | 26 | 31 | 19 |
| Balance at end-of-year | 9,105 | 9,088 | 2,125 |
| RETAINED EARNINGS | | | |
| Balance at beginning-of-year | 3,341 | 2,748 | 2,304 |
| Cumulative effect of adoption of SOP 05-1 | (41) | -- | -- |
| Cumulative effect of adoption of FIN 48 | (14) | -- | -- |
| Comprehensive income | 876 | 1,124 | 315 |
| Less other comprehensive loss, net of tax | (363) | (37) | (329) |
| Net income | 1,239 | 1,161 | 644 |
| Dividends declared | (1,242) | (568) | (200) |
| Balance at end-of-year | 3,283 | 3,341 | 2,748 |
| NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES | | | |
| Balance at beginning-of-year | 421 | 452 | 781 |
| Change during the year | (345) | (31) | (329) |
| Balance at end-of-year | 76 | 421 | 452 |
| NET UNREALIZED GAIN ON DERIVATIVE INSTRUMENTS | | | |
| Balance at beginning-of-year | (9) | 7 | 14 |
| Change during the year | (10) | (16) | (7) |
| Balance at end-of-year | (19) | (9) | 7 |
| MINIMUM PENSION LIABILITY ADJUSTMENT | | | |
| Balance at beginning-of-year | -- | (6) | (13) |
| Change during the year | -- | 6 | 7 |
| Balance at end-of-year | -- | -- | (6) |
| FUNDED STATUS OF EMPLOYEE BENEFIT PLANS | | | |
| Balance at beginning-of-year | 4 | -- | -- |
| Change during the year | (8) | 4 | -- |
| Balance at end-of-year | (4) | 4 | -- |
| Total stockholder's equity at end-of-year | $ 12,441 | $ 12,845 | $ 5,326 |

</Table>

See accompanying notes to the Consolidated Financial Statements



<Page>

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)

<Table>
<Caption>

For the Years Ended

| | December 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| <S> | <C> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | $ 1,239 | $ 1,161 | $ 644 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Deferred acquisition costs and value of business acquired deferrals and interest, net of amortization | (1,101) | (722) | (430) |
| Change in premiums and fees receivable | (53) | 16 | 54 |
| Change in accrued investment income | 13 | 21 | (4) |
| Change in contract accruals | 574 | 170 | (1,082) |
| Net trading securities purchases, sales and maturities | 316 | 165 | (72) |
| Gain on reinsurance embedded derivative/trading securities | (2) | (4) | (5) |
| Change in contract holder funds | 453 | 741 | 1,893 |
| Change in net periodic benefit accruals | (5) | (3) | (11) |
| Change in amounts recoverable from reinsurers | (539) | 199 | 101 |
| Change in federal income tax accruals | 310 | 150 | 148 |
| Stock-based compensation expense | 26 | 31 | 19 |
| Depreciation, amortization and accretion, net | 64 | 54 | 64 |
| Increase in funds withheld liability | 46 | 105 | 131 |
| Realized loss on investments and derivative instruments | 114 | 6 | 21 |
| Amortization of deferred gain on indemnity reinsurance | (83) | (76) | (77) |
| Other | (71) | (706) | (601) |
| Net adjustments | 62 | 147 | 149 |
| Net cash provided by operating activities | 1,301 | 1,308 | 793 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Available-for-sale securities: | | | |
| Purchases | (8,606) | (9,323) | (5,725) |
| Sales | 3,453 | 5,328 | 3,767 |
| Maturities | 4,087 | 3,326 | 2,392 |
| Purchases of other investments | (2,018) | (696) | (1,008) |
| Sales or maturities of other investments | 1,880 | 585 | 1,151 |
| Increase (decrease) in cash collateral on loaned securities | (369) | 538 | 45 |
| Cash acquired from Jefferson-Pilot merger | -- | 154 | -- |
| Other | (84) | 58 | 9 |
| Net cash provided by (used in) investing activities | (1,657) | (30) | 631 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of long-term debt | -- | -- | (47) |
| Issuance of long-term debt | 375 | 140 | -- |
| Net increase (decrease) in short-term debt | 13 | (13) | 2 |
| Universal life and investment contract deposits | 9,481 | 7,444 | 4,783 |
| Universal life and investment contract withdrawals | (6,645) | (6,660) | (3,755) |
| Investment contract transfers | (2,448) | (1,821) | (1,483) |
| Dividends paid | (787) | (568) | (200) |
| Net cash used in financing activities | (11) | (1,478) | (700) |
| Net increase (decrease) in cash and invested cash | (367) | (200) | 724 |
| Cash and invested cash at beginning-of-year | 1,762 | 1,962 | 1,238 |
| Cash and invested cash at end-of-period | $ 1,395 | $ 1,762 | $ 1,962 |

</Table>

See accompanying notes to the Consolidated Financial Statements



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1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Lincoln National Life Insurance Company ("LNL" or the "Company," which also may be referred to as "we," "our" or "us"), a wholly-owned subsidiary of Lincoln National Corporation ("LNC" or the "Parent Company"), is domiciled in the state of Indiana. We own 100% of the outstanding common stock of one insurance company subsidiary, Lincoln Life & Annuity Company of New York ("LLANY"). We also own several non-insurance companies, including Lincoln Financial Distributors ("LFD") and Lincoln Financial Advisors ("LFA"), LNC's wholesaling and retailing business units, respectively. LNL's principal businesses consist of underwriting annuities, deposit-type contracts and life insurance through multiple distribution channels. LNL is licensed and sells its products throughout the United States and several U.S. territories (see Note 20).

BASIS OF PRESENTATION

The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). On April 3, 2006, LNC completed its merger with Jefferson-Pilot Corporation ("Jefferson-Pilot"). On February 15, 2007, the North Carolina Department of Insurance approved the merger of Jefferson-Pilot Life Insurance Company ("JPL") into LNL with LNL being the survivor and Jefferson Pilot LifeAmerica Insurance Company ("JPLA") into LLANY, with JPLA being the survivor. JPLA then changed its name to LLANY. The effective date of these transactions was April 2, 2007. On May 3, 2007, LNL made a dividend to LNC that transferred ownership of our formerly wholly-owned subsidiary, First Penn-Pacific Life Insurance Company ("FPP"), to LNC. On July 2, 2007, the Nebraska Insurance Department approved the merger of Jefferson Pilot Financial Insurance Company ("JPFIC"), formerly a wholly-owned subsidiary of Jefferson-Pilot, into LNL.

Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" ("SFAS 141"), excludes transfers of net assets or exchanges of shares between entities under common control, and notes that certain provisions under Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations," provide a source of guidance for such transactions. In accordance with APB Opinion No. 16, the consolidated financial statements are presented as if on April 3, 2006, LNL completed the merger with JPL, JPLA and JPFIC, and has included the results of operations and financial condition of JPL, JPLA and JPFIC in our consolidated financial statements beginning on April 3, 2006 and all comparative financial statements are restated and presented as if the entities had been previously combined, in a manner similar to a pooling-of-interests. The consolidated financial statements for the period from January 1, 2006 through April 2, 2006 and for the year ended December 31, 2005 exclude the results of operations and financial condition of JPL, JPLA and JPFIC. The consolidated financial statements include the results of operations and financial condition of FPP from January 1, 2007 through May 3, 2007 and for the years ended December 31, 2006 and 2005. FPP's results subsequent to May 3, 2007 are excluded from these consolidated financial statements.

The insurance subsidiaries also submit financial statements to insurance industry regulatory authorities. Those financial statements are prepared on the basis of statutory accounting practices ("SAP") and are significantly different from financial statements prepared in accordance with GAAP. See Note 18 for additional discussion on SAP.

Certain amounts reported in prior years' consolidated financial statements have been reclassified to conform to the presentation adopted in the current year including a $2.1 billion increase to common stock offset by a decrease to retained earnings for each of the years ended December 31, 2006, 2005, and 2004 to properly classify historical capital contributions received and stock compensation expense incurred. These reclassifications have no effect on net income or stockholder's equity of the prior years.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION
The accompanying consolidated financial statements include the accounts of LNL and all other entities in which we have a controlling financial interest. All material intercompany accounts and transactions have been eliminated in consolidation.

ACCOUNTING ESTIMATES AND ASSUMPTIONS
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain invested assets and derivatives, asset valuation allowances, deferred policy acquisition costs ("DAC"), goodwill, value of business acquired ("VOBA"), future contract benefits and other contract holder funds, deferred front-end loads ("DFEL"), pension plans, income taxes and the potential effects of resolving litigated matters.

BUSINESS COMBINATIONS
For all business combination transactions excluding mergers of entities under common control as discussed above initiated after June 30, 2001, the purchase method of accounting has been used, and accordingly, the assets and liabilities of the acquired company have been recorded at their estimated fair values as of the merger date. The fair values are subject to adjustment of the initial allocation for a one-year period as more information relative to the fair values as of the acquisition date becomes available. The consolidated financial statements include the results of operations of any acquired company since the acquisition date.

AVAILABLE-FOR-SALE SECURITIES
Securities classified as available-for-sale consist of fixed maturity and equity securities and are stated at fair value with unrealized gains and losses included as a separate component of

accumulated other comprehensive income ("OCI"), net of associated DAC, VOBA, other contract holder funds and deferred income taxes. The fair value of actively traded securities is based on quoted market prices from observable market data or estimates from independent pricing services. In cases where this information is not available, such as for privately placed securities, fair value is estimated using an internal pricing matrix. This matrix relies on management's judgment concerning: 1) the discount rate used in calculating expected future cash flows; 2) credit quality; 3) industry sector performance; and 4) expected maturity.

Dividends and interest income, recorded in net investment income, are recognized when earned. Amortization of premiums and accretion of discounts on investments in debt securities are reflected in net investment income over the contractual terms of the investments in a manner that produces a constant effective yield. Realized gains and losses on the sale of investments are determined using the specific identification method.

LNC regularly reviews available-for-sale securities for impairments in value deemed to be other-than-temporary. The cost basis of securities that are determined to be other-than-temporarily impaired is written down to current fair value with a corresponding charge to realized loss in net income. A write-down for impairment can be recognized for both credit-related events and for change in fair value due to changes in interest rates. Once a security is written down to fair value through net income, any subsequent recovery in value cannot be recognized in net income until the security is sold. However, in the event that the security is written down due to an interest-rate related impairment, the write-down is accreted through investment income over the life of the security. In evaluating whether a decline in value is other-than-temporary, LNC considers several factors including, but not limited to: 1) the severity (generally if greater than 20%) and duration (generally if greater than six months) of the decline; 2) our ability and intent to hold the security for a sufficient period of time to allow for a recovery in value; 3) the cause of the decline; and 4) fundamental analysis of the liquidity, business prospects and overall financial condition of the issuer.

TRADING SECURITIES

Trading securities consist of fixed maturity and equity securities in designated portfolios, which support modified coinsurance ("Modco") and coinsurance with funds withheld ("CFW") reinsurance arrangements. Investment results for these portfolios, including gains and losses from sales, are passed directly to the reinsurers pursuant to contractual terms of the reinsurance arrangements. Trading securities are carried at fair value and changes in fair value, offset by corresponding changes in the fair value of embedded derivative liabilities associated with the underlying reinsurance arrangements, are recorded in net investment income as they occur.

For asset-backed and mortgage-backed securities, included in the trading and available-for-sale fixed maturity securities portfolios, we recognize income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from originally anticipated prepayments, the effective yield is recalculated prospectively to reflect actual payments to date plus anticipated future payments. Any adjustments resulting from changes in effective yield are reflected in net investment income.

MORTGAGE LOANS ON REAL ESTATE

Mortgage loans on real estate are carried at unpaid principal balances adjusted for amortization of premiums and accretion of discounts and are net of valuation allowances. Interest income is accrued on the principal balance of the loan based on the loan's contractual interest rate. Premiums and discounts are amortized using the effective yield method over the life of the loan. Interest income and amortization of premiums and discounts are reported in net investment income along with mortgage loan fees, which are recorded as they are incurred. Loans are considered impaired when it is probable that, based upon current information and events, we will be unable to collect all amounts due under the contractual terms of the loan agreement. When we determine that a loan is impaired, a valuation allowance is established for the excess carrying value of the loan over its estimated value. The loan's estimated value is based on: 1) the present value of expected future cash flows discounted at the loan's effective interest rate; 2) the loan's observable market price; or 3) the fair value of the loan's collateral. Valuation allowances are maintained at a level we believe is adequate to absorb estimated probable credit losses. Our periodic evaluation of the adequacy of the allowance for losses is based on our past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of the underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. We do not accrue interest on impaired loans and loans 90 days past due and any interest received on these loans is either applied to the principal or recorded in net investment income when received, depending on the assessment of the collectability of the loan. Mortgage loans deemed to be uncollectible are charged against the allowance for losses and subsequent recoveries, if any, are credited to the allowance for losses. All mortgage loans that are impaired have an established allowance for credit losses. Changes in valuation allowances are reported in realized loss on our Consolidated Statements of Income.

REAL ESTATE

Real estate includes both real estate held for the production of income and real estate held-for-sale. Real estate held for the production of income is carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. We periodically review properties held for the production of income for impairment and properties whose carrying values are greater than their projected undiscounted cash flows are written down to estimated fair value, with impairment losses reported in realized loss on our Consolidated Statements of Income. The estimated fair value of real estate is generally computed using the present value of expected future cash flows from the real estate discounted at a rate commensurate with the underlying risks.





Real estate classified as held-for-sale is stated at the lower of depreciated cost or fair value less expected disposition costs at the time classified as held-for-sale. Real estate is not depreciated while it is classified as held-for-sale. Also, valuation allowances for losses are established, as appropriate, for real estate held-for-sale and any changes to the valuation allowances are reported in realized loss on our Consolidated Statements of Income. Real estate acquired through foreclosure proceedings is recorded at fair value at the settlement date.

POLICY LOANS

Policy loans are carried at unpaid principal balances.

SECURITIES LENDING

Securities loaned are treated as collateralized financing transactions, and a liability is recorded equal to the cash collateral received, which is typically greater than the market value of the related securities loaned. This liability is included within payables for collateral under securities loaned on our Consolidated Balance Sheets. Our pledged securities are included in fixed maturities on our Consolidated Balance Sheets. We generally obtain collateral in an amount equal to 102% and 105% of the fair value of the domestic and foreign securities, respectively. We value collateral daily and obtain additional collateral when deemed appropriate. The cash received in our securities lending program is typically invested in cash equivalents, short-term investments or fixed maturity securities. Income and expenses associated with these transactions are recorded as investment income and investment expenses within net investment income on our Consolidated Statements of Income.

REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements are treated as collateralized financing transactions and a liability is recorded equal to the cash collateral received. This liability is included within payables for collateral under securities loaned on our Consolidated Balance Sheets. Our pledged securities are included in fixed maturities on our Consolidated Balance Sheets. We obtain collateral in an amount equal to 95% of the fair value of the securities, and our agreements with third parties contain contractual provisions to allow for additional collateral to be obtained when necessary. The cash received in our reverse repurchase program is typically invested in fixed maturity securities. Income and expenses associated with these transactions are recorded as investment income and investment expenses within net investment income on our Consolidated Statements of Income.

REALIZED LOSS

Realized loss includes realized gains and losses from the sale of investments, derivative gains and losses, gains and losses on the sale of subsidiaries and businesses and net gains and losses on reinsurance embedded derivative and trading securities on Modco and CFW reinsurance arrangements. Realized loss is recognized in net income, net of associated amortization of DAC, VOBA, deferred sales inducements ("DSI") and DFEL and changes in other contract holder funds. Realized loss is also net of allocations of investment gains and losses to certain contract holders and certain reinsurance arrangements for which we have a contractual obligation.

DERIVATIVE INSTRUMENTS

We hedge certain portions of our exposure to interest rate risk, foreign currency exchange risk, equity market risk and credit risk by entering into derivative transactions. All of our derivative instruments are recognized as either assets or liabilities on our Consolidated Balance Sheets at estimated fair value. The accounting for changes in the estimated fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we must designate the hedging instrument based upon the exposure being hedged: as a cash flow hedge, a fair value hedge or a hedge of a net investment in a foreign operation. As of December 31, 2007 and 2006, we had derivative instruments that were designated and qualified as cash flow hedges and fair value hedges. In addition, we had derivative instruments that were economic hedges but were not designated as hedging instruments under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133").

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of OCI and reclassified into net income in the same period or periods during which the hedged transaction affects net income. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of designated future cash flows of the hedged item (hedge ineffectiveness), if any, is recognized in net income during the period of change. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in net income during the period of change in estimated fair values. For derivative instruments not designated as hedging instruments but are economic hedges, the gain or loss is recognized in net income during the period of change in the corresponding income statement line as the transaction being hedged.

See Note 5 for additional discussion of our derivative instruments.

CASH AND CASH EQUIVALENTS

Cash and invested cash are carried at cost and include all highly liquid debt instruments purchased with a maturity of three months or less.

DAC, VOBA, DSI AND DFEL

Commissions and other costs of acquiring universal life insurance, variable universal life insurance, traditional life insurance, annuities and other investment contracts, which vary with and are primarily related to the production of new business, have been deferred (i.e., DAC) to the extent recoverable. The methodology for determining the amortization of DAC varies by product type based on two different accounting pronouncements: SFAS No. 97, "Accounting and Reporting by Insurance



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Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments" ("SFAS 97") and SFAS No. 60, "Accounting and Reporting by Insurance Enterprises" ("SFAS 60"). Under SFAS 97, acquisition costs for universal life and variable universal life insurance and investment-type products, which include fixed and variable deferred annuities, are generally amortized over the lives of the policies in relation to the incidence of estimated gross profits ("EGPs") from surrender charges, investment, mortality net of reinsurance ceded and expense margins and actual realized gain or loss on investments. Contract lives for universal and variable universal life policies are estimated to be 30 years, based on the expected lives of the policies. Contract lives for fixed and variable deferred annuities are 14 to 20 years for the traditional, long surrender charge period products and 8 to 10 years for the more recent short-term or no surrender charge variable products. The front-end load annuity product has an assumed life of 25 years. Longer lives are assigned to those blocks that have demonstrated favorable lapse experience.

Under SFAS 60, acquisition costs for traditional life insurance products, which include individual whole life, group business and term life insurance contracts, are amortized over periods of 10 to 30 years on either a straight-line basis or as a level percent of premium of the related policies depending on the block of business. There is currently no DAC balance or related amortization under SFAS 60 for fixed and variable payout annuities.

For all SFAS 97 and SFAS 60 contracts, amortization is based on assumptions consistent with those used in the development of the underlying contract form adjusted for emerging experience and expected trends.

VOBA is an intangible asset that reflects the estimated fair value of in-force contracts in a life insurance company acquisition and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the business in-force at the acquisition date. VOBA is amortized over the expected lives of the block of insurance business in relation to the incidence of estimated profits expected to be generated on universal life, variable universal life and investment-type products, (i.e., variable deferred annuities) and over the premium paying period for insurance products, (i.e., traditional life insurance products). Amortization is based upon assumptions used in pricing the acquisition of the block of business and is adjusted for emerging experience. Accordingly, amortization periods and methods of amortization for VOBA vary depending upon the particular characteristics of the underlying blocks of acquired insurance business. VOBA is amortized in a manner consistent with DAC. Both DAC and VOBA amortization is reported within underwriting, acquisition, insurance and other expenses on our Consolidated Statements of Income.

The carrying amounts of DAC and VOBA are adjusted for the effect of realized gains and losses and the effects of unrealized gains and losses on debt securities classified as available-for-sale. Amortization expense of DAC and

VOBA reflects an assumption for an expected level of credit-related investment losses. When actual credit-related investment losses are realized, we recognize a true-up to our DAC and VOBA amortization within realized gains and losses reflecting the incremental impact of actual versus expected credit-related investment losses. These actual to expected amortization adjustments can create volatility period-to-period in net realized gains and losses.

Bonus credits and excess interest for dollar cost averaging contracts are considered DSI, and the unamortized balance is reported in other assets on our Consolidated Balance Sheets. DSI is amortized over the expected life of the contract as an expense in interest credited on our Consolidated Statements of Income. Amortization is computed using the same methodology and assumptions used in amortizing DAC.

Contract sales charges that are collected in the early years of an insurance contract are deferred (referred to as "DFEL"), and are amortized into income over the life of the contract in a manner consistent with that used for DAC. The deferral and amortization of DFEL is reported within insurance fees on our Consolidated Statements of Income.

See Note 2 for discussion of the adoption and impact of Statement of Position ("SOP") 05-1, "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts" ("SOP 05-1").

On a quarterly basis, LNC may record an adjustment to the amounts included on our Consolidated Balance Sheets for DAC, VOBA, DSI and DFEL with an offsetting benefit or charge to revenues or expenses for the impact of the difference between the estimates of future gross profits used in the prior quarter and the emergence of actual and updated estimates of future gross profits in the current quarter ("retrospective unlocking"). In addition, in the third quarter of each year, LNC conducts an annual comprehensive review of the assumptions and the projection models used for our estimates of future gross profits underlying the amortization of DAC, VOBA, DSI and DFEL and the calculations of the embedded derivatives and reserves for annuity and life insurance products with certain guarantees. These assumptions include investment margins, mortality, retention and rider utilization. Based on LNC's review, the cumulative balances of DAC, VOBA, DSI and DFEL are adjusted with an offsetting benefit or charge to revenues or amortization expense to reflect such change ("prospective unlocking"). The distinction between these two types of unlocking is that retrospective unlocking is driven by the emerging experience period-over-period, while prospective unlocking is driven by changes in assumptions or projection models related to estimated future gross profits.

DAC, VOBA, DSI and DFEL are reviewed periodically to ensure that the unamortized portion does not exceed the expected recoverable amounts. No significant impairments occurred during the three years ended December 31, 2007.



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REINSURANCE

Our insurance companies enter into reinsurance agreements with other companies in the normal course of business. Assets and liabilities and premiums and benefits from certain reinsurance contracts that grant statutory surplus relief to other insurance companies are netted on our Consolidated Balance Sheets and Consolidated Statements of Income, respectively, because there is a right of offset. All other reinsurance agreements are reported on a gross basis on our Consolidated Balance Sheets as an asset for amounts recoverable from reinsurers or as a component of other liabilities for amounts, such as premiums, owed to the reinsurers, with the exception of Modco agreements for which the right of offset also exists. Premiums, benefits and DAC are reported net of insurance ceded.

GOODWILL

We recognize the excess of the purchase price over the fair value of net assets acquired as goodwill. Goodwill is not amortized, but is reviewed at least annually for indications of value impairment, with consideration given to financial performance and other relevant factors. In addition, certain events, including a significant adverse change in legal factors or the business climate, an adverse action or assessment by a regulator or unanticipated competition, would cause us to review the carrying amounts of goodwill for impairment. When an impairment occurs, the carrying amounts are written down and a charge is recorded against net income using a combination of fair value and discounted cash flows. No impairments occurred during the three years ended December 31, 2007.

SPECIFICALLY IDENTIFIABLE INTANGIBLE ASSETS

Specifically identifiable intangible assets, net of accumulated amortization are reported in other assets. The carrying values of specifically identifiable intangible assets are reviewed periodically for indicators of impairment in value that are other-than-temporary, including unexpected or adverse changes in the following: 1) the economic or competitive environments in which the company operates; 2) profitability analyses; 3) cash flow analyses; and 4) the fair value of the relevant business operation. If there was an indication of impairment, then the cash flow method would be used to measure the impairment, and the carrying value would be adjusted as necessary.

Sales force intangibles are attributable to the value of the distribution system acquired in the Individual Markets - Life Insurance segment. These assets are amortized on a straight-line basis over their useful life of 25 years.

PROPERTY AND EQUIPMENT

Property and equipment owned for company use is included in other assets on our Consolidated Balance Sheets and is carried at cost less allowances for depreciation. Provisions for depreciation of investment real estate and property and equipment owned for company use are computed principally on the straight-line method over the estimated useful lives of the assets, which include buildings, computer hardware and software and other property and equipment.

IMPAIRMENT OF LONG-LIVED ASSETS

We periodically review the carrying value of our long-lived assets, including property and equipment, for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. For long-lived assets to be held and used, impairments are recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Long-lived assets to be disposed of by abandonment or in an exchange for a similar productive long-lived asset are classified as held-for-use until disposed of.

Long-lived assets to be sold are classified as held-for-sale and are no longer depreciated. Certain criteria have to be met in order for the long-lived asset to be classified as held-for-sale, including that a sale is probable and expected to occur within one year. Long-lived assets classified as held-for-sale are recorded at the lower of their carrying amount or fair value less cost to sell.

SEPARATE ACCOUNT ASSETS AND LIABILITIES

Separate account assets and liabilities represent segregated funds administered and invested by our insurance subsidiaries for the exclusive benefit of pension and variable life and annuity contract holders. Separate account assets are carried at fair value and the related liabilities are measured at an equivalent amount to the separate account assets. Investment risks associated with market value changes are borne by the contract holders, except to the extent of minimum guarantees made by us with respect to certain accounts. See Note 10 for additional information regarding arrangements with contractual guarantees. The revenues earned by our insurance subsidiaries for administrative and contract holder maintenance services performed for these separate accounts are included in insurance fees on our Consolidated Statements of Income.

FUTURE CONTRACT BENEFITS AND OTHER CONTRACT HOLDER FUNDS

The liabilities for future contract benefits and claim reserves for universal and variable universal life insurance policies consist of contract account balances that accrue to the benefit of the contract holders, excluding surrender charges. The liabilities for future insurance contract benefits and claim reserves for traditional life policies are computed using assumptions for investment yields, mortality and withdrawals based principally on generally accepted actuarial methods and assumptions at the time of contract issue. Investment yield assumptions for traditional direct individual life reserves for all contracts range from 2.25% to 7.00% depending on the time of contract issue. The investment yield assumptions for immediate and deferred paid-up annuities range from 0.75% to 13.50%. These investment yield assumptions are intended to represent an estimation of the interest rate experience for the period that these contract benefits are payable.



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The liabilities for future claim reserves for variable annuity products containing guaranteed minimum death benefit ("GMDB") features are calculated by multiplying the benefit ratio (present value of total expected GMDB payments over the life of the contract divided by the present value of total expected assessments over the life of the contract) by the cumulative assessments recorded from the contract inception through the balance sheet date less the cumulative GMDB payments plus interest. The change in the reserve for a period is the benefit ratio multiplied by the assessments recorded for the period less GMDB claims paid in the period plus interest. If experience or assumption changes result in a new benefit ratio, the reserves are adjusted to reflect the changes in a manner similar to the unlocking of DAC, VOBA, DFEL and DSI.

With respect to our future contract benefits and other contract holder funds, we continually review: 1) overall reserve position; 2) reserving techniques; and 3) reinsurance arrangements. As experience develops and new information becomes known, liabilities are adjusted as deemed necessary. The effects of changes in estimates are included in the operating results for the period in which such changes occur.

The business written or assumed by us includes participating life insurance contracts, under which the contract holder is entitled to share in the earnings of such contracts via receipt of dividends. The dividend scale for participating policies is reviewed annually and may be adjusted to reflect recent experience and future expectations. As of December 31, 2007 and 2006, participating policies comprised approximately 1.5% and 1.3%, respectively, of the face amount of insurance in force, and dividend expenses were $85 million for the years ended December 31, 2007 and 2006, and $78 million for the year ended December 31, 2005.

Universal life and variable universal life products with secondary guarantees represented approximately 32% and 34% of permanent life insurance in force as of December 31, 2007 and 2006, respectively, and approximately 73% and 77% of sales for these products for the years ended December 31, 2007 and 2006, respectively. Liabilities for the secondary guarantees on universal life-type products are calculated by multiplying the benefit ratio (present value of total expected secondary guarantee benefits over the life of the contract divided by the present value of total expected assessments over the life of the contract) by the cumulative assessments recorded from contract inception through the balance sheet date less the cumulative secondary guarantee benefit payments plus interest. If experience or assumption changes result in a new benefit ratio, the reserves are adjusted to reflect the changes in a manner similar to the unlocking of DAC, VOBA, DFEL and DSI. The accounting for secondary guarantee benefits impacts, and is impacted by, EGPs used to calculate amortization of DAC, VOBA, DFEL and DSI.

BORROWED FUNDS

LNL's short-term borrowings are defined as borrowings with contractual or expected maturities of one year or less. Long-term borrowings have contractual or expected maturities greater than one year. Any premium or discount on borrowed funds is amortized over the term of the borrowings.

COMMITMENTS AND CONTINGENCIES

Contingencies arising from environmental remediation costs, regulatory judgments, claims, assessments, guarantees, litigation, recourse reserves, fines, penalties and other sources are recorded when deemed probable and reasonably estimable.

PREMIUMS AND FEES ON INVESTMENT PRODUCTS AND UNIVERSAL LIFE INSURANCE PRODUCTS

Investment products consist primarily of individual and group variable and fixed deferred annuities. Interest-sensitive life insurance products include universal life insurance, variable universal life insurance and other interest-sensitive life insurance policies. These products include life insurance sold to individuals, corporate-owned life insurance and bank-owned life insurance. Revenues for investment products and universal life insurance products consist of net investment income, asset-based fees, cost of insurance charges, percent of premium charges, contract administration charges and surrender charges that have been assessed and earned against contract account balances and premiums received during the period. The timing of revenue recognition as it relates to fees assessed on investment contracts is determined based on the nature of such fees. Asset based fees cost of insurance and contract administration charges are assessed on a daily or monthly basis and recognized as revenue when assessed and earned. Percent of premium charges are assessed at the time of premium payment and recognized as revenue when assessed and earned. Certain amounts assessed that represent compensation for services to be provided in future periods are reported as unearned revenue and recognized in income over the periods benefited. Surrender charges are recognized upon surrender of a contract by the contract holder in accordance with contractual terms.

PREMIUMS ON TRADITIONAL LIFE INSURANCE PRODUCTS

Traditional life insurance products include those products with fixed and guaranteed premiums and benefits and consist primarily of whole life insurance, limited-payment life insurance, term life insurance and certain annuities with life contingencies. Premiums for traditional life insurance products are recognized as revenue when due from the contract holder.

OTHER REVENUES AND FEES

Other revenues and fees primarily consist of amounts earned by our retail distributor, LFA, from sales of third party insurance and investment products. Such revenue is recorded as earned at the time of sale.

BENEFITS

Benefits for universal life and other interest-sensitive life insurance products include benefit claims incurred during the period in excess of contract account balances. Benefits also includes the change in reserves for life insurance products with secondary guarantee benefits and annuity products with guaranteed benefits, such as GMDB, and the change in fair values of guarantees for annuity products with guaranteed minimum



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withdrawal benefits ("GMWB") and guaranteed income benefits ("GIB"). For traditional life, group health and disability income products, benefits and expenses, other than DAC and VOBA, are recognized when incurred in a manner consistent with the related premium recognition policies.

INTEREST CREDITED

Interest credited includes interest credited to contract holder account balances. Interest crediting rates associated with funds invested in our general account during 2005 through 2007 ranged from 3.00% to 9.00%.

INTEREST AND DEBT EXPENSES

Interest and debt expenses includes interest on short-term commercial paper, long-term senior debt that we issue and junior subordinated debentures issued to affiliated trusts.

PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Pursuant to the accounting rules for LNC's obligations to employees under LNC's various pension and other postretirement benefit plans, LNC is required to make a number of assumptions to estimate related liabilities and expenses. LNC uses assumptions for the weighted-average discount rate and expected return on plan assets. The discount rate assumptions are determined using an analysis of current market information and the projected benefit flows associated with these plans. The expected long-term rate of return on plan assets is initially established at the beginning of the plan year based on historical and projected future rates of return and is the average rate of earnings expected on the funds invested or to be invested in the plan. The calculation of our accumulated postretirement benefit obligation also uses an assumption of weighted-average annual rate of increase in the per capita cost of covered benefits, which reflects a health care cost trend rate. See Note 16 for more information on our accounting for employee benefit plans.

STOCK-BASED COMPENSATION

LNC expenses the fair value of stock awards included in LNC's incentive compensation plans. As of the date LNC's Board of Directors approves stock awards, the fair value of stock options is determined using a Black-Scholes options valuation methodology. The fair value of other stock awards is based upon the market value of the stock. The fair value of the awards is expensed over the service period, which generally corresponds to the vesting period, and is recognized as an increase to common stock in stockholder's equity. Stock-based compensation expense is reflected in underwriting, acquisition, insurance and other expenses on our Consolidated Statements of Income. For additional information on stock-based incentive compensation see Note 17.

INCOME TAXES

We and our eligible subsidiaries have elected to file consolidated Federal and state income tax returns with LNC and certain LNC subsidiaries. Pursuant to an intercompany tax sharing agreement with LNC, we provide for income taxes on a separate return filing basis. The tax sharing agreement also provides that we will receive benefit for net operating losses, capital losses and tax credits which are not usable on a separate return basis to the extent such items may be utilized in the consolidated income tax returns of LNC. Deferred income taxes are recognized, based on enacted rates, when assets and liabilities have different values for financial statement and tax reporting purposes. A valuation allowance is recorded to the extent required to reduce the deferred tax asset to an amount that we expect, more likely than not, will be realized. See Note 6 for additional information.

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2. NEW ACCOUNTING STANDARDS

ADOPTION OF NEW ACCOUNTING STANDARDS

SOP 05-1 -- ACCOUNTING BY INSURANCE ENTERPRISES FOR DEFERRED ACQUISITION COSTS IN CONNECTION WITH MODIFICATIONS OR EXCHANGES OF INSURANCE CONTRACTS

In September 2005, the American Institute of Certified Public Accountants issued SOP 05-1, which provides guidance on accounting for DAC on internal replacements of insurance and investment contracts other than those specifically described in SFAS 97. An internal replacement, defined by SOP 05-1, is a modification in product benefits, features, rights or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement or rider to a contract, or by the election of a feature or coverage within a contract. Contract modifications that result in a substantially unchanged contract will be accounted for as a continuation of the replaced contract. Contract modifications that result in a substantially changed contract should be accounted for as an extinguishment of the replaced contract. Unamortized DAC, VOBA, DFEL and DSI from the replaced contract must be written-off. SOP 05-1 is effective for internal replacements occurring in fiscal years beginning after December 15, 2006.

We adopted SOP 05-1 effective January 1, 2007 by recording decreases to the following categories (in millions) on our Consolidated Balance Sheets:

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| <S> | <C> |
|---|---|
| ASSETS | |
| DAC | $31 |
| VOBA | 35 |
| Other assets -- DSI | 3 |
| | --- |

| | |
|---|---|
| Total assets | $69 |
| LIABILITIES AND STOCKHOLDER'S EQUITY | |
| Future contract benefits -- GMDB annuity reserves | $ 4 |
| Other contract holder funds -- DFEL | 2 |
| Other liabilities -- income tax liabilities | 22 |
| Total liabilities | 28 |
| Retained earnings | 41 |
| Total liabilities and stockholder's equity | $69 |

</Table>

The adoption of this new guidance primarily impacted our Individual Markets -- Annuities and Employer Markets -- Group Protection businesses and our accounting policies regarding the assumptions for lapsation used in the amortization of DAC



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and VOBA. In addition, the adoption of SOP 05-1 resulted in an approximately $17 million increase to underwriting, acquisition, insurance and other expenses on our Consolidated Statements of Income for the year ended December 31, 2007, which was attributable to changes in DAC and VOBA deferrals and amortization.

FASB INTERPRETATION NO. 48 -- ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES -- AN INTERPRETATION OF FASB STATEMENT NO. 109

In June 2006, the FASB issued FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a comprehensive model for how companies should recognize, measure, present and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. FIN 48 requires companies to determine whether it is "more likely than not" that an individual tax position will be sustained upon examination by the appropriate taxing authority prior to any part of the benefit being recognized in the financial statements. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that is greater than fifty percent likely of being realized upon settlement with the tax authority, assuming full knowledge of the position and all relevant facts. In addition, FIN 48 expands disclosure requirements to include additional information related to unrecognized tax benefits, including accrued interest and penalties, and uncertain tax positions where the estimate of the tax benefit may change significantly in the next twelve months. FIN 48 is effective for fiscal years beginning after December 15, 2006. We adopted FIN 48 effective January 1, 2007 by recording an increase in the liability for unrecognized tax benefits of $14 million on our Consolidated Balance Sheets, offset by a reduction to the beginning balance of retained earnings. See Note 6 for more information regarding our adoption of FIN 48.

SFAS NO. 155 -- ACCOUNTING FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS -- AN AMENDMENT OF FASB STATEMENTS NO. 133 AND 140

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140" ("SFAS 155"), which permits fair value remeasurement for a hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. Under SFAS 155, an entity may make an irrevocable election to measure a hybrid financial instrument at fair value, in its entirety, with changes in fair value recognized in earnings. SFAS 155 also: (a) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133; (b) eliminates the interim guidance in SFAS 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets," and establishes a requirement to evaluate beneficial interests in securitized financial assets to identify interests that are either freestanding derivatives or hybrid financial instruments that contain an embedded derivative requiring bifurcation; (c) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (d) eliminates restrictions on a qualifying special-purpose entity's ability to hold passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument.

In December 2006, the FASB issued Derivative Implementation Group ("DIG") Statement 133 Implementation Issue No. B40, "Embedded Derivatives: Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets" ("DIG B40"). Since SFAS 155 eliminated the interim guidance related to securitized financial assets, DIG B40 provides a narrow scope exception for securitized interests that contain only an embedded derivative related to prepayment risk. Under DIG B40, a securitized interest in prepayable financial assets would not be subject to bifurcation if: (a) the right to accelerate the settlement of the securitized interest cannot be controlled by the investor and (b) the securitized interest itself does not contain an embedded derivative for which bifurcation would be required other than an embedded derivative that results solely from the embedded call options in the underlying financial assets. Any other terms in the securitized financial asset that may affect cash flow in a manner similar to a derivative instrument would be subject to the requirements of paragraph 13(b) of SFAS 133. The guidance in DIG B40 is to be applied upon the adoption of SFAS 155.

We adopted the provisions of SFAS 155 and DIG B40 on January 1, 2007. Prior period restatement was not permitted. The adoption of SFAS 155 did not have a material impact on our financial condition or results of operations.

SFAS NO. 158 -- EMPLOYERS' ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS -- AN AMENDMENT OF FASB STATEMENTS NO. 87, 88, 106 AND 132(R)

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS 158"). The guidance requires us to recognize on the balance sheets the funded status of our defined benefit postretirement plans as either an asset or liability, depending on the plans' funded status, with changes in the funded status recognized through OCI. The funded status is measured as the difference between the fair value of the plan assets and the projected benefit obligation, for pension plans, or the accumulated postretirement benefit obligation for postretirement benefit plans. Prior service costs or credits and net gains or losses which are not recognized in current net periodic benefit cost, pursuant to SFAS No. 87, "Employers' Accounting for Pensions" or SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," must be recognized in OCI, net of tax, in the period in which they occur. As these items are recognized in net periodic benefit cost, the amounts accumulated in OCI are adjusted. Under SFAS 158, disclosure requirements have also been expanded to separately provide information on the prior service costs or credits and net gains and losses recognized in OCI and their effects on net periodic benefit costs. Retroactive application of SFAS 158 was not permitted. We applied the recognition provisions of SFAS 158 as of December 31, 2006 by recording an increase in the asset of $38 million and an increase in the



<Page>

liability of $34 million, offset by an increase in accumulated OCI of $4 million.

STAFF ACCOUNTING BULLETIN NO. 108 -- CONSIDERING THE EFFECTS OF PRIOR YEAR MISSTATEMENTS WHEN QUANTIFYING MISSTATEMENTS IN CURRENT YEAR FINANCIAL STATEMENTS

In September 2006, the U.S. Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides guidance for evaluating the effects of prior year uncorrected errors when quantifying misstatements in the current year financial statements. Under SAB 108, the impact of correcting misstatements occurring in the current period and those that have accumulated over prior periods must both be considered when quantifying the impact of misstatements in current period financial statements. SAB 108 is effective for fiscal years ending after November 15, 2006, and may be adopted by either restating prior financial statements or recording the cumulative effect of initially applying the approach as adjustments to the carrying values of assets and liabilities as of January 1, 2006, with an offsetting adjustment to retained earnings. We adopted the provisions of SAB 108 as of December 31, 2006. The adoption of SAB 108 did not have a material effect on our financial statements.

SFAS NO. 123(R) -- SHARE-BASED PAYMENT

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), which is a revision of SFAS No. 123, "Accounting for Stock-based Compensation" ("SFAS 123"). SFAS 123(R) requires us to recognize at fair value all costs resulting from share-based payments to employees, except for equity instruments held by employee share ownership plans. Similar to SFAS 123, under SFAS 123(R), the fair value of share-based payments is recognized as a reduction to earnings over the period an employee is required to provide service in exchange for the award. We had previously adopted the retroactive restatement method under SFAS No. 148, "Accounting for Stock-based Compensation - -Transition and Disclosure," and restated all periods presented to reflect stock-based employee compensation cost under the fair value accounting method for all employee awards granted, modified or settled in fiscal years beginning after December 15, 1994.

Effective January 1, 2006, we adopted SFAS 123(R), using the modified prospective transition method. Under that transition method, compensation cost recognized in 2006 includes: (a) compensation cost for all share-based payments granted prior to but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123 and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). Results from prior periods have not been restated. The adoption of SFAS 123(R) did not have a material effect on our income before federal income taxes and net income.

SFAS 123(R) eliminates the alternative under SFAS 123 permitting the recognition of forfeitures as they occur. Expected forfeitures, resulting from the failure to satisfy service or performance conditions, must be estimated at the grant date, thereby recognizing compensation expense only for those awards expected to vest. In accordance with SFAS 123(R), we have included estimated forfeitures in the determination of compensation costs for all share-based payments. Estimates of expected forfeitures must be reevaluated at each balance sheet date, and any change in the estimates will be recognized retrospectively in net income in the period of the revised estimates.

Prior to the adoption of SFAS 123(R), we presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows on our Statements of Cash Flows. SFAS 123(R) requires the cash flows from tax benefits resulting from tax deductions in excess of the compensation costs recognized to be classified as financing cash flows. Our excess tax benefits are classified as financing cash flows, prospectively, on our Statements of Cash Flows for the years ended December 31, 2007 and 2006.

We issue share-based compensation awards under an authorized plan, subject to specific vesting conditions. Generally, compensation expense is recognized ratably over a three-year vesting period, but recognition may be accelerated upon the occurrence of certain events. For awards that specify an employee will vest upon retirement and an employee is eligible to retire before the end of the normal vesting period, we record compensation expense over the period from the grant date to the date of retirement eligibility. As a result of adopting SFAS 123(R), we have revised the prior method of recording unrecognized compensation expense upon retirement and use the non-substantive vesting period approach for all new share-based awards granted after January 1, 2006. Under the non-substantive vesting period approach, we recognize compensation cost immediately for awards granted to retirement-eligible employees, or ratably over a period from the grant date to the date retirement eligibility is achieved. If we would have applied the non-substantive vesting period approach to all share based compensation awards granted prior to January 1, 2006, it would not have a material effect on our results of operations or financial position.

See Note 17 for more information regarding our stock-based compensation plans.

FASB STAFF POSITION SFAS 115-1 AND SFAS 124-1 -- THE MEANING OF OTHER-THAN-TEMPORARY IMPAIRMENT AND ITS APPLICATION TO CERTAIN INVESTMENTS
In November 2005, the FASB issued FASB Staff Position ("FSP") Nos. SFAS 115-1 and SFAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("FSP 115-1"). The guidance in FSP 115-1 nullifies the accounting and measurement provisions of Emerging Issues Task Force ("EITF") No. 03-1 - "The Meaning of Other-Than-Temporary Impairments and Its Application to Certain Investments" and supersedes EITF Topic No. D-44 "Recognition of Other-Than-Temporary Impairment upon the Planned Sale of a Security Whose Cost Exceeds Fair Value."



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FSP 115-1 was effective for reporting periods beginning after December 15, 2005, on a prospective basis. Our existing policy for recognizing other-than-temporary impairments is consistent with the guidance in FSP 115-1, and includes the recognition of other-than-temporary impairments of securities resulting from credit related issues as well as declines in fair value related to rising interest rates, where we do not have the intent to hold the securities until either maturity or recovery. We adopted FSP 115-1 effective January 1, 2006. The adoption of FSP 115-1 did not have a material effect on our financial condition or results of operations.

FUTURE ADOPTION OF NEW ACCOUNTING STANDARDS

SFAS NO. 157 -- FAIR VALUE MEASUREMENTS
In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), 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 instruments. SFAS 157 retains the exchange price notion, but clarifies that exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability (exit price) in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability, as opposed to the price that would be paid to acquire the asset or receive a liability (entry price). Fair value measurement is based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset, or nonperformance risk which would include the reporting entity's own credit risk. SFAS 157 establishes a three-level fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The highest priority, Level 1, is given to quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs, other than quoted prices included in Level 1, for the asset or liability. Level 3 inputs, the lowest priority, include 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. We have certain guaranteed benefit features that, prior to January 1, 2008, were recorded using fair value pricing. These benefits will continue to be measured on a fair value basis with the adoption of SFAS 157, utilizing a number for Level 3, with some Level 2 inputs,

which are reflective of the hypothetical market participant perspective for fair value measurement. In addition, SFAS 157 expands the disclosure requirements for annual and interim reporting to focus on the inputs used to measure fair value, including those measurements using significant unobservable inputs, and the effects of the measurements on earnings. We adopted SFAS 157 for all of our financial instruments effective January 1, 2008 and expect to record a charge of between $25 million and $75 million to net income attributable to changes in the fair value of guaranteed benefit reserves and indexed annuities reported in our Individual Markets - Annuities segment.

SFAS NO. 159 -- THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which allows an entity to make an irrevocable election, on specific election dates, to measure eligible items at fair value. The election to measure an item at fair value may be determined on an instrument by instrument basis, with certain exceptions. If the fair value option is elected, unrealized gains and losses will be recognized in earnings at each subsequent reporting date, and any upfront costs and fees related to the item will be recognized in earnings as incurred. In addition, the presentation and disclosure requirements of SFAS 159 are designed to assist in the comparison between entities that select different measurement attributes for similar types of assets and liabilities. SFAS 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS 157. At the effective date, the fair value option may be elected for eligible items that exist on that date. Effective January 1, 2008, we elected not to adopt the fair value option for any financial assets or liabilities that existed as of January 1, 2008.

SFAS NO. 141(R) -- BUSINESS COMBINATIONS

In December 2007, the FASB issued SFAS No. 141(R) "Business Combinations" ("SFAS 141(R)") - a revision to SFAS 141, which aims to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141(R) retains the fundamental requirements of SFAS 141, broadens its scope by applying the acquisition method to all transactions and other events in which one entity obtains control over one or more other businesses, and requires, among other things, that assets acquired and liabilities assumed be measured at fair value as of the acquisition date, liabilities related to contingent consideration be recognized at the acquisition date and remeasured at fair value in each subsequent reporting period, acquisition-related costs be expensed as incurred and that income be recognized if the fair value of the net assets acquired exceeds the fair value of the consideration transferred. SFAS 141(R) applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after December 15, 2008.

SFAS NO. 160 -- NONCONTROLLING INTERESTS IN CONSOLIDATED FINANCIAL STATEMENTS -- AN AMENDMENT OF ACCOUNTING RESEARCH BULLETIN NO. 51

In December 2007, the FASB issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51A" ("SFAS 160"), which aims to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards surrounding noncontrolling interests, or minority interests, which are the portions of equity in a subsidiary not attributable, directly or indirectly, to a parent. The ownership interests in



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subsidiaries held by parties other than the parent shall be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the noncontrolling interest must be clearly identified and presented on the face of the consolidated statement of income. Changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary must be accounted for consistently as equity transactions. A parent's ownership interest in a subsidiary changes if the parent purchases additional ownership interests in its subsidiary or sells some of its ownership interests in its subsidiary and if the subsidiary reacquires some of its ownership interests or issues additional ownership interests. When a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary must be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any noncontrolling equity investment rather than the carrying amount of that retained investment. Entities must provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We expect to adopt SFAS 160 effective January 1, 2009, and are currently evaluating the effects of SFAS 160 on our consolidated financial condition and results of operations.

DERIVATIVE IMPLEMENTATION GROUP STATEMENT 133 IMPLEMENTATION ISSUE NO. E23 --

ISSUES INVOLVING THE APPLICATION OF THE SHORTCUT METHOD UNDER PARAGRAPH 68

In December 2007, the FASB issued DIG Statement 133 Implementation Issue No. E23, "Issues Involving the Application of the Shortcut Method under Paragraph 68" ("DIG E23"), which gives clarification to the application of the shortcut method of accounting for qualifying fair value hedging relationship involving an interest-bearing financial instrument and/or an interest rate swap, originally outlined in paragraph 68 in SFAS 133. DIG E23 clarifies that the shortcut method may be applied to a qualifying fair value hedge when the relationship is designated on the trade date of both the swap and the hedged item (for example, debt), even though the hedged item is not recognized for accounting purposes until the transaction settles (that is, until its settlement date), provided that the period of time between the trade date and the settlement date of the hedged item is within established conventions for that marketplace. DIG E23 also clarifies that Paragraph 68(b) is met for an interest rate swap that has a non-zero fair value at the inception of the hedging relationship provided that the swap was entered into at the hedge's inception for a transaction price of zero and the non-zero fair value is due solely to the existence of a bid-ask spread in the entity's principal market (or most advantageous market, as applicable) under SFAS 157. The interest rate swap would be reported at its fair value as determined under SFAS 157. DIG E23 is effective for hedging relationships designated on or after January 1, 2008. The adoption of DIG E23 is not expected to have a material impact on our consolidated financial condition or results of operations.

FSP FAS140-3 -- ACCOUNTING FOR TRANSFERS OF FINANCIAL ASSETS AND REPURCHASE FINANCING TRANSACTIONS

In February 2008, the FASB issued FSP No. FAS 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions" ("FSP 140-3"). The guidance in FSP 140-3 provides accounting and reporting standards for transfers of financial assets. This FSP applies to a repurchase financing, which is a repurchase agreement that relates to a previously transferred financial asset between the same counterparties (or consolidated affiliates of either counterparty), that is entered into contemporaneously with, or in contemplation of, the initial transfer. FSP 140-3 shall be effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years and shall be applied prospectively to initial transfers and repurchase financings for which the initial transfer is executed on or after the beginning of the fiscal year in which FSP 140-3 is initially applied. We are evaluating the expected effect on our consolidated financial condition and results of operations.

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3. ACQUISITION AND DIVIDEND OF FPP

JEFFERSON-PILOT MERGER

On April 3, 2006, LNC completed its merger with Jefferson-Pilot by acquiring 100% of the outstanding shares of Jefferson-Pilot in a transaction accounted for under the purchase method of accounting prescribed by SFAS 141. At that time, JPL, JPLA and JPFIC became wholly-owned by LNC.

SFAS 141 requires that the total purchase price be allocated to the assets acquired and liabilities assumed based on their fair values at the merger date. The associated fair values of JPL, JPLA and JPFIC at April 3, 2006 were "pushed down" to LNL's consolidated financial statements in accordance with push down accounting rules.

The fair value of the specifically identifiable net assets acquired in the merger was $4.3 billion. Goodwill of $2.6 billion resulted from the excess of purchase price over the fair value of the net assets. The amount of goodwill that was expected to be deductible for tax purposes was approximately $23 million. LNC paid a premium over the fair value of the net assets for a number of potential strategic and financial benefits that are expected to be realized as a result of the merger including, but not limited to, the following:

- - Greater size and scale with improved earnings diversification and strong financial flexibility;
- - Broader, more balanced product portfolio;
- - Larger distribution organization; and
- - Value creation opportunities through expense savings and revenue enhancements across business units.



<Page>

The following table summarizes the fair values of the net assets acquired (in millions) as of the acquisition date:

<Table>
<Caption>

| <S> | FAIR VALUE <C> |
|---|---|
| Investments | $ 27,384 |
| Reinsurance recoverables | 1,193 |
| Value of business acquired | 2,489 |

| | |
|---|---|
| Goodwill | 2,622 |
| Other assets | 1,135 |
| Separate account assets | 2,574 |
| Future contract benefits and other contract holder funds | (26,677) |
| Income tax liabilities | (382) |
| Accounts payable, accruals and other liabilities | (841) |
| Separate accounts liabilities | (2,574) |
| Total purchase price | $ 6,923 |

</Table>

The goodwill (in millions) resulting from the merger was allocated to the following segments:

<Table>
<Caption>

| <S> | GOODWILL <C> |
|---|---|
| Individual Markets: | |
| Life Insurance | $ 1,346 |
| Annuities | 1,002 |
| Total Individual Markets | 2,348 |
| Employer Markets: Group Protection | 274 |
| Total goodwill | $ 2,622 |

</Table>

DIVIDEND OF FPP

On May 3, 2007, LNL made a dividend to LNC that transferred ownership of our formerly wholly-owned subsidiary, FPP, to LNC. The following table summarizes the dividend of FPP to LNC (in millions):

<Table>
<Caption>

| <S> | DIVIDENDED VALUE <C> |
|---|---|
| Investments | $ 1,809 |
| Cash and invested cash | 20 |
| Deferred acquisition costs and value of business acquired | 246 |
| Premiums and fees receivable | 2 |
| Accrued investment income | 24 |
| Reinsurance recoverables | 669 |
| Goodwill | 2 |
| Future contract benefits | (705) |
| Other contract holder funds | (1,509) |
| Other liabilities | (66) |
| Total dividend of FPP | $ 492 |

</Table>

The caption dividends declared, in the accompanying Consolidated Statements of Stockholder's Equity, includes the $492 million dividend of FPP presented above.

4. INVESTMENTS

AVAILABLE-FOR-SALE SECURITIES

The amortized cost, gross unrealized gains and losses and fair value of available-for-sale securities (in millions) were as follows:

<Table>
<Caption>

| | AS OF DECEMBER 31, 2007 | | | |
|---|---|---|---|---|
| | | GROSS UNREALIZED | | |
| <S> | AMORTIZED COST <C> | GAINS <C> | LOSSES <C> | FAIR VALUE <C> |
| Corporate bonds | $ 42,041 | $1,049 | $ 904 | $42,186 |
| U.S. Government bonds | 153 | 14 | -- | 167 |
| Foreign government bonds | 586 | 39 | 4 | 621 |
| Asset and mortgage-backed securities | 10,224 | 146 | 195 | 10,175 |
| State and municipal bonds | 143 | 2 | -- | 145 |
| Redeemable preferred stocks | 103 | 9 | 1 | 111 |
| Total fixed maturity securities | 53,250 | 1,259 | 1,104 | 53,405 |
| Equity securities | 132 | 9 | 7 | 134 |

| | | | | |
|---|---|---|---|---|
| Total available-for-sale securities | $ 53,382 | $1,268 | $1,111 | $53,539 |

</Table>



<Page>

<Table>
<Caption>

| <S> | AS OF DECEMBER 31, 2006 AMORTIZED COST <C> | GROSS UNREALIZED GAINS <C> | GROSS UNREALIZED LOSSES <C> | FAIR VALUE <C> |
|---|---|---|---|---|
| Corporate bonds | $ 44,049 | $1,043 | $ 283 | $44,809 |
| U.S. Government bonds | 218 | 7 | -- | 225 |
| Foreign government bonds | 689 | 58 | 2 | 745 |
| Asset and mortgage-backed securities | 8,607 | 88 | 69 | 8,626 |
| State and municipal bonds | 194 | 2 | 2 | 194 |
| Redeemable preferred stocks | 89 | 9 | -- | 98 |
| Total fixed maturity securities | 53,846 | 1,207 | 356 | 54,697 |
| Equity securities | 205 | 15 | 2 | 218 |
| Total available-for-sale securities | $ 54,051 | $1,222 | $ 358 | $54,915 |

</Table>

The amortized cost and fair value of fixed maturity available-for-sale securities by contractual maturities (in millions) were as follows:

<Table>
<Caption>

| <S> | AS OF DECEMBER 31, 2007 AMORTIZED COST <C> | FAIR VALUE <C> |
|---|---|---|
| Due in one year or less | $ 2,261 | $ 2,267 |
| Due after one year through five years | 11,217 | 11,489 |
| Due after five years through ten years | 15,437 | 15,315 |
| Due after ten years | 14,111 | 14,159 |
| Subtotal | 43,026 | 43,230 |
| Asset and mortgage-backed securities | 10,224 | 10,175 |
| Total available-for-sale fixed maturity securities | $ 53,250 | $53,405 |

</Table>

Actual maturities may differ from contractual maturities because issuers may have the right to call or pre-pay obligations.

The fair value and gross unrealized losses of available-for-sale securities (in millions), aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows:

<Table>
<Caption>

| | AS OF DECEMBER 31, 2007 | | | | | |
|---|---|---|---|---|---|---|
| | LESS THAN OR EQUAL TO TWELVE MONTHS | | GREATER THAN TWELVE MONTHS | | TOTAL | |
| <S> | FAIR VALUE <C> | GROSS UNREALIZED LOSSES <C> | FAIR VALUE <C> | GROSS UNREALIZED LOSSES <C> | FAIR VALUE <C> | GROSS UNREALIZED LOSSES <C> |
| Corporate bonds | $11,038 | $ 657 | $4,142 | $ 247 | $15,180 | $ 904 |
| U.S. Government bonds | -- | -- | 3 | -- | 3 | -- |
| Foreign government bonds | 81 | 4 | -- | -- | 81 | 4 |
| Asset and mortgage-backed securities | 2,194 | 142 | 1,793 | 53 | 3,987 | 195 |
| State and municipal bonds | 29 | -- | 15 | -- | 44 | -- |
| Redeemable preferred stocks | 13 | 1 | -- | -- | 13 | 1 |
| Total fixed maturity securities | 13,355 | 804 | 5,953 | 300 | 19,308 | 1,104 |
| Equity securities | 61 | 7 | -- | -- | 61 | 7 |
| Total available-for-sale securities | $13,416 | $ 811 | $5,953 | $ 300 | $19,369 | $ 1,111 |

| | |
|---|---|
| Total number of securities in an unrealized loss position | 2,263 |

</Table>



<Page>

<Table>
<Caption>

| | AS OF DECEMBER 31, 2006 | | | | | |
|---|---|---|---|---|---|---|
| | LESS THAN OR EQUAL TO TWELVE MONTHS | | GREATER THAN TWELVE MONTHS | | TOTAL | |
| | FAIR VALUE | GROSS UNREALIZED LOSSES | FAIR VALUE | GROSS UNREALIZED LOSSES | FAIR VALUE | GROSS UNREALIZED LOSSES |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Corporate bonds | $ 8,643 | $ 115 | $4,892 | $ 168 | $13,535 | $ 283 |
| U.S. Government bonds | 43 | -- | -- | -- | 43 | -- |
| Foreign government bonds | 56 | 1 | 62 | 1 | 118 | 2 |
| Asset and mortgage-backed securities | 1,911 | 13 | 2,227 | 56 | 4,138 | 69 |
| State and municipal bonds | 20 | 1 | 44 | 1 | 64 | 2 |
| Redeemable preferred stocks | -- | -- | 1 | -- | 1 | -- |
| Total fixed maturity securities | 10,673 | 130 | 7,226 | 226 | 17,899 | 356 |
| Equity securities | 50 | 2 | -- | -- | 50 | 2 |
| Total available-for-sale securities | $10,723 | $ 132 | $7,226 | $ 226 | $17,949 | $ 358 |
| Total number of securities in an unrealized loss position | | | | | | 1,451 |

</Table>

The fair value, gross unrealized losses (in millions) and number of available-for-sale securities, where the fair value had declined below amortized cost by greater than 20%, were as follows:

<Table>
<Caption>

| | AS OF DECEMBER 31, 2007 | | |
|---|---|---|---|
| | FAIR VALUE | GROSS UNREALIZED LOSSES | NUMBER OF SECURITIES |
| <S> | <C> | <C> | <C> |
| Less than six months | $ 133 | $ 48 | 22 |
| Six months or greater, but less than nine months | 425 | 137 | 30 |
| Nine months or greater, but less than twelve months | 363 | 109 | 17 |
| Twelve months or greater | 182 | 79 | 57 |
| Total available-for-sale securities | $1,103 | $ 373 | 126 |

</Table>

<Table>
<Caption>

| | AS OF DECEMBER 31, 2006 | | |
|---|---|---|---|
| | FAIR VALUE | GROSS UNREALIZED LOSSES | NUMBER OF SECURITIES |
| <S> | <C> | <C> | <C> |
| Less than six months | $ -- | $ -- | $ 5 |
| Six months or greater, but less than nine months | -- | -- | 2 |
| Nine months or greater, but less than twelve months | -- | -- | 1 |
| Twelve months or greater | 9 | 3 | 12 |
| Total available-for-sale securities | $ 9 | $ 3 | 20 |

</Table>

As described more fully in Note 1, LNC regularly reviews our investment holdings for other-than-temporary impairments. Based upon this review, the cause of the decline being principally attributable to changes in interest rates and credit spreads during the holding period and our current ability and intent to hold securities in an unrealized loss position for a period of time sufficient for recovery, LNC believes that these securities were not other-than-temporarily impaired as of December 31, 2007 and 2006.

TRADING SECURITIES

Trading securities at fair value retained in connection with Modco and CFW reinsurance arrangements (in millions) consisted of the following:

| | AS OF DECEMBER 31, 2007 | 2006 |
|---|---|---|
| Corporate bonds | $1,817 | $2,140 |
| U.S. Government bonds | 366 | 331 |
| Foreign government bonds | 45 | 45 |
| Asset and mortgage-backed securities: | | |
| Mortgage pass-through securities | 21 | 24 |
| Collateralized mortgage obligations | 153 | 111 |
| Commercial mortgage-backed securities | 104 | 133 |
| Other asset-backed securities | -- | 8 |
| State and municipal bonds | 17 | 18 |
| Redeemable preferred stocks | 8 | 8 |
| Total fixed maturity securities | 2,531 | 2,818 |
| Equity securities | 2 | 2 |
| Total trading securities | $2,533 | $2,820 |

The portion of market adjustment for trading securities still held at December 31, 2007, 2006 and 2005 was a loss of $8 million, $48 million and $70 million, respectively.

MORTGAGE LOANS ON REAL ESTATE

Mortgage loans on real estate principally involve commercial real estate. The commercial loans are geographically diversified throughout the United States, with the largest concentrations in California and Texas, which accounted for approximately 29% of mortgage loans as of December 31, 2007.



NET INVESTMENT INCOME

The major categories of net investment income (in millions) were as follows:

| | FOR THE YEARS ENDED DECEMBER 31, 2007 | 2006 | 2005 |
|---|---|---|---|
| Available-for-sale fixed maturity securities | $3,264 | $2,979 | $1,959 |
| Available-for-sale equity securities | 19 | 11 | 7 |
| Trading securities | 163 | 181 | 176 |
| Mortgage loans on real estate | 491 | 466 | 288 |
| Real estate | 53 | 37 | 48 |
| Policy loans | 172 | 158 | 118 |
| Invested cash | 49 | 53 | 46 |
| Other investments | 155 | 147 | 61 |
| Investment income | 4,366 | 4,032 | 2,703 |
| Less investment expense | 178 | 163 | 111 |
| Net investment income | $4,188 | $3,869 | $2,592 |

REALIZED LOSS

The detail of the realized loss (in millions) was as follows:

| | FOR THE YEARS ENDED DECEMBER 31, 2007 | 2006 | 2005 |
|---|---|---|---|
| Available-for-sale fixed maturity securities: | | | |
| Gross gains | $ 120 | $ 119 | $ 111 |
| Gross losses | (176) | (97) | (89) |
| Available-for-sale equity securities: | | | |

| | | | |
|---|---|---|---|
| Gross gains | 3 | 2 | 10 |
| Gross losses | (111) | -- | -- |
| Gain on other investments | 22 | 5 | 1 |
| Associated amortization of DAC, VOBA, DSI, DFEL and changes in other contract holder funds | 29 | (37) | (53) |
| Total realized loss on investments, excluding trading securities | (113) | (8) | (20) |
| Loss on derivative instruments, excluding reinsurance embedded derivatives | (2) | 2 | (2) |
| Associated amortization of DAC, VOBA, DSI, DFEL and changes in other contract holder funds | 1 | -- | 1 |
| Total realized loss on investments and derivative instruments | (114) | (6) | (21) |
| Gain on reinsurance embedded derivative/trading securities | 2 | 4 | 5 |
| Total realized loss | $(112) | $ (2) | $ (16) |
| Write-downs for other-than-temporary impairments included in realized loss on investments above | $(257) | $ (62) | $ (18) |

</Table>

SECURITIES LENDING

The carrying values of the securities pledged under securities lending agreements were $655 million and $1.0 billion as of December 31, 2007 and 2006. The fair values of these securities were $634 million and $989 million as of December 31, 2007 and 2006, respectively.

REVERSE REPURCHASE AGREEMENTS

The carrying values of securities pledged under reverse repurchase agreements were $480 million as of December 31, 2007 and 2006. The fair values of these securities were $502 million and $500 million as of December 31, 2007 and 2006, respectively.

INVESTMENT COMMITMENTS

As of December 31, 2007, our investment commitments for fixed maturity securities, limited partnerships, real estate and mortgage loans on real estate were $1.2 billion, which includes $281 million of standby commitments to purchase real estate upon completion and leasing.

CONCENTRATIONS OF FINANCIAL INSTRUMENTS

As of December 31, 2007 and 2006, we did not have a significant concentration of financial instruments in a single investee, industry or geographic region of the U.S.

CREDIT-LINKED NOTES

As of December 31, 2007 and 2006, other contract holder funds on our Consolidated Balance Sheets included $1.2 billion and $700 million, respectively, outstanding in funding agreements. We invested the proceeds of $850 million received for issuing three funding agreements in 2006 and 2007 into three separate credit-linked notes originated by third party companies and $300 million of such agreements were assumed as a result of the merger of Jefferson-Pilot into LNL. The $850 million of credit-linked notes are classified as asset-backed securities and are included in our fixed maturity securities on our Consolidated Balance Sheets. The $300 million of investments which were assumed as a result of the merger were classified as corporate bonds and are included in our fixed maturity securities on our Consolidated Balance Sheets.

We earn a spread between the coupon received on the credit-linked note and the interest credited on the funding agreement. Our credit linked notes were created using a trust that combines highly rated assets with credit default swaps to produce a multi-class structured security. The asset backing two of these credit-linked notes is a mid-AA rated asset-backed security secured by a pool of credit card receivables. The third credit-linked note is backed by a pool of assets which are guaranteed by MBIA, Inc, a financial guarantor and are mid-AA rated. Our affiliate, Delaware Investments, actively manages the credit default swaps in the underlying portfolio.

Consistent with other debt market instruments, we are exposed to credit losses within the structure of the credit-linked notes, which could result in principal losses to our investments if the issuers of the debt market instruments default on their obligations. However, we have attempted to protect our investments from credit losses through the multi-tiered class structure of the credit-linked note, which requires the



<Page>

subordinated classes of the investment pool to absorb all of the initial credit losses. We own the mezzanine tranche of these investments, which currently carries a mid-AA rating. To date, there have been no defaults in any of the underlying collateral pools. Similar to other debt market instruments our maximum principal loss is limited to our original investment of $850 million as of December 31, 2007.

The fair market value of these investments has declined, causing unrealized losses. As of December 31, 2007, we had unrealized losses of $190 million on the $850 million in credit linked notes. As described more fully in Note 1, we regularly review our investment holdings for other-than-temporary impairments. Based upon this review, we believe that these securities were not other-than-temporarily impaired as of December 31, 2007 and 2006.

The following summarizes information regarding our investments in these securities (dollars in millions):

| | AMOUNT AND DATE OF ISSUANCE | | |
|---|---|---|---|
| | $400 DECEMBER 2006 | $200 APRIL 2007 | $250 APRIL 2007 |
| Amount of subordination(1) | $ 2,184 | $ 410 | $ 1,167 |
| Maturity | 12/20/16 | 3/20/17 | 6/20/17 |
| Current rating of tranche(1) | AA | Aa2 | AA |
| Number of entities(1) | 125 | 100 | 102 |
| Number of countries(1) | 20 | 21 | 14 |

- ----------

(1) As of December 31, 2007.

- --------------------------------------------------------------------------------

## 5. DERIVATIVE INSTRUMENTS

### TYPES OF DERIVATIVE INSTRUMENTS AND DERIVATIVE STRATEGIES

We maintain an overall risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate risk, foreign currency exchange risk, equity market risk and credit risk. We assess these risks by continually identifying and monitoring changes in interest rate exposure, foreign currency exposure, equity market exposure and credit exposure that may adversely impact expected future cash flows and by evaluating hedging opportunities. Derivative instruments that are currently used as part of our interest rate risk management strategy include interest rate swaps and interest rate caps. Derivative instruments that are used as part of our foreign currency risk management strategy include foreign currency swaps. Call options on LNC stock and call options on the S&P 500 Index(R) are used as part of our equity market risk management strategy. We also use credit default swaps as part of our credit risk management strategy.

As of December 31, 2007 and 2006, we had derivative instruments that were designated and qualified as cash flow hedges. We also had derivative instruments that were economic hedges, but were not designated as hedging instruments under SFAS 133. See Note 1 for a detailed discussion of the accounting treatment for derivative instruments.

Our derivative instruments are monitored by LNC's risk management committee as part of that committee's oversight of our derivative activities. LNC's risk management committee is responsible for implementing various hedging strategies that are developed through its analysis of financial simulation models and other internal and industry sources. The resulting hedging strategies are incorporated into our overall risk management strategies.

Our hedging strategy is designed to mitigate the risk and income statement volatility caused by changes in the equity markets, interest rates and volatility associated with the LINCOLN SMARTSECURITY(R) Advantage GMWB feature, the 4LATER(R) Advantage GIB feature and the i4LIFE(R) Advantage GIB feature that is available in our variable annuity products. This GMWB feature offers the contract holder a guarantee equal to the initial deposit adjusted for any subsequent purchase payments or withdrawals. There are one-year and five-year step-up options, which allow the contract holder to step up the guarantee. GMWB features are considered to be derivatives under SFAS 133, resulting in the guarantees being recognized at estimated fair value, with changes in estimated fair value being reported in net income. The hedging strategy is designed such that changes in the value of the hedge contracts move in the opposite direction of changes in the value of the embedded derivative of the GMWB and GIB. As part of our current hedging program, contract holder behavior, available equity, interest rate and volatility in market conditions are monitored on a daily basis. We rebalance our hedge positions based upon changes in these factors as needed. While we actively manage our hedge positions, our hedge positions may not be totally effective to offset changes in assets and liabilities caused by movements in these factors due to, among other things, differences in timing between when a market exposure changes and corresponding changes to the hedge positions, extreme swings in the equity markets and interest rates, market volatility, contract holder behavior, divergence between the performance of the underlying funds and the hedging indices, divergence between the actual and expected performance of the hedge instruments, or our ability to purchase hedging instruments at prices consistent with our desired risk and return trade-off.

We have certain Modco and CFW reinsurance arrangements with embedded derivatives related to the withheld assets of the related funds. These derivatives are considered total return swaps with contractual returns that are attributable to various assets and liabilities associated with these reinsurance arrangements. Changes in the estimated fair value of these derivatives are recorded in net income as they occur. Offsetting these amounts



<Page>

are corresponding changes in the estimated fair value of trading securities in portfolios that support these arrangements.

We also distribute indexed annuity contracts. These contracts permit the holder to elect an interest rate return or an equity market component, where interest credited to the contracts is linked to the performance of the S&P 500 Index(R). Contract holders may elect to rebalance index options at renewal dates, either annually or biannually. At each renewal date, we have the opportunity to re-price the indexed component by establishing participation rates, subject to minimum guarantees. We purchase S&P 500 Index(R) call options that are highly correlated to the portfolio allocation decisions of our contract holders, such that we are economically hedged with respect to equity returns for the current reset period. The mark-to-market of the options held impacts net investment income and generally offsets the change in value of the embedded derivative within the indexed annuity, which is recorded as a component of interest credited to contract holders. SFAS 133 requires that we calculate fair values of index options we may purchase in the future to hedge contract holder index allocations in future reset periods. These fair values represent an estimate of the cost of the options we will purchase in the future, discounted back to the date of the Consolidated Balance Sheets, using current market indicators of volatility and interest rates. Changes in the fair values of these liabilities are included in interest credited. The notional amounts of contract holder fund balances allocated to the equity-index options were $2.9 billion and $2.4 billion as of December 31, 2007 and 2006, respectively.

We have derivative instruments with off-balance-sheet risks whose notional or contract amounts exceed the credit exposure. Outstanding derivative instruments with off-balance-sheet risks, shown in notional amounts along with their carrying values and estimated fair values (in millions), were as follows:

<Table>
<Caption>

| | AS OF DECEMBER 31, | | | |
|---|---|---|---|---|
| | | | ASSETS (LIABILITIES) | |
| | NOTIONAL AMOUNTS | | CARRYING OR FAIR VALUE | |
| | 2007 | 2006 | 2007 | 2006 |
| <S> | <C> | <C> | <C> | <C> |
| Cash flow hedges | | | | |
| Interest rate swap agreements | $1,372 | $1,188 | $ (5) | $ 8 |
| Foreign currency swaps | 366 | 86 | (17) | (7) |
| Call options (based on LNC stock) | -- | -- | 1 | 4 |
| Total cash flow hedges | 1,738 | 1,274 | (21) | 5 |
| All other derivative instruments | | | | |
| Interest rate cap agreements | 4,100 | 5,950 | 2 | 3 |
| Credit default swaps | 60 | 20 | -- | -- |
| Call options (based on LNC stock) | 1 | 1 | 13 | 18 |
| Call options (based on S&P 500 Index(R)) | 2,858 | 2,357 | 149 | 185 |
| Total other derivative instruments | 7,019 | 8,328 | 164 | 206 |
| Embedded derivatives per SFAS 133 | -- | -- | (412) | (132) |
| Total derivative instruments(1) | $8,757 | $9,602 | $(269) | $ 79 |

</Table>

- ----------

(1) Total derivative instruments as of December 31, 2007 were composed of an asset of $172 million recorded in derivative investments, a $230 million liability recorded in other contract holder funds and a liability of $211 million recorded in reinsurance related derivative liability on our Consolidated Balance Sheets. Total derivative instruments as of December

31, 2006 were composed of an asset of $245 million recorded in derivative investments, a $52 million contra-liability recorded in future contract benefits and a liability of $218 million recorded in reinsurance related derivative liability on our Consolidated Balance Sheets.

DERIVATIVE INSTRUMENTS DESIGNATED AS CASH FLOW HEDGES

We designate and account for the following as cash flow hedges, when they have met the requirements of SFAS 133: 1) interest rate swap agreements; 2) foreign currency swaps; and 3) call options on LNC stock. We recognized a gain (loss) of $1 million and $(1) for the years ended December 31, 2007 and 2006, in net income as a component of realized investment gains and losses, related to the ineffective portion of cash flow hedges. We recognized a loss of $2 million for the year ended December 31, 2007, a gain of $2 million for the year ended December 31, 2006 and a loss of $2 million for the year ended December 31, 2005 in OCI related to the change in market value on derivative instruments that were designated and qualify as cash flow hedges.

Gains and losses on derivative contracts that qualify as cash-flow hedges are reclassified from accumulated OCI to current period earnings. As of December 31, 2007, $4 million of the deferred net gains on derivative instruments in accumulated OCI were expected to be reclassified to earnings during 2008. This reclassification is primarily due to the receipt of interest payments associated with variable rate securities and forecasted purchases,



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payment of interest on our senior debt, the receipt of interest payments associated with foreign currency securities and the periodic vesting of stock appreciation rights ("SARs").

For the years ended December 31, 2007, 2006 and 2005, there were no material reclassifications to earnings due to hedged firm commitments no longer deemed probable or due to hedged forecasted transactions that had not occurred by the end of the originally specified time period.

INTEREST RATE SWAP AGREEMENTS
We use a portion of our interest rate swap agreements to hedge our exposure to floating rate bond coupon payments, replicating a fixed rate bond. An interest rate swap is a contractual agreement to exchange payments at one or more times based on the actual or expected price level, performance or value of one or more underlying interest rates. We are required to pay the counterparty the stream of variable interest payments based on the coupon payments from the hedged bonds, and in turn, receive a fixed payment from the counterparty, at a predetermined interest rate. The net receipts/payments from these interest rate swaps are recorded in net investment income. Gains or losses on interest rate swaps hedging our interest rate exposure on floating rate bond coupon payments are reclassified from accumulated OCI to net income as the related bond interest is accrued. The open interest rate swap positions as of December 31, 2007 expire in 2008 through 2026.

FOREIGN CURRENCY SWAPS
We use foreign currency swaps, which are traded over-the-counter, to hedge some of the foreign exchange risk of investments in fixed maturity securities denominated in foreign currencies. A foreign currency swap is a contractual agreement to exchange the currencies of two different countries at a specified rate of exchange in the future. Gains or losses on foreign currency swaps hedging foreign exchange risk exposure on foreign currency bond coupon payments are reclassified from accumulated OCI to net income as the related bond interest is accrued. The open foreign currency swap positions as of December 31, 2007 expire in 2014 through 2022.

CALL OPTIONS (BASED ON LNC STOCK)
We use call options on LNC stock to hedge the expected increase in liabilities arising from SARs granted on LNC stock. Upon option expiration, the payment, if any, is the increase in LNC stock price over the strike price of the option applied to the number of contracts. Call options hedging vested SARs are not eligible for hedge accounting and are marked-to-market through net income. Call options hedging non-vested SARs are eligible for hedge accounting and are accounted for as cash flow hedges of the forecasted vesting of the SAR liabilities. To the extent that the cash flow hedges are effective, changes in the fair value of the call options are recorded in accumulated OCI. Amounts recorded in OCI are reclassified to net income upon vesting of the related SARs. Our call option positions will be maintained until such time the related SARs are either exercised or expire and our SARs liabilities are extinguished. The SARs expire five years from the date of grant.

ALL OTHER DERIVATIVE INSTRUMENTS

We use various other derivative instruments for risk management and income generation purposes that either do not qualify for hedge accounting treatment or have not currently been designated by us for hedge accounting treatment.

INTEREST RATE CAP AGREEMENTS
The interest rate cap agreements entitle us to receive quarterly payments from

the counterparties on specified future reset dates, contingent on future interest rates. For each cap, the amount of such quarterly payments, if any, is determined by the excess of a market interest rate over a specified cap rate multiplied by the notional amount divided by four. The purpose of our interest rate cap agreement program is to provide a level of protection from the effect of rising interest rates for our annuity business, within both our Individual Markets and Employer Markets businesses. The interest rate cap agreements provide an economic hedge of the annuity line of business. However, the interest rate cap agreements do not qualify for hedge accounting under SFAS 133. The open interest rate cap agreements as of December 31, 2007 expire in 2008 through 2011.

CREDIT DEFAULT SWAPS

We buy credit default swaps to hedge against a drop in bond prices due to credit concerns of certain bond issuers. A credit default swap allows us to put the bond back to the counterparty at par upon a default event by the bond issuer. A default event is defined as bankruptcy, failure to pay, obligation acceleration or restructuring. Our credit default swaps are not currently qualified for hedge accounting under SFAS 133, as amounts are insignificant. As of December 31, 2007, we had no outstanding purchased credit default swaps.

We also sell credit default swaps to offer credit protection to investors. The credit default swaps hedge the investor against a drop in bond prices due to credit concerns of certain bond issuers. A credit default swap allows the investor to put the bond back to us at par upon a default event by the bond issuer. A default event is defined as bankruptcy, failure to pay, obligation acceleration or restructuring. The open credit default swaps as of December 31, 2007 expire in 2010 through 2012.

CALL OPTIONS (BASED ON LNC STOCK)

We use call options on our stock to hedge the expected increase in liabilities arising from SARs granted on our stock. Call options hedging vested SARs are not eligible for hedge accounting treatment under SFAS 133. Mark-to-market changes are recorded in net income in underwriting, acquisition, insurance and other expenses on our Consolidated Statements of Income.

CALL OPTIONS (BASED ON S&P 500 INDEX(R))

We use indexed annuity contracts to permit the holder to elect an interest rate return or an equity market component, where interest credited to the contracts is linked to the performance of the S&P 500 Index(R). Contract holders may elect to rebalance index options at renewal dates, either annually or biannually. At each renewal date, we have the opportunity to re-price the indexed component by establishing participation rates, subject to minimum guarantees. We purchase call options that are highly correlated to the portfolio allocation





decisions of our contract holders, such that we are economically hedged with respect to equity returns for the current reset period. The mark-to-market of the options held impacts net investment income and generally offsets the change in value of the embedded derivative within the indexed annuity, which is recorded as a component of interest credited on our Consolidated Statements of Income. The open positions as of December 31, 2007 expire in 2008 through 2009.

We also calculate fair values of index options we may purchase in the future to hedge contract holder index allocations in future reset periods. These fair values represent an estimate of the cost of the options we will purchase in the future, discounted back to the date of the Consolidated Balance Sheets, using current market indicators of volatility and interest rates. Changes in the fair values of these liabilities are included as a component of interest credited on our Consolidated Statements of Income.

EMBEDDED DERIVATIVES

DEFERRED COMPENSATION PLANS

We have certain deferred compensation plans that have embedded derivative instruments. The liability related to these plans varies based on the investment options selected by the participants. The liability related to certain investment options selected by the participants is marked-to-market through net income in underwriting, acquisition, insurance and other expenses on our Consolidated Statements of Income.

MODCO AND CFW ARRANGEMENTS

We are involved in various Modco and CFW reinsurance arrangements that have embedded derivatives. The change in fair value of the embedded derivatives, as well as the gains or losses on trading securities supporting these arrangements, are recorded in net income as realized gains or losses on our Consolidated Statements of Income.

VARIABLE ANNUITY PRODUCTS

We have certain variable annuity products with GMWB and GIB features that are embedded derivatives. The change in fair value of the embedded derivatives flows through net income as benefits on our Consolidated Statements of Income. As of December 31, 2007 and 2006, we had approximately $18.9 billion and $13.8

billion, respectively, of separate account values that were attributable to variable annuities with a GMWB feature. As of December 31, 2007 and 2006, we had approximately $4.9 billion and $2.7 billion, respectively, of separate account values that were attributable to variable annuities with a GIB feature. All of the outstanding contracts with a GIB feature are still in the accumulation phase.

We implemented a hedging strategy designed to mitigate the income statement volatility caused by changes in the equity markets, interest rates, and volatility associated with GMWB and GIB features. The hedging strategy is designed such that changes in the value of the hedge contracts move in the opposite direction of changes in the value of the embedded derivatives of the GMWB and GIB contracts subject to the hedging strategy. While we actively manage our hedge positions, these hedge positions may not be totally effective in offsetting changes in the embedded derivative due to, among other things, differences in timing between when a market exposure changes and corresponding changes to the hedge positions, extreme swings in the equity markets and interest rates, market volatility, contract holder behavior, divergence between the performance of the underlying funds and the hedging indices, divergence between the actual and expected performance of the hedge instruments and our ability to purchase hedging instruments at prices consistent with our desired risk and return trade-off.

AVAILABLE-FOR-SALE SECURITIES

We own various debt securities that either: 1) contain call options to exchange the debt security for other specified securities of the borrower, usually common stock; or 2) contain call options to receive the return on equity-like indexes. These embedded derivatives have not been qualified for hedge accounting treatment under SFAS 133; therefore, the change in fair value of the embedded derivatives flows through net investment income.

ADDITIONAL DERIVATIVE INFORMATION

Income other than realized gains and losses for the agreements and contracts described above amounted to $7 million, $78 million and $14 million during the years ended December 31, 2007, 2006 and 2005, respectively.

We have used certain other derivative instruments in the past for hedging purposes. Although other derivative instruments may have been used in the past, derivative types that were not outstanding from January 1, 2005 through December 31, 2007 are not discussed in this disclosure.

CREDIT RISK

We are exposed to credit loss in the event of nonperformance by our counterparties on various derivative contracts. However, we do not anticipate nonperformance by any of the counterparties. The credit risk associated with such agreements is minimized by purchasing such agreements from financial institutions with long-standing, superior performance records. Additionally, we maintain a policy of requiring all derivative contracts to be governed by an International Swaps and Derivatives Association ("ISDA") Master Agreement. We and LNC are required to maintain minimum ratings as a matter of routine practice in negotiating ISDA agreements. Under some ISDA agreements we have agreed to maintain certain financial strength or claims-paying ratings. A downgrade below these levels could result in termination of the derivatives contract at which time any amounts payable by us would be dependent on the market value of the underlying derivative contract. In certain transactions, we and the counterparty have entered into a collateral support agreement requiring us to post collateral upon significant downgrade. We do not believe the inclusion of termination or collateralization events pose any material threat to our liquidity position. The amount of such exposure is essentially the net replacement cost or market value less collateral held for such agreements with each counterparty if the net market value is in our favor. As of December 31, 2007 and 2006, the exposure was $164 million and $176 million, respectively.



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6. FEDERAL INCOME TAXES

The federal income tax expense (in millions) was as follows:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| <S> | <C> | <C> | <C> |
| Current | $372 | $244 | $111 |
| Deferred | 132 | 216 | 112 |
| Total federal income tax expense | $504 | $460 | $223 |

</Table>

The effective tax rate on pre-tax income was lower than the prevailing corporate federal income tax rate. Included in tax-preferred investment income was a separate account dividend received deduction benefit of $88 million, $80 million and $55 million for the years ended December 31, 2007, 2006 and 2005, respectively, exclusive of any prior years' tax return resolution.

A reconciliation of the effective tax rate differences (dollars in millions) was as follows:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Tax rate of 35% times pre-tax income | $ 610 | $ 568 | $ 303 |
| Effect of: | | | |
| Tax-preferred investment income | (88) | (80) | (63) |
| Tax credits | (22) | (21) | (14) |
| Other | 4 | (7) | (3) |
| Provision for income taxes | $ 504 | $ 460 | $ 223 |
| Effective tax rate | 29% | 28% | 26% |

</Table>

The federal income tax liability (in millions), which is included in other liabilities on our Consolidated Balance Sheets, was as follows:

<Table>
<Caption>

| | AS OF DECEMBER 31, | |
|---|---|---|
| | 2007 | 2006 |
| Current | $390 | $ 13 |
| Deferred | 239 | 615 |
| Total federal income tax liability | $629 | $628 |

</Table>

Significant components of our deferred tax assets and liabilities (in millions) were as follows:

<Table>
<Caption>

| | AS OF DECEMBER 31, | |
|---|---|---|
| | 2007 | 2006 |
| DEFERRED TAX ASSETS | | |
| Future contract benefits and other contract holder funds | $1,904 | $1,473 |
| Reinsurance deferred gain | 244 | 265 |
| Net operating and capital loss carryforwards | -- | 23 |
| Modco embedded derivative | 74 | 76 |
| Postretirement benefits other than pensions | 8 | 7 |
| Compensation and benefit plans | 175 | 149 |
| Ceding commission asset | 7 | 9 |
| Other | 139 | 147 |
| Total deferred tax assets | 2,551 | 2,149 |
| DEFERRED TAX LIABILITIES | | |
| DAC | 1,962 | 1,555 |
| Net unrealized gain on available-for-sale securities | 47 | 306 |
| Net unrealized gain on trading securities | 71 | 74 |
| Present value of business in-force | 589 | 619 |
| Other | 121 | 210 |
| Total deferred tax liabilities | 2,790 | 2,764 |
| Net deferred tax liability | $ 239 | $ 615 |

</Table>

LNL and its affiliates, with the exception of JPL, JPFIC and JPLA as noted below, are part of a consolidated federal income tax filing with LNC. JPL filed a separate federal income tax return until its merger with LNL on April 2, 2007. JPFIC filed a separate federal income tax return until its merger into LNL on July 2, 2007. JPLA was part of a consolidated federal income tax filing with

JPFIC until its merger into LNL on April 2, 2007.

We are required to establish a valuation allowance for any gross deferred tax assets that are unlikely to reduce taxes payable in future years' tax returns. As of December 31, 2007 and 2006, we concluded that it was more likely than not that all gross deferred tax assets will reduce taxes payable in future years. Accordingly, no valuation allowance was necessary as of December 31, 2007 and 2006.

Under prior federal income tax law, one-half of the excess of a life insurance company's income from operations over its taxable investment income was not taxed, but was set aside in a special tax account designated as "Policyholders Surplus." On October 22, 2004, President Bush signed into law the "American Jobs Creation Act of 2004." In 2005 and 2006, the additional tax imposed on distributions from the special tax account, "Policyholders Surplus," was suspended. In addition, the statute provided that distributions made during the two-year suspension period would first reduce the Policyholders Surplus account balance. Our 2005 and 2006 dividend activity



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along with that of our insurance subsidiaries eliminated the account balance during the suspension period.

As discussed in Note 2, we adopted FIN 48 on January 1, 2007 and had unrecognized tax benefits of $272 million, of which $134 million, if recognized, would impact our income tax expense and our effective tax rate. We anticipate a change to our unrecognized tax benefits within the next 12 months in the range of $0 to $12 million. A reconciliation of the unrecognized tax benefits (in millions) was as follows:

<Table>
<Caption>

| | FOR THE YEAR ENDED DECEMBER 31, 2007 |
|---|---|
| <S> | <C> |
| Balance at beginning-of-year | $ 272 |
| Increases for prior year tax positions | 5 |
| Decreases for prior year tax positions | (1) |
| Increases for current year tax positions | 21 |
| Decreases for current year tax positions | (7) |
| Balance at end-of-year | $ 290 |

</Table>

We recognize interest and penalties accrued, if any, related to unrecognized tax benefits as a component of tax expense.

During the years ended December 31, 2007, 2006 and 2005, we recognized interest and penalty expense related to uncertain tax positions of $19 million, $13 million and $3 million, respectively. We had accrued interest and penalty expense related to the unrecognized tax benefits of $64 million and $45 million as of December 31, 2007 and 2006, respectively.

The LNC consolidated group is subject to annual tax examinations from the Internal Revenue Service ("IRS"). During the first quarter of 2006, the IRS completed its examination for the tax years 1999 through 2002 with assessments resulting in a payment that was not material to the results of operations. In addition to taxes assessed and interest, the payment included a deposit relating to a portion of the assessment, which LNC continues to challenge. LNC believes this portion of the assessment is inconsistent with existing law and is protesting it through the established IRS appeals process. We do not anticipate that any adjustments that might result from such audits would be material to our results of operations or financial condition. The LNC consolidated group is currently under audit by the IRS for years 2003 and 2004. The former Jefferson-Pilot Corporation and its subsidiaries are currently under examination by the IRS for the years 2004 and 2005.

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7. DAC, VOBA and DSI

Changes in DAC (in millions) were as follows:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, 2007 | 2006 | 2005 |
|---|---|---|---|
| <S> | <C> | <C> | <C> |

| | | | |
|---|---|---|---|
| Balance at beginning-of-year | $ 4,577 | $ 3,676 | $ 2,904 |
| Cumulative effect of adoption of SOP 05-1 | (31) | -- | -- |
| Dividend of FPP | (246) | -- | -- |
| Deferrals | 2,002 | 1,479 | 934 |
| Amortization, net of interest: | | | |
| Unlocking | 29 | 25 | 111 |
| Other amortization | (710) | (651) | (538) |
| Adjustment related to realized (gains) losses on available-for-sale securities and derivatives | 48 | (38) | (48) |
| Adjustment related to unrealized losses on available-for-sale securities and derivatives | 96 | 86 | 313 |
| Balance at end-of-year | $ 5,765 | $ 4,577 | $ 3,676 |

</Table>

For the year ended December 31, 2007, the unlocking total includes $26 million in prospective unlocking from updates to assumptions for experience, $(50) million in model refinements and $53 million in retrospective unlocking. For the year ended December 31, 2006, the unlocking total includes $(9) million in prospective unlocking from updates to assumptions for experience, $(2) million in model refinements and $36 million in retrospective unlocking. For the year ended December 31, 2005, the unlocking total includes $90 million in prospective unlocking from updates to assumptions for experience and $21 million in retrospective unlocking.

Changes in VOBA (in millions) were as follows:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| <S> | <C> | <C> | <C> |
| Balance at beginning-of-year | $ 3,032 | $ 742 | $ 819 |
| Cumulative effect of adoption of SOP 05-1 | (35) | -- | -- |
| Business acquired | 14 | 2,478 | -- |
| Deferrals | 46 | 96 | -- |
| Amortization: | | | |
| Unlocking | 25 | 9 | (11) |
| Other amortization | (416) | (347) | (111) |
| Accretion of interest | 125 | 111 | 45 |
| Adjustment related to realized gains on available-for-sale securities and derivatives | (6) | (9) | -- |
| Adjustment related to unrealized (gains) losses on available-for-sale securities and derivatives | 24 | (48) | -- |
| Balance at end-of-year | $ 2,809 | $ 3,032 | $ 742 |

</Table>

For the year ended December 31, 2007, the unlocking total includes $14 million in prospective unlocking from updates to assumptions for experience, $(2) million in model refinements and $13 million in retrospective unlocking. For the year ended December 31, 2006, the unlocking total includes $5 million in



<Page>

prospective unlocking from updates to assumptions for experience and $4 million in retrospective unlocking. For the year ended December 31, 2005, the unlocking total includes $(9) million in prospective unlocking from updates to assumptions for experience and $(2) million in retrospective unlocking.

Estimated future amortization of VOBA (in millions), net of interest, as of December 31, 2007 was as follows:

<Table>

| <S> | <C> |
|---|---|
| 2008 | $ 276 |
| 2009 | 252 |
| 2010 | 238 |
| 2011 | 208 |
| 2012 | 191 |
| Thereafter | 1,668 |
| Total | $2,833 |

</Table>

Changes in DSI (in millions) were as follows:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Balance at beginning-of-year | $ 194 | $ 129 | $ 85 |
| Cumulative effect of adoption of SOP 05-1 | (3) | -- | -- |
| Deferrals | 117 | 86 | 60 |
| Amortization, net of interest: | | | |
| Unlocking | 2 | 4 | 3 |
| Other amortization | (31) | (25) | (19) |
| Balance at end-of-year | $ 279 | $ 194 | $ 129 |

</Table>

For the year ended December 31, 2007, the unlocking total includes $2 million in prospective unlocking from updates to assumptions for experience, $(1) million in model refinements and $1 million in retrospective unlocking. For the year ended December 31, 2006, the unlocking total includes $1 million in prospective unlocking from updates to assumptions for experience and $3 million in retrospective unlocking. For the year ended December 31, 2005, the unlocking total includes $2 million in prospective unlocking from updates to assumptions for experience and $1 million in retrospective unlocking.

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8. REINSURANCE

Reinsurance transactions included in insurance premiums (in millions), excluding amounts attributable to the indemnity reinsurance transaction with Swiss Re Life & Health America, Inc. ("Swiss Re"), were as follows:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Reinsurance assumed | $ 12 | $ 8 | $ 1 |
| Reinsurance ceded | (1,063) | (1,021) | (767) |
| Net reinsurance premiums and fees | $(1,051) | $(1,013) | $(766) |
| Reinsurance recoveries netted against benefits | $ 1,249 | $ 904 | $ 722 |

</Table>

We cede insurance to other companies. The portion of risks exceeding our retention limits is reinsured with other insurers. We seek reinsurance coverage within the businesses that sell life insurance in order to limit our exposure to mortality losses and enhance our capital management.

Under our reinsurance program, we reinsure approximately 45% to 50% of the mortality risk on newly issued non-term life insurance contracts and approximately 40% to 45% of total mortality risk including term insurance contracts. Our policy for this program is to retain no more than $10 million on a single insured life issued on fixed and variable universal life insurance contracts. Additionally, the retention per single insured life for term life insurance and for corporate owned life insurance is $2 million for each type of insurance. Portions of our deferred annuity business have been reinsured on a Modco basis with other companies to limit our exposure to interest rate risks. As of December 31, 2007, the reserves associated with these reinsurance arrangements totaled $1.3 billion. To cover products other than life insurance, we acquire other insurance coverages with retentions and limits.

We obtain reinsurance from a diverse group of reinsurers, and we monitor concentration as well as financial strength ratings of our principal reinsurers. Our reinsurance operations were acquired by Swiss Re in December 2001, through a series of indemnity reinsurance transactions. Swiss Re represents our largest reinsurance exposure. Under the indemnity reinsurance agreements, Swiss Re reinsured certain of our liabilities and obligations. As we are not relieved of our legal liability to the ceding companies, the liabilities and obligations associated with the reinsured contracts remain on our Consolidated Balance Sheets with a corresponding reinsurance receivable from Swiss Re, which totaled $4.0 billion at December 31, 2007. Swiss Re has funded a trust, with a balance of $1.8 billion as of December 31, 2007, to support this business. In addition to various remedies that we would have in the event of a default by Swiss Re, we continue to hold assets in support of certain of the transferred reserves. These assets consist of those reported as trading securities and certain mortgage loans. Our liabilities for funds withheld and embedded derivatives as of December 31, 2007, included $1.9 billion and $200 million, respectively, related to the business reinsured by Swiss Re.

We recorded the gain related to the indemnity reinsurance transactions on the business sold to Swiss Re as a deferred gain



<Page>

in the liability section of our Consolidated Balance Sheets in accordance with the requirements of SFAS No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts" ("SFAS 113"). The deferred gain is being amortized into income at the rate that earnings on the reinsured business are expected to emerge, over a period of 15 years. During 2007, 2006 and 2005 we amortized $55 million, $49 million and $49 million, after-tax, respectively, of deferred gain on the sale of the reinsurance operation.

Because of ongoing uncertainty related to personal accident business, the reserves related to these exited business lines carried on our Consolidated Balance Sheets as of December 31, 2007, may ultimately prove to be either excessive or deficient. For instance, in the event that future developments indicate that these reserves should be increased, under SFAS 113 we would record a current period non-cash charge to record the increase in reserves. Because Swiss Re is responsible for paying the underlying claims to the ceding companies, we would record a corresponding increase in reinsurance recoveries from Swiss Re. However, SFAS 113 does not permit us to take the full benefit in earnings for the recording of the increase in the reinsurance recoveries in the period of the change. Rather, we would increase the deferred gain recognized upon the closing of the indemnity reinsurance transaction with Swiss Re and would report a cumulative amortization "catch-up" adjustment to the deferred gain balance as increased earnings recognized in the period of change. Any amount of additional increase to the deferred gain above the cumulative amortization "catch-up" adjustment must continue to be deferred and will be amortized into income in future periods over the remaining period of expected run-off of the underlying business. We would not transfer any cash to Swiss Re as a result of these developments.

In the second quarter of 2007, we recognized increased reserves on the business sold and recognized a deferred gain that is being amortized into income at the rate that earnings are expected to emerge within a 15 year period. This adjustment resulted in a non-cash charge of $13 million, after-tax, to increase reserves, which was partially offset by a cumulative "catch-up" adjustment to the deferred gain amortization of $5 million, after-tax, for a total decrease to net income of $8 million. The impact of the accounting for reserve adjustments related to this reinsurance treaty is excluded from our definition of income from operations.

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9. GOODWILL AND SPECIFICALLY IDENTIFIABLE INTANGIBLE ASSETS

The changes in the carrying amount of goodwill (in millions) by reportable segment were as follows:

<Table>
<Caption>

| | FOR THE YEAR ENDED DECEMBER 31, 2007 | | | |
|---|---|---|---|---|
| | BALANCE AT BEGINNING-OF-YEAR | PURCHASE ACCOUNTING ADJUSTMENTS | DIVIDEND OF FPP | BALANCE AT END-OF-YEAR |
| <S> | <C> | <C> | <C> | <C> |
| Individual Markets: | | | | |
| Life Insurance | $ 2,181 | $ 20 | $ (2) | $ 2,199 |
| Annuities | 1,032 | 14 | -- | 1,046 |
| Employer Markets: | | | | |
| Retirement Products | 20 | -- | -- | 20 |
| Group Protection | 281 | (7) | -- | 274 |
| Total goodwill | $ 3,514 | $ 27 | $ (2) | $ 3,539 |

</Table>

<Table>
<Caption>

| | FOR THE YEAR ENDED DECEMBER 31, 2006 | | | |
|---|---|---|---|---|
| | BALANCE AT BEGINNING-OF-YEAR | PURCHASE ACCOUNTING ADJUSTMENTS | DIVIDEND OF FPP | BALANCE AT END-OF-YEAR |
| <S> | <C> | <C> | <C> | <C> |
| Individual Markets: | | | | |
| Life Insurance | $ 855 | $ 1,326 | $ -- | $ 2,181 |
| Annuities | 44 | 988 | -- | 1,032 |
| Employer Markets: | | | | |
| Retirement Products | 20 | -- | -- | 20 |
| Group Protection | -- | 281 | -- | 281 |

| | | | | |
|---|---|---|---|---|
| Total goodwill | $ 919 | $ 2,595 | $ -- | $ 3,514 |

</Table>



<Page>

The gross carrying amounts and accumulated amortization (in millions) for each major specifically identifiable intangible asset class by reportable segment were as follows:

<Table>
<Caption>

| | AS OF DECEMBER 31, | | | |
|---|---|---|---|---|
| | 2007 | | 2006 | |
| | GROSS CARRYING AMOUNT | ACCUMULATED AMORTIZATION | GROSS CARRYING AMOUNT | ACCUMULATED AMORTIZATION |
| <S> | <C> | <C> | <C> | <C> |
| Individual Markets -- Life Insurance: | | | | |
| Sales force | $ 100 | $ 7 | $ 100 | $ 3 |
| Employer Markets -- Retirement Products: | | | | |
| Mutual fund contract rights(1) | 3 | -- | -- | -- |
| Total | $ 103 | $ 7 | $ 100 | $ 3 |

</Table>

- ----------
(1) No amortization recorded as the intangible asset has indefinite life.

Future estimated amortization of specifically identifiable intangible assets (in millions) as of December 31, 2007 was as follows:

<Table>

| | |
|---|---|
| <S> | <C> |
| 2008 | $ 4 |
| 2009 | 4 |
| 2010 | 4 |
| 2011 | 4 |
| 2012 | 4 |
| Thereafter | 73 |
| Total | $93 |

</Table>

- ------------------------------------------------------------------------------
10. SEPARATE ACCOUNTS AND GUARANTEED BENEFIT FEATURES

We issue variable contracts through our separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder (traditional variable annuities). We also issue variable annuity and life contracts through separate accounts that include various types of GMDB, GMWB and GIB features. The GMDB features include those where we contractually guarantee to the contract holder either (a) return of no less than total deposits made to the contract less any partial withdrawals ("return of net deposits"), (b) total deposits made to the contract less any partial withdrawals plus a minimum return ("minimum return"), or (c) the highest contract value on any contract anniversary date through age 80 minus any payments or withdrawals following the contract anniversary ("anniversary contract value").

Information in the event of death on the GMDB features outstanding (dollars in millions) was as follows:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | |
|---|---|---|
| | 2007 | 2006 |
| <S> | <C> | <C> |
| RETURN OF NET DEPOSIT | | |
| Separate account value | $ 44,833 | $ 38,306 |
| Net amount at risk(1) | 93 | 65 |
| Average attained age of contract holders | 55 years | 54 years |
| MINIMUM RETURN | | |
| Separate account value | $ 355 | $ 405 |
| Net amount at risk(1) | 25 | 34 |
| Average attained age of contract holders | 68 years | 67 years |

| | | |
|---|---|---|
| Guaranteed minimum return | 5% | 5% |
| ANNIVERSARY CONTRACT VALUE | | |
| Separate account value | $ 25,537 | $ 22,487 |
| Net amount at risk(1) | 359 | 193 |
| Average attained age of contract holders | 64 years | 64 years |

</Table>

- ----------

(1) Represents the amount of death benefit in excess of the current account balance at the balance sheet date.



<Page>

The determination of GMDB liabilities is based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates and mortality experience. The following summarizes the balances of and changes in the liabilities for GMDB (in millions), which were recorded in future contract benefits on our Consolidated Balance Sheets:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | |
|---|---|---|
| | 2007 | 2006 |
| <S> | <C> | <C> |
| Balance at beginning-of-year | $ 23 | $ 15 |
| Cumulative effect of adoption of SOP 05-1 | (4) | -- |
| Changes in reserves | 25 | 14 |
| Benefits paid | (6) | (6) |
| Balance at end-of-year | $ 38 | $ 23 |

</Table>

The changes to the benefit reserves amounts above are reflected in benefits on our Consolidated Statements of Income.

Also included in benefits are the results of the hedging program, which included losses of $2 million and $5 million for GMDB in 2007 and 2006, respectively. We utilize a delta hedging strategy for variable annuity products with a GMDB feature, which uses futures on U.S.-based equity market indices to hedge against movements in equity markets. The hedging strategy is designed so that changes in the value of the hedge contracts move in the opposite direction of equity market driven changes in the reserve for GMDB contracts subject to the hedging strategy. While we actively manage our hedge positions, these hedge positions may not be totally effective to offset changes in the reserve due to, among other things, differences in timing between when a market exposure changes and corresponding changes to the hedge positions, extreme swings in the equity markets and interest rates, market volatility, contract holder behavior, divergence between the performance of the underlying funds and the hedging indices, divergence between the actual and expected performance of the hedge instruments or our ability to purchase hedging instruments at prices consistent with our desired risk and return trade-off.

Account balances of variable annuity contracts with guarantees (in millions) were invested in separate account investment options as follows:

<Table>
<Caption>

| | AS OF DECEMBER 31, | |
|---|---|---|
| | 2007 | 2006 |
| <S> | <C> | <C> |
| ASSET TYPE | | |
| Domestic equity | $44,982 | $39,260 |
| International equity | 8,076 | 5,905 |
| Bonds | 8,034 | 6,399 |
| Money market | 6,545 | 5,594 |
| Total | $67,637 | $57,158 |
| Percent of total variable annuity separate account values | 97% | 87% |

</Table>

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11. OTHER CONTRACT HOLDER FUNDS

Details of other contract holder funds (in millions) were as follows:

| | AS OF DECEMBER 31, | |
| --- | --- | --- |
| | 2007 | 2006 |
| Account values and other contract holder funds | $56,668 | $57,383 |
| Deferred front-end loads | 768 | 572 |
| Contract holder dividends payable | 524 | 531 |
| Premium deposit funds | 113 | 130 |
| Undistributed earnings on participating business | 95 | 102 |
| Total other contract holder funds | $58,168 | $58,718 |



## 12. SHORT-TERM AND LONG-TERM DEBT

Details underlying short-term and long-term debt (in millions) were as follows:

| | AS OF DECEMBER 31, | |
| --- | --- | --- |
| | 2007 | 2006 |
| Short-term debt(1) | $ 18 | $ 21 |
| Note due LNC, due September 2008 | 155 | -- |
| Total short-term debt | $ 173 | $ 21 |
| Long-term debt: | | |
| Note due LNC, due September 2008 | $ -- | $ 139 |
| LIBOR + 1.00% note, due 2037 | 375 | -- |
| Surplus Notes due LNC: | | |
| 9.76% surplus note, due 2024 | 50 | 50 |
| 6.56% surplus note, due 2028 | 500 | 500 |
| 6.03% surplus note, due 2028 | 750 | 750 |
| Total surplus notes | 1,300 | 1,300 |
| Total long-term debt | $1,675 | $1,439 |

(1) The short-term debt represents short-term notes payable to LNC.

A consolidated subsidiary of LNL issued a note for an amount not to exceed $150 million to LNC in 2006. Also in 2006, the Board of Directors of LNC issued a Board Certificate guaranteeing that the consolidated subsidiary of LNL will maintain capital and surplus sufficient to meet the statutory surplus requirements of the insurance regulatory authority for the consolidated subsidiary of LNL and provide funds in cash to the consolidated subsidiary of LNL to ensure the timely payment of its obligations. Pursuant to that Board Certificate, as of December 31, 2007, $155 million had been advanced to us. This note calls for us to pay the principal amount of the notes on or before September 30, 2008 and interest to be paid monthly at a rate equal to the Federal Reserve Board's 30 day AA- financial commercial paper rate plus ten basis points.

On October 9, 2007, we issued a note of $375 million to LNC. This note calls for us to pay the principal amount of the note on or before October 9, 2037 and interest to be paid quarterly at an annual rate of LIBOR + 1.00%.

During 2007, our surplus note for $50 million to HARCO Capital Corporation was transferred to LNC. This note calls for us to pay the principal amount of the note on or before September 30, 2024 and interest to be paid semiannually at an annual rate of 9.76%. Subject to approval by the Indiana Insurance Commissioner, LNC also has a right to redeem the note for immediate repayment in total or in part twice per year. Any payment of interest or repayment of principal may be paid only if we have obtained the prior written approval of the Indiana Insurance Commissioner, have adequate earned surplus funds for such payment and if such payment would not cause us to violate the statutory capital requirements as set forth in the General Statutes of Indiana.

We issued a surplus note for $500 million to LNC in 1998. This note calls for us to pay the principal amount of the notes on or before March 31, 2028 and interest to be paid quarterly at an annual rate of 6.56%. Subject to approval by the Indiana Insurance Commissioner, LNC also has a right to redeem the note for immediate repayment in total or in part once per year on the anniversary date of the note. Any payment of interest or repayment of principal may be paid only out of our statutory earnings, only if our statutory capital surplus exceeds our statutory capital surplus as of the date of note issuance of $2.3 billion, and subject to approval by the Indiana Insurance Commissioner.

We issued a surplus note for $750 million to LNC in 1998. This note calls for us to pay the principal amount of the notes on or before December 31, 2028 and interest to be paid quarterly at an annual rate of 6.03%. Subject to approval by the Indiana Insurance Commissioner, LNC also has a right to redeem the note for immediate repayment in total or in part once per year on the anniversary date of the note. Any payment of interest or repayment of principal may be paid only out of our statutory earnings, only if our statutory capital surplus exceeds our statutory capital surplus as of the date of note issuance of $2.4 billion, and subject to approval by the Indiana Insurance Commissioner.

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13. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

REGULATORY AND LITIGATION MATTERS
Federal and state regulators continue to focus on issues relating to fixed and variable insurance products, including, but not limited to, suitability, replacements and sales to seniors. Like others in the industry, we have received inquiries including requests for information regarding sales to seniors from the Financial Industry Regulation Authority. We are in the process of responding to these inquiries. We continue to cooperate fully with such authority.

In the ordinary course of its business, LNL is involved in various pending or threatened legal proceedings, including purported class actions, arising from the conduct of business. In some instances, these proceedings include claims for unspecified or substantial punitive damages and similar types of relief in addition to amounts for alleged contractual liability or requests for equitable relief. After consultation with legal counsel and a review of available facts, it is management's opinion that these proceedings, after consideration of any reserves and rights to indemnification, ultimately will be resolved without materially affecting the consolidated financial position of LNL. However, given the large and indeterminate amounts sought in certain of these proceedings and the inherent difficulty in predicting the outcome of such legal proceedings, it is possible



<Page>

that an adverse outcome in certain matters could be material to our operating results for any particular reporting period.

COMMITMENTS

LEASES
We lease our home office in Fort Wayne, Indiana through sale-leaseback agreements. The agreements provide for a 25-year lease period with options to renew for six additional terms of five years each. The agreements also provide us with the right of first refusal to purchase the properties during the terms of the lease, including renewal periods, at a price defined in the agreements. We also have the option to purchase the leased properties at fair market value as defined in the agreements on the last day of the initial 25-year lease period ending in 2009 or the last day of any of the renewal periods. In 2006, we exercised the right and option to extend the Fort Wayne lease for two extended terms such that the lease shall expire in 2019. We retain our right and option to exercise the remaining four extended terms of 5 years each in accordance with the lease agreement.

Total rental expense on operating leases for the years ended December 31, 2007, 2006 and 2005 was $56 million, $47 million and $55 million, respectively. Future minimum rental commitments (in millions) as of December 31, 2007 were as follows:

<Table>

| <S> | <C> |
|---|---|
| 2008 | $ 47 |
| 2009 | 32 |
| 2010 | 21 |
| 2011 | 16 |
| 2012 | 12 |
| Thereafter | 33 |
| Total | $161 |

</Table>

INFORMATION TECHNOLOGY COMMITMENT
In February 1998, LNC signed a seven-year contract with IBM Global Services for information technology services for the Fort Wayne operations. In February 2004, LNC completed renegotiations and extended the contract through Febru-ary 2010.

Annual costs are dependent on usage but are expected to be approximately $8 million.

VULNERABILITY FROM CONCENTRATIONS

As of December 31, 2007, we did not have a concentration of: 1) business transactions with a particular customer or lender; 2) sources of supply of labor or services used in the business; or 3) a market or geographic area in which business is conducted that makes it vulnerable to an event that is at least reasonably possible to occur in the near term and which could cause a severe impact to our financial position.

Although we do not have any significant concentration of customers, our American Legacy Variable Annuity product offered in our Individual Markets - Annuities segment is significant to this segment. The American Legacy Variable Annuity product accounted for 46%, 48% and 48% of Individual Markets - Annuities variable annuity product deposits in December 31, 2007, 2006 and 2005, respectively, and represented approximately 66%, 67% and 67% of our total Individual Markets - Annuities variable annuity product account values as of December 31, 2007, 2006 and 2005 respectively. In addition, fund choices for certain of our other variable annuity products offered in our Individual Markets - -Annuities segment include American Fund Insurance Series(SM)("AFIS") funds. For the Individual Markets - Annuities segment, AFIS funds accounted for 55%, 58% and 57% of variable annuity product deposits in 2007, 2006 and 2005 respectively and represented 75% of the segment's total variable annuity product account values as of December 31, 2007, 2006 and 2005.

OTHER CONTINGENCY MATTERS

State guaranty funds assess insurance companies to cover losses to contract holders of insolvent or rehabilitated companies. Mandatory assessments may be partially recovered through a reduction in future premium taxes in some states. We have accrued for expected assessments net of estimated future premium tax deductions.

GUARANTEES

We have guarantees with off-balance-sheet risks having contractual values of $2 million and $3 million as of December 31, 2007 and 2006, respectively, whose contractual amounts represent credit exposure. We have sold commercial mortgage loans through grantor trusts, which issued pass-through certificates. We have agreed to repurchase any mortgage loans which remain delinquent for 90 days at a repurchase price substantially equal to the outstanding principal balance plus accrued interest thereon to the date of repurchase. In case of default by borrowers, we have recourse to the underlying real estate. It is management's opinion that the value of the properties underlying these commitments is sufficient that in the event of default, the impact would not be material to us. These guarantees expire in 2009.



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14. STOCKHOLDER'S EQUITY

STOCKHOLDER'S EQUITY

All authorized and issued shares of LNL are owned by LNC.

ACCUMULATED OCI

The following summarizes the components and changes in accumulated OCI (in millions):

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| <S> | <C> | <C> | <C> |
| UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES | | | |
| Balance at beginning-of-year | $ 421 | $ 452 | $ 781 |
| Other comprehensive income (loss): | | | |
| Unrealized holding losses arising during the year | (871) | (96) | (805) |
| Change in DAC, VOBA and other contract holder funds | 177 | 29 | 269 |
| Income tax benefit | 243 | 23 | 188 |
| Change in foreign currency exchange rate adjustment | 18 | 5 | 5 |
| Less: | | | |
| Reclassification adjustment for gains (losses) included in net income | (164) | 24 | 32 |
| Associated amortization of DAC, VOBA, DSI, DFEL and changes in other contract holder funds | 29 | (37) | (53) |
| Income tax benefit | 47 | 5 | 7 |
| Balance at end-of-year | $ 76 | $ 421 | $ 452 |

</Table>

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| <S> | <C> | <C> | <C> |
| UNREALIZED GAINS (LOSSES) ON DERIVATIVE INSTRUMENTS | | | |
| Balance at beginning-of-year | $ (9) | $ 7 | $ 14 |
| Other comprehensive income (loss): | | | |
| Unrealized holding gains (losses) arising during the year | 14 | (22) | 5 |
| Change in DAC, VOBA and other contract holder funds | (6) | 1 | (7) |
| Income tax benefit | 11 | 2 | (6) |
| Change in foreign currency exchange rate adjustment | (30) | 4 | -- |
| Less: | | | |
| Reclassification adjustment for (gains) losses included in net income | (2) | 2 | (2) |
| Associated amortization of DAC, VOBA, DSI, DFEL and changes in other contract holder funds | 1 | -- | 1 |
| Income tax expense | -- | (1) | -- |
| Balance at end-of-year | $(19) | $ (9) | $ 7 |
| MINIMUM PENSION LIABILITY ADJUSTMENT | | | |
| Balance at beginning-of-year | $ -- | $ (6) | $(13) |
| Other comprehensive income (loss): | | | |
| Adjustment arising during the year | -- | 6 | 7 |
| Balance at end-of-year | $ -- | $ -- | $ (6) |
| FUNDED STATUS OF EMPLOYEE BENEFIT PLANS | | | |
| Balance at beginning-of-year | $ 4 | $ -- | $ -- |
| Other comprehensive income (loss): | | | |
| Adjustment arising during the year | (13) | -- | -- |
| Income tax benefit | 5 | -- | -- |
| Adjustment for adoption of SFAS 158, net of tax | -- | 4 | -- |
| Balance at end-of-year | $ (4) | $ 4 | $ -- |

</Table>



<Page>

15. UNDERWRITING, ACQUISITION, INSURANCE, RESTRUCTURING AND OTHER EXPENSES

Details underlying underwriting, acquisition, insurance and other expenses (in millions) were as follows:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| <S> | <C> | <C> | <C> |
| Commissions | $ 2,051 | $ 1,527 | $ 899 |
| General and administrative expenses | 1,234 | 1,093 | 965 |
| DAC and VOBA deferrals and interest, net of amortization | (1,101) | (722) | (430) |
| Other intangibles amortization | 4 | 3 | -- |
| Taxes, licenses and fees | 192 | 158 | 81 |
| Merger-related expenses | 92 | 27 | 29 |
| Total | $ 2,472 | $ 2,086 | $ 1,544 |

</Table>

All restructuring charges are included in underwriting, acquisition, insurance and other expenses primarily within Other Operations on our Consolidated Statements of Income in the year incurred and are reflected within merger-related expenses in the table above.

2006 RESTRUCTURING PLAN

Upon completion of LNC's merger with Jefferson-Pilot, a restructuring plan was implemented relating to the integration of LNC's legacy operations with those of Jefferson-Pilot. The realignment will enhance productivity, efficiency and scalability while positioning LNC and its affiliates for future growth.

Details underlying reserves for restructuring charges (in millions) were as follows:

<Table>

<Caption>

| | TOTAL |
|---|---|
| Restructuring reserve at December 31, 2006 | $ 7 |
| Amounts incurred in 2007 | |
| Employee severance and termination benefits | 6 |
| Other | 14 |
| Total 2007 restructuring charges | 20 |
| Amounts expended in 2007 | (25) |
| Restructuring reserve at December 31, 2007 | $ 2 |
| Additional amounts expended in 2007 that do not qualify as restructuring charges | $ 72 |
| Total expected costs | 180 |
| Expected completion date: 4th Quarter 2009 | |

</Table>

The total expected costs include both restructuring charges and additional expenses that do not qualify as restructuring charges that are associated with the integration activities. In addition, involuntary employee termination benefits were recorded in goodwill as part of the purchase price allocation, see Note 3. Merger integration costs relating to employee severance and termination benefits of $13 million were included in other liabilities in the purchase price allocation. In the first quarter of 2007, an additional $9 million was recorded to goodwill and other liabilities as part of the final adjustment to the purchase price allocation related to employee severance and termination benefits.

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## 16. EMPLOYEE BENEFIT PLANS

Our employees, other than our U.S. insurance agents, are included in LNC's various benefit plans that provide for pension and other postretirement benefit plans, 401(k) and profit sharing plans and deferred compensation plans. Our U.S. insurance agents are included in various plans sponsored by either LNL or LNC, including pension and other postretirement benefit plans, 401(k) and profit sharing plans and deferred compensation plans.

### PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

LNC maintains funded defined benefit pension plans for most of its U.S. employees, including those of LNL, and prior to January 1, 1995, most full-time agents, including those of LNL. All benefits accruing under the defined benefit plan for agents were frozen as of December 31, 1994. On May 1, 2007, LNC announced plans to change the retirement benefits provided to employees, including those of LNL, including the "freeze" or cessation of benefit accruals under LNC's primary traditional defined benefit pension plans. The freeze became effective December 31, 2007. This prospective change in benefits will not impact any of the pension retirement benefits that were accrued up through December 31, 2007.

Effective January 1, 2002, the employees' pension plan was converted to a cash balance formula. Eligible employees retiring before 2012 will have their benefits, which were frozen effective December 31, 2007, calculated under both the old final average pay formula and the cash balance formula and will receive the greater of the two calculations. Employees retiring in 2012 or after will receive their frozen benefit under the cash balance formula. Benefits under the cash balance formula will continue to accrue interest credits. Benefits under the final average pay formula are based on total years of service and the highest 60 months of compensation during the last 10 years of employment. Under the cash balance formula, employees have guaranteed account balances that earn annual benefit credits and interest credits each year. Annual benefit credits are based on years of service and base salary plus bonus.

As a result of the merger with Jefferson-Pilot, LNC maintains funded defined benefit pension plans for the former U.S. employees and agents of Jefferson-Pilot. Eligible retiring employees receive benefits based on years of service and final average earnings. The plans were funded through group annuity contracts with LNL. The assets of the plans were those of the related contracts, and were primarily held our separate accounts. During the fourth quarter of 2007, the group annuity



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contracts were liquidated. The assets were moved to a tax-exempt trust and are invested as described in the Plan Assets section below.

The plans are funded by contributions to tax-exempt trusts. Our funding policy is consistent with the funding requirements of Federal law and regulations. Contributions were intended to provide not only the benefits attributed to service to date, but also those expected to be earned in the future. Effective January 1, 2005, LNC amended the employees' pension plan to include 100% of eligible bonus amounts as compensation under the cash balance formula only.

During 2006 and 2007, LNC sponsored three types of unfunded, nonqualified, defined benefit plans for certain U.S. employees and agents, including those of LNL: the Salary Continuation Plan for Executives of Lincoln National Corporation and Affiliates (the "ESC"), the Jefferson-Pilot Executive Special Supplemental Benefit Plan (the "ESSB") and supplemental retirement plans, a salary continuation plan and supplemental executive retirement plans. As a result of the merger with Jefferson-Pilot, LNC also sponsored an unfunded, nonqualified supplemental retirement plan for certain former employees of Jefferson-Pilot. The supplemental retirement plans provided defined benefit pension benefits in excess of limits imposed by Federal tax law.

The ESC and ESSB were terminated effective December 31, 2007. The accrued benefits under the ESC and the ESSB on that date were converted to actuarial equivalent lump sum amounts and credited to special opening accounts (the "ESC Opening Balance Account" and the "ESSB Opening Balance Account") in the Lincoln National Corporation Deferred Compensation & Supplemental/Excess Retirement Plan (the "DC SERP"), which was formerly known as The Lincoln National Corporation Executive Deferred Compensation Plan for Employees. In both cases, the accrued benefits were calculated as if our executives had received a distribution at age 62, reduced under the relevant age 62 early retirement reduction factors provided under each plan (as if the executive had remained employed until age 62).

The supplemental executive retirement plan provided defined pension benefits for certain executives who became our employees as a result of the acquisition of a block of individual life insurance and annuity business from CIGNA Corporation ("CIGNA"). Effective January 1, 2000, this plan was amended to freeze benefits payable under this plan and a second supplemental executive retirement plan was established for this same group of executives. The benefits payable to the executives under this plan will not be less than they would have been under the pre-acquisition plan. The benefit is based on an average compensation figure that is not less than the minimum three-year average compensation figure in effect for these executives as of December 31, 1999. Any benefits payable from this plan are reduced by benefits payable from our employees' defined benefit pension plan.

LNC also sponsors unfunded plans that provide postretirement medical, dental and life insurance benefits to full-time U.S. employees who, depending on the plan, have worked for LNC for 10 years and attained age 55 (age 60 for agents), including those of LNL. Medical and dental benefits are also available to spouses and other dependents of employees and agents. For medical and dental benefits, limited contributions are required from individuals who retired prior to November 1, 1988. Contributions for later retirees, which can be adjusted annually, are based on such items as years of service at retirement and age at retirement. Effective April 1, 2004, the employees' postretirement plan was amended to provide that employees and agents not attaining age 50 by that date will not be eligible to receive life insurance benefits when they retire. Life insurance benefits for retirees are noncontributory for employees and agents that attained the age of 50 by April 1, 2004 and meet the eligibility requirements at the time they retire; however, these participants can elect supplemental contributory life benefits up to age 70. Effective July 1, 1999, the agents' postretirement plan was amended to require agents retiring on or after that date to pay the full medical and dental premium costs. Beginning January 1, 2002, the employees' postretire-ment plan was amended to require employees not yet age 50 with five years of service by the end of 2001 to pay the full medical and dental premium cost when they retire. Effective January 1, 2008, the postretirement plan providing benefits to former employees of Jefferson-Pilot was amended such that only employees attaining age 55 and having 10 years of service by December 31, 2007 who retire on or after age 60 with 15 years of service will be eligible to receive life insurance benefits when they retire.



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OBLIGATIONS, FUNDED STATUS AND ASSUMPTIONS

Information (in millions) with respect to our defined benefit plan asset activity and defined benefit plan obligations subsequent to the adoption of SFAS 158 was as follows:

<Table>
<Caption>

| | AS OF AND FOR THE YEARS ENDED DECEMBER 31, | | | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | PENSION BENEFITS | | OTHER POSTRETIREMENT BENEFITS | |
| <S> | <C> | <C> | <C> | <C> |
| CHANGE IN PLAN ASSETS | | | | |
| Fair value at beginning-of-year | $ 141 | $ 93 | $ -- | $ -- |
| Actual return on plan assets | 8 | 15 | -- | -- |
| Company contributions | (1) | -- | 2 | 2 |
| Benefits paid | (8) | (7) | (2) | (2) |
| Purchase accounting adjustments | -- | 40 | -- | -- |

| | | | | |
|---|---|---|---|---|
| Fair value at end-of-year | 140 | 141 | -- | -- |
| CHANGE IN BENEFIT OBLIGATION | | | | |
| Balance at beginning-of-year | 117 | 92 | 19 | 22 |
| Interest cost | 7 | 6 | 1 | 1 |
| Plan participants' contributions | -- | -- | 1 | 1 |
| Actuarial gains | -- | (3) | (4) | (3) |
| Benefits paid | (8) | (7) | (3) | (2) |
| Purchase accounting adjustments | -- | 29 | -- | -- |
| Balance at end-of-year | 116 | 117 | 14 | 19 |
| Funded status of the plans | $ 24 | $ 24 | $(14) | $(19) |
| AMOUNTS RECOGNIZED ON THE CONSOLIDATED BALANCE SHEETS | | | | |
| Other assets | $ 25 | $ 25 | $ -- | $ -- |
| Other liabilities | (1) | (1) | (14) | (19) |
| Net amount recognized | $ 24 | $ 24 | $(14) | $(19) |
| AMOUNTS RECOGNIZED IN ACCUMULATED OCI, NET OF TAX | | | | |
| Net (gain) loss | $ 8 | $ (2) | $ (4) | $ (2) |
| Net amount recognized | $ 8 | $ (2) | $ (4) | $ (2) |
| WEIGHTED-AVERAGE ASSUMPTIONS | | | | |
| Weighted-average discount rate | 6.00% | 5.75% | 6.00% | 5.75% |
| Expected return on plan assets | 8.00% | 8.00% | 0.00% | 0.00% |
| RATE OF INCREASE IN COMPENSATION | | | | |
| Salary continuation plan | 4.00% | 4.00% | 4.00% | 4.00% |

</Table>

We use December 31 as the measurement date for the pension and postretirement plans.

The expected return on plan assets was determined based on historical and expected future returns of the various asset classes, using the target plan allocations. LNC reevaluates this assumption at an interim date each plan year. For 2008, the expected return on plan assets for the pension plan will be 8%. The calculation of the accumulated postretirement benefits obligation assumes a weighted-average annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) of 12% for 2007. It further assumes the rate will gradually decrease to 5% by 2017 and remain at that level in future periods. The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percentage point increase and decrease in assumed health care cost trend rates would have an immaterial effect on accumulated postretirement benefit obligations and total service and interest cost components.



<Page>

Information for our pension plans with accumulated benefit obligations in excess of plan assets (in millions) was as follows:

<Table>
<Caption>

| | AS OF DECEMBER 31, | |
|---|---|---|
| | 2007 | 2006 |
| <S> | <C> | <C> |
| Accumulated benefit obligation | $ 1 | $ 1 |
| Projected benefit obligation | 1 | 1 |
| Fair value of plan assets(1) | -- | -- |

</Table>

- ----------
(1) The plan is unfunded.

COMPONENTS OF NET PERIODIC BENEFIT COST

The components of net defined benefit pension plan and postretirement benefit plan expense (in millions) were as follows:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | | | | |
|---|---|---|---|---|---|---|
| | PENSION BENEFITS | | | OTHER POSTRETIREMENT BENEFITS | | |
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |

| | | | | | | |
|---|---|---|---|---|---|---|
| Interest cost | $ 7 | $ 6 | $ 5 | $ 1 | $ 1 | $ 1 |
| Expected return on plan assets | (11) | (9) | (6) | -- | -- | -- |
| Recognized net actuarial (gain) loss | -- | 1 | 1 | (1) | -- | -- |
| Net periodic benefit expense (recovery) | $ (4) | $(2) | $ -- | $ -- | $ 1 | $ 1 |

</Table>

LNC maintains a defined contribution plan for its U.S. financial planners and advisors ("agents"), including those of LNL. Contributions to this plan are based on a percentage of the agents' annual compensation as defined in the plan. Effective January 1, 1998, LNC assumed the liabilities for a non-contributory defined contribution plan covering certain highly compensated former CIGNA agents and employees.

Contributions to this plan are made annually based upon varying percentages of annual eligible earnings as defined in the plan. Contributions to this plan are in lieu of any contributions to the qualified agent defined contribution plan. Effective January 1, 2000, this plan was expanded to include certain highly compensated LNC agents. The combined expenses for these plans were $4 million for the year ended December 31, 2007 and $3 million for the years ended December 31, 2006 and 2005. These expenses reflect both the contribution as well as changes in the measurement of the liabilities under these plans.

PLAN ASSETS

Our pension plan asset allocations by asset category (in millions) based on estimated fair values were as follows:

<Table>
<Caption>

| | AS OF DECEMBER 31, | |
|---|---|---|
| | 2007 | 2006 |
| <S> | <C> | <C> |
| Equity securities | 52% | 66% |
| Fixed income securities | 48% | 32% |
| Cash and cash equivalents | 0% | 2% |
| Total plan asset allocations | 100% | 100% |

</Table>

The primary investment objective of our defined benefit pension plan is for capital appreciation with an emphasis on avoiding undue risk. Investments can be made using the following asset classes: domestic and international equity, fixed income securities, real estate and other asset classes the investment managers deem prudent. Three- and five-year time horizons are utilized as there are inevitably short-run fluctuations, which will cause variations in investment performance.

Each managed fund is expected to rank in the upper 50% of similar funds over the three-year periods and above an appropriate index over five-year periods. Managers are monitored for adherence to guidelines, changes in material factors and legal or regulatory actions. Managers not meeting these criteria will be subject to additional due diligence review, corrective action or possible termination. The following short-term ranges have been established for weightings in the various asset categories:

<Table>
<Caption>

| | WEIGHTING RANGE | |
|---|---|---|
| | TARGET | RANGE |
| <S> | <C> | <C> |
| Domestic large cap equity | 35% | 30%-40% |
| International equity | 15% | 10%-20% |
| Fixed income | 50% | 45%-55% |
| Cash equivalents | 0% | 0%-5% |

</Table>

Within the broad ranges provided above, we currently target asset weightings as follows: domestic equity allocations (35%) are split into large cap growth (15%), large cap value (15%) and small cap (5%). Fixed income allocations are weighted between core fixed income and long term bonds to track changes in the plan's liability duration. The performance of the plan and the managed funds are monitored on a quarterly basis relative to the plan's objectives. The performance of the managed fund is measured against the following indices: Russell 1000, Europe, Australia and Far East, Lehman Aggregate and Citi-group 90-day T-Bill. LNC reviews this investment policy on an annual basis.

The expected return on plan assets was determined based on historical and expected future returns of the various asset classes, using the plan target allocations. LNC reevaluates this assumption at an interim date each plan year.

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Prior to 2007, our plan assets were principally managed by LNC's Investment Management segment. During 2007, the management of the equity portion of the plan assets was transferred to third-party managers. LNC's Investment Management segment continues to manage the plan's fixed income securities, which comprise approximately 50% of plan assets.

PLAN CASH FLOWS

LNC does not expect to contribute to the qualified defined benefit pension plans in 2008. LNC expects to fund approximately the following amounts (in millions) for benefit payments for LNC's unfunded non-qualified defined benefit plan and postretirement benefit plan:

<Table>
<Caption>

| | PENSION PLANS | | POSTRETIREMENT PLANS | |
|---|---|---|---|---|
| | NON-QUALIFIED DEFINED BENEFIT PENSION PLANS | REFLECTING MEDICARE PART D SUBSIDY | MEDICARE PART D SUBSIDY | NOT REFLECTING MEDICARE PART D SUBSIDY |
| <S> | <C> | <C> | <C> | <C> |
| 2008 | $ -- | $1 | $(1) | $2 |
| 2009 | -- | 1 | (1) | 2 |
| 2010 | -- | 1 | (1) | 2 |
| 2011 | -- | 1 | (1) | 2 |
| 2012 | -- | 1 | (1) | 2 |
| Thereafter | -- | 6 | (1) | 7 |

</Table>

401(k), MONEY PURCHASE AND PROFIT SHARING PLANS

LNC also sponsors contributory defined contribution plans for eligible U.S. employees and agents, including those of LNL. These plans include 401(k) plans and defined contribution money purchase plans for eligible agents of the former Jefferson-Pilot. LNC's contribution to both the employees' and agents' 401(k) plans, excluding the former Jefferson-Pilot agents, is equal to 50% of each participant's pre-tax contribution, not to exceed 6% of eligible compensation, and is invested as directed by the participant. As of April 3, 2006, LNC's contributions to the employees' 401(k) plan on behalf of the former Jefferson-Pilot employees were the same as the contribution provided to eligible Lincoln participants. LNC's contributions to the agents' 401(k) Plan on behalf of the former Jefferson-Pilot agents is equal to 10% of each participant's pre-tax contributions, not to exceed 6% of eligible compensation. An additional discretionary contribution of up to 100% may be made with respect to a participant's pre-tax contribution (up to 6% of base pay plus cash bonus). The amount of discretionary contribution varies according to whether LNC has met certain performance-based criteria as determined by the Compensation Committee of LNC's Board of Directors.

On May 1, 2007, simultaneous with LNC's announcement of the freeze of the primary defined benefit pension plans, LNC announced a number of enhancements to their employees' 401(k) plan effective January 1, 2008. For all participants, including those of LNL, a number of new features will apply: 1) an increase in the basic employer match from $0.50 per each $1.00 that a participant contributes each pay period, up to 6% of eligible compensation, to $1.00 per each $1.00 that a participant contributes each pay period, up to 6% of eligible compensation (the 50% match will become a 100% match); 2) a guaranteed "core" employer contribution of 4% of eligible compensation per pay period which will be made regardless of whether the eligible employee elects to defer salary into the Plan; and 3) certain eligible employees will also qualify for a "transition" employer contribution between 0.2% and 8.0% of eligible compensation per pay. Eligibility to receive the additional transition employer contributions will be based on a combination of age and years of service, with a minimum 10-year service requirement for legacy LNC employees and a minimum 5-year service requirement for former Jefferson-Pilot employees. Eligibility for transition employer contributions will be determined based on age and service on December 31, 2007 (i.e., participants will not "grow" into transition credits thereafter). Transition employer contributions will cease on December 31, 2017. The discretionary employer match feature will be eliminated effective January 1, 2008.

The Jefferson-Pilot Life Insurance Company Agents' Retirement Plan is a money purchase plan for eligible agents that provides for an employer contribution equal to 5% of a participant's eligible compensation.

Expense for the 401(k) and profit sharing plans was $31 million, $22 million and $25 million for the years ended December 31, 2007, 2006 and 2005, respectively.

DEFERRED COMPENSATION PLANS

LNC sponsors the DC SERP for certain U.S. employees, including those of LNL, and deferred compensation plans for certain agents, including those of LNL. Plan participants may elect to defer payment of a portion of their compensation as defined by the plans. Plan participants may select from a menu of "phantom" investment options (identical to those offered under LNC's qualified savings plans) used as investment measures for calculating the investment return notionally credited to their deferrals. Under the terms of these plans, LNC agrees to pay out amounts based upon the aggregate performance of the investment measures selected by the participant. LNC makes matching contributions to these plans based upon amounts placed into the deferred compensation plans by individuals when participants exceed applicable limits of the Internal Revenue Code. The amount of LNC's contribution is calculated in a manner similar to the employer match calculation described in the 401(k) plans section above. Expense for these plans was $11 million, $17 million and $11 million for the years ended December 31, 2007, 2006 and 2005, respectively. These expenses reflect both our employer matching contributions of $1 million, $4 million and $3 million, respectively, as well as increases in the measurement of our liabilities net of the total return swap, described in Note 5, under these plans of $10 million, $13 million and $8 million for the years ended December 31, 2007, 2006 and 2005, respectively.

The terms of the deferred compensation plans provide that plan participants who select LNC stock as the measure for their investment return will receive shares of LNC stock in settlement of this portion of their accounts at the time of distribution. In addition, participants are precluded from



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diversifying any portion of their deferred compensation plan account that has been credited to the stock unit fund. Consequently, changes in value of our stock do not affect the expenses associated with this portion of the deferred compensation plans.

LNC also sponsors a deferred compensation plan for certain eligible agents, including those of LNL. Plan participants receive contributions based on their earnings. Plan participants may select from a menu of "phantom" investment options used as investment measures for calculating the investment return notionally credited to their deferrals. Under the terms of these plans, LNC agrees to pay out amounts based upon the aggregate performance of the investment measures selected by the participant.

As a result of the merger with Jefferson-Pilot, LNC also sponsors a deferred compensation plan for former agents of Jefferson-Pilot. Plan participants may elect to defer payment of a portion of their compensation, as defined by the plan. Plan participants may select from a menu of "phantom" investment options used as investment measures for calculating the investment return notionally credited to their deferrals. Under the terms of the plan, LNC agrees to pay out amounts based upon the aggregate performance of the investment measures selected by the participant. LNC does not make matching contributions to this plan, and LNC stock is not an investment option of the plan.

LNC also sponsors a deferred compensation plan for certain former agents of Jefferson-Pilot that participate in the Jefferson-Pilot Life Insurance Company Agents' Retirement Plan. The Plan provides for company contributions equal to 5% of eligible compensation for earnings in excess of the limits imposed by the Federal government.

The total liabilities associated with the employee and agent plans were $137 million and $158 million as of December 31, 2007 and 2006, respectively.

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## 17. STOCK-BASED INCENTIVE COMPENSATION PLANS

Our employees are included in LNC's various incentive plans that provide for the issuance of stock options, stock incentive awards, SARs, restricted stock awards, performance shares (performance-vested shares as opposed to time-vested shares) and deferred stock units - also referred to as "restricted stock units." LNC has a policy of issuing new shares to satisfy option exercises.

Total compensation expense (in millions) for all of our stock-based incentive compensation plans was as follows:

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| <S> | <C> | <C> | <C> |
| Stock options | $ 10 | $ 3 | $ -- |
| Shares | 3 | 19 | 14 |
| Cash awards | -- | 1 | 1 |
| SARs | 5 | (1) | 2 |
| Restricted stock | 6 | 1 | 1 |

| | | | |
|---|---|---|---|
| Total stock-based incentive compensation expense | $ 24 | $ 23 | $ 18 |
| Recognized tax benefit | $ 8 | $ 8 | $ 6 |

</Table>

## 18. STATUTORY INFORMATION AND RESTRICTIONS

We prepare financial statements on the basis of SAP prescribed or permitted by the insurance departments of LNL and LLANY's states of domicile. Prescribed SAP includes the Accounting Practices and Procedures Manual of the National Association of Insurance Commissioners ("NAIC") as well as state laws, regulations and administrative rules. Permitted SAP encompasses all accounting practices not so prescribed. SAP differs from GAAP primarily due to charging policy acquisition costs to expense as incurred instead of deferring them to the extent recoverable and amortizing them as described in Note 1 above, establishing future contract benefit liabilities using different actuarial assumptions and valuing investments on a different basis. Statutory net income was $971 million, $299 million and $544 million for the years ended December 31, 2007, 2006 and 2005. The increase in statutory net income from 2006 to 2007 was driven primarily by two factors. The first factor was the release of statutory reserves as a result of the merger of JPL and JPFIC into LNL as described in Note 1. The second factor was an internal transfer of ownership of FPP from LNL to our parent company, LNC, as referenced in Note 1. As a result of this transfer, we recognized a realized gain for the cumulative unrealized gain of our investment in FPP as the date of the transfer. Statutory capital and surplus was $5.1 billion and $3.0 billion as of December 31, 2007 and 2006, respectively.

LNL is domiciled in Indiana. The state of Indiana has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. We calculate reserves on universal life policies based on the Indiana universal life method, which caused statutory surplus to be higher than NAIC statutory surplus by $246 million and $227 million as of December 31, 2007 and 2006, respectively. We are also permitted by Indiana to use a more conservative valuation interest rate on certain



<Page>

annuities, which caused statutory surplus to be lower than NAIC statutory surplus by $14 million as of December 31, 2007 and 2006. A new statutory reserving standard, Actuarial Guideline VACARVM, is being developed by the NAIC with an expected effective date of December 31, 2008. This standard could lead to higher benefit reserves, lower risk-based capital ratios and potentially reduce future dividend capacity from our insurance subsidiaries.

LNL is subject to certain insurance department regulatory restrictions as to the transfer of funds and payment of dividends to the holding company. Generally, these restrictions pose no short-term liquidity concerns for the holding company. For example, under Indiana laws and regulations, we may pay dividends to LNC without prior approval of the Indiana Insurance Commissioner (the "Commissioner"), or must receive prior approval of the Commissioner to pay a dividend if such dividend, along with all other dividends paid within the preceding twelve consecutive months, exceed the statutory limitation.

The current statutory limitation is the greater of (i) 10% of the insurer's policyholders' surplus, as shown on its last annual statement on file with the Commissioner; or (ii) the insurer's statutory net gain from operations for the previous twelve months. Indiana law gives the Commissioner broad discretion to disapprove requests for dividends in excess of these limits.

We paid dividends of $144 million, $568 million and $200 million to LNC during the years ended December 31, 2007, 2006 and 2005, respectively, which did not require prior approval of the Commissioner. In addition, we paid cash dividends of $626 million and a non-cash dividend of $292 million (attributable to the FPP dividend) in 2007 after approval was received from the Commissioner. Based upon anticipated ongoing positive statutory earnings and favorable credit markets, LNL expects that we could pay dividends of approximately $895 million in 2008 without prior approval from the Commissioner.

## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following discussion outlines the methodologies and assumptions used to determine the fair value of our financial instruments. Considerable judgment is required to develop these fair values. Accordingly, the estimates shown are not necessarily indicative of the amounts that would be realized in a one-time, current market exchange of all of our financial instruments.

### FIXED MATURITY AND EQUITY SECURITIES

Fair values for fixed maturity securities are based upon quoted market prices, where available. The fair value of private placements are estimated by discounting expected future cash flows using a current market rate applicable to the coupon rate, credit quality and maturity of the investments. For securities that are not actively traded and are not private placements, fair values are estimated using values obtained from independent pricing services.

The fair values for equity securities are based on quoted market prices.

MORTGAGE LOANS ON REAL ESTATE

The fair value of mortgage loans on real estate is established using a discounted cash flow method based on credit rating, maturity and future income. The ratings for mortgages in good standing are based on property type, location, market conditions, occupancy, debt service coverage, loan to value, quality of tenancy, borrower and payment record. Fair values for impaired mortgage loans are based on: 1) the present value of expected future cash flows discounted at the loan's effective interest rate; 2) the loan's market price; or 3) the fair value of the collateral if the loan is collateral dependent.

DERIVATIVE INSTRUMENTS

We employ several different methods for determining the fair value of our derivative instruments. Fair values for derivative contracts are based on current settlement values. These values are based on: 1) quoted market prices; 2) industry standard models that are commercially available; and 3) broker quotes. These techniques project cash flows of the derivatives using current and implied future market conditions. We calculate the present value of the cash flows to determine the derivatives' current fair market value.

OTHER INVESTMENTS AND CASH AND INVESTED CASH

The carrying value of our assets classified as other investments and cash and invested cash on our Consolidated Balance Sheets approximates their fair value. Other investments include limited partnership and other privately held investments that are accounted for using the equity method of accounting.

OTHER CONTRACT HOLDER FUNDS

Future contract benefits and other contract holder funds on our Consolidated Balance Sheets include account values of investment contracts and certain guaranteed interest contracts. The fair values for the investment contracts are based on their approximate surrender values. The fair values for the remaining guaranteed interest and similar contracts are estimated using discounted cash flow calculations. These calculations are based on interest rates currently offered on similar contracts with maturities that are consistent with those remaining for the contracts being valued.

The remainder of other contract holder funds that do not fit the definition of "investment type insurance contracts" are considered insurance contracts. Fair value disclosures are not required for these insurance contracts, nor have we determined the fair value of such contracts.

SHORT-TERM AND LONG-TERM DEBT

Fair values for our senior notes and capital securities are based on quoted market prices or estimated using discounted cash



<Page>

flow analysis based on our incremental borrowing rate at the balance sheet date for similar types of borrowing arrangements where quoted prices are not available. Fair values for junior subordinated debentures issued to affiliated trusts are based on quoted market prices. For short-term debt, excluding current maturities of long-term debt, the carrying value approximates fair value.

GUARANTEES

Our guarantees relate to mortgage loan pass-through certificates. Based on historical performance where repurchases have been negligible and the current status of the debt, none of the loans are delinquent and the fair value liability for the guarantees related to mortgage loan pass-through certificates is insignificant.

INVESTMENT COMMITMENTS

Fair values for commitments to make investments in fixed maturity securities (primarily private placements), limited partnerships, mortgage loans on real estate and real estate are based on the difference between the value of the committed investments as of the date of the accompanying Consolidated Balance Sheets and the commitment date. These estimates take into account changes in interest rates, the counterparties' credit standing and the remaining terms of the commitments.

SEPARATE ACCOUNTS

We report assets held in separate accounts at fair value. The related liabilities are reported at an amount equivalent to the separate account assets.

The carrying values and estimated fair values of our financial instruments (in millions) were as follows:

<Table>
<Caption>

| <S> | 2007 CARRYING VALUE <C> | 2007 FAIR VALUE <C> | 2006 CARRYING VALUE <C> | 2006 FAIR VALUE <C> |
|---|---|---|---|---|
| | AS OF DECEMBER 31, | | | |
| ASSETS | | | | |
| Available-for-sale securities: | | | | |
| Fixed maturities | $ 53,405 | $ 53,405 | $ 54,697 | $ 54,697 |
| Equity | 134 | 134 | 218 | 218 |
| Trading securities | 2,533 | 2,533 | 2,820 | 2,820 |
| Mortgage loans on real estate | 7,117 | 7,291 | 7,344 | 7,530 |
| Derivative instruments | 172 | 172 | 245 | 245 |
| Other investments | 986 | 986 | 783 | 783 |
| Cash and invested cash | 1,395 | 1,395 | 1,762 | 1,762 |
| LIABILITIES | | | | |
| Other contract holder funds: | | | | |
| Account value of certain investment contracts | (21,173) | (20,515) | (28,628) | (28,605) |
| Remaining guaranteed interest and similar contracts | (619) | (619) | (668) | (668) |
| Embedded derivative instruments -- living benefits (liabilities) contra liabilities | (229) | (229) | 52 | 52 |
| Reinsurance related derivative liability | (211) | (211) | (218) | (218) |
| Short-term debt | (173) | (173) | (21) | (21) |
| Long-term debt | (1,675) | (1,569) | (1,439) | (1,394) |
| OFF-BALANCE-SHEET | | | | |
| Guarantees | -- | (2) | -- | (3) |
| Investment commitments | -- | -- | -- | (1,308) |

</Table>



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20. SEGMENT INFORMATION

We provide products and services in two operating businesses, Individual Markets and Employer Markets, and report results through four business segments. We also have Other Operations which includes the financial data for operations that are not directly related to the business segments. Our reporting segments reflect the current manner by which our chief operating decision makers view and manage the business. The following is a brief description of these segments and Other Operations.

INDIVIDUAL MARKETS

The Individual Markets business provides its products through two segments: Annuities and Life Insurance. The Annuities segment provides tax-deferred investment growth and lifetime income opportunities for its clients by offering individual fixed annuities, including indexed annuities and variable annuities. The Annuities segment also offers broker-dealer services. The Life Insurance segment offers wealth protection and transfer opportunities through term insurance, a linked-benefit product (which is a universal life insurance policy linked with riders that provide for long-term care costs) and both single and survivorship versions of universal life and variable universal life.

EMPLOYER MARKETS

The Employer Markets business provides its products through two segments: Retirement Products and Group Protection. The Retirement Products segment includes two major lines of business: Defined Contribution and Executive Benefits. The Defined Contribution business provides employer-sponsored fixed and variable annuities and mutual fund-based programs in the 401(k), 403(b) and 457 plan marketplaces through a wide range of intermediaries including advisors, consultants, brokers, banks, wirehouses, third-party administrators and individual planners. The Executive Benefits business offers corporate-owned universal and variable universal life insurance and bank-owned universal and variable universal life insurance to small to mid-sized banks and mid to large-sized corporations, mostly through executive benefit brokers. The Group Protection segment offers group term life, disability and dental insurance to employers.

OTHER OPERATIONS

Other Operations includes the financial data for operations that are not directly related to the business segments, unallocated corporate items (such as investment income on investments related to the amount of statutory surplus that is not allocated to our business units and other corporate investments, interest expense on short-term and long-term borrowings, and certain expenses, including restructuring and merger-related expenses), along with the ongoing amortization of deferred gain on the indemnity reinsurance portion of the transaction with Swiss Re. Other Operations also includes the eliminations of intercompany transactions.

Segment operating revenues and income (loss) from operations are internal measures used by our management to evaluate and assess the results of our segments. Operating revenues are GAAP revenues excluding net realized gains and losses and the amortization of deferred gain arising from reserve development on business sold through reinsurance. Income (loss) from operations is GAAP net income excluding net realized investment gains and losses, losses on early retirement of debt and reserve development net of related amortization on business sold through reinsurance. Our management and Board of Directors believe that operating revenues and income (loss) from operations explain the results of our ongoing businesses in a manner that allows for a better understanding of the underlying trends in our current businesses because the excluded items are unpredictable and not necessarily indicative of current operating fundamentals or future performance of the business segments, and in many instances, decisions regarding these items do not necessarily relate to the operations of the individual segments. Operating revenues and income (loss) from operations do not replace revenues and net income as the GAAP measures of our consolidated results of operations.

Segment information (in millions) was as follows:

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| REVENUES | | | |
| Operating revenues: | | | |
| Individual Markets: | | | |
| Annuities | $ 2,237 | $ 1,914 | $ 1,309 |
| Life Insurance | 3,696 | 3,178 | 1,840 |
| Total Individual Markets | 5,933 | 5,092 | 3,149 |
| Employer Markets: | | | |
| Retirement Products | 1,423 | 1,356 | 1,168 |
| Group Protection | 1,500 | 1,032 | -- |
| Total Employer Markets | 2,923 | 2,388 | 1,168 |
| Other Operations | 285 | 310 | 309 |
| Realized loss(1) | (112) | (2) | (16) |
| Amortization of deferred gain on indemnity reinsurance related to reserve developments | 9 | 1 | 1 |
| Total revenues | $ 9,038 | $ 7,789 | $ 4,611 |

- ----------
(1) See Note 4 for the pre-tax detail of the realized loss.



| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| NET INCOME | | | |
| Operating income: | | | |
| Individual Markets: | | | |
| Annuities | $ 401 | $ 323 | $ 197 |
| Life Insurance | 623 | 470 | 238 |
| Total Individual Markets | 1,024 | 793 | 435 |
| Employer Markets: | | | |
| Retirement Products | 225 | 249 | 206 |
| Group Protection | 114 | 99 | -- |
| Total Employer Markets | 339 | 348 | 206 |
| Other Operations | (45) | 20 | 12 |
| Realized loss(1) | (72) | (1) | (10) |

| | | | |
|---|---|---|---|
| Reserve development, net of related amortization on business sold through indemnity reinsurance | (7) | 1 | 1 |
| Net income | $ 1,239 | $ 1,161 | $ 644 |

- ----------
(1) See Note 4 for the pre-tax detail of the realized loss.

| | FOR THE YEARS ENDED DECEMBER 31, 2007 | 2006 | 2005 |
|---|---|---|---|
| NET INVESTMENT INCOME | | | |
| Individual Markets: | | | |
| Annuities | $1,028 | $1,033 | $ 608 |
| Life Insurance | 1,762 | 1,502 | 907 |
| Total Individual Markets | 2,790 | 2,535 | 1,515 |
| Employer Markets: | | | |
| Retirement Products | 1,100 | 1,054 | 892 |
| Group Protection | 115 | 80 | -- |
| Total Employer Markets | 1,215 | 1,134 | 892 |
| Other Operations | 183 | 200 | 185 |
| Total net investment income | $4,188 | $3,869 | $2,592 |

| | FOR THE YEARS ENDED DECEMBER 31, 2007 | 2006 | 2005 |
|---|---|---|---|
| AMORTIZATION OF DAC AND VOBA, NET OF INTEREST | | | |
| Individual Markets: | | | |
| Annuities | $337 | $316 | $ 183 |
| Life Insurance | 467 | 436 | 259 |
| Total Individual Markets | 804 | 752 | 442 |
| Employer Markets: | | | |
| Retirement Products | 112 | 84 | 63 |
| Group Protection | 31 | 16 | -- |
| Total Employer Markets | 143 | 100 | 63 |
| Other Operations | -- | 1 | (1) |
| Total amortization of DAC and VOBA | $947 | $853 | $ 504 |

| | FOR THE YEARS ENDED DECEMBER 31, 2007 | 2006 | 2005 |
|---|---|---|---|
| FEDERAL INCOME TAX EXPENSE (BENEFIT) | | | |
| Individual Markets: | | | |
| Annuities | $ 114 | $ 46 | $ 40 |
| Life Insurance | 317 | 235 | 115 |
| Total Individual Markets | 431 | 281 | 155 |
| Employer Markets: | | | |
| Retirement Products | 90 | 97 | 80 |
| Group Protection | 61 | 53 | -- |
| Total Employer Markets | 151 | 150 | 80 |
| Other Operations | (35) | 29 | (6) |
| Realized loss | (39) | -- | (6) |
| Loss on early retirement of debt | -- | -- | -- |

| | | | |
|---|---|---|---|
| Amortization of deferred gain on idemnity reinsurance related to reserve developments | (4) | -- | -- |
| Total income tax expense | $ 504 | $460 | $223 |

</Table>



<Page>

<Table>
<Caption>

| | AS OF DECEMBER 31, 2007 | 2006 |
|---|---|---|
| <S> | <C> | <C> |
| ASSETS | | |
| Individual Markets: | | |
| Annuities | $ 81,112 | $ 70,736 |
| Life Insurance | 40,780 | 42,177 |
| Total Individual Markets | 121,892 | 112,913 |
| Employer Markets: | | |
| Retirement Products | 38,271 | 37,274 |
| Group Protection | 1,471 | 1,849 |
| Total Employer Markets | 39,742 | 39,123 |
| Other Operations | 12,692 | 12,780 |
| Total assets | $174,326 | $164,816 |

</Table>

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21. TRANSACTIONS WITH AFFILIATES

Cash and short-term investments at December 31, 2007 and 2006 include our participation in a cash management agreement with LNC of $420 million and $389 million, respectively. Related investment income was $30 million, $14 million and $6 million in 2007, 2006 and 2005, respectively. Short-term debt represents notes payable to LNC of $18 million and $21 million at December 31, 2007 and 2006, respectively. Total interest expense for this short-term debt was $1 million, $2 million and $1 million for the years ended December 31, 2007, 2006 and 2005, respectively. As shown in Note 12, LNC supplied funding to us totaling $1.7 billion in 2007 and $1.4 billion in 2006, in exchange for notes. The interest expense on these notes was $96 million, $84 million and $78 million for the years ended December 31, 2007, 2006 and 2005, respectively.

In accordance with service agreements with LNC and other subsidiaries of LNC for personnel and facilities usage, general management services and investment management services, we receive services from and provide services to affiliated companies and also receive an allocation of corporate overhead from LNC. Corporate overhead expenses are assigned based on specific methodologies for each function. The majority of the expenses are assigned based on the following methodologies: assets by product, assets under management, weighted number of policy applications, weighted policies in force, and sales. This resulted in net payments of $99 million, $59 million and $122 million for the years ended December 31, 2007, 2006 and 2005, respectively, which is reflected in underwriting, acquisition, insurance and other expenses on our Consolidated Statements of Income. Our related accounts payable to affiliates, which is included in other assets on our Consolidated Balance Sheets, was $10 million and $8 million as of December 31, 2007 and 2006, respectively.

A transfer pricing arrangement is in place between LFD and Delaware Management Holdings, Inc. ("DMH"), a wholly owned subsidiary of LNC, related to the wholesaling of DMH's investment products. As a result, we received fees of $62 million, $36 million and $41 million from DMH for transfer pricing in 2007, 2006, and 2005.

DMH is responsible for the management of our general account investments. We paid fees of $38 million, $57 million and $72 million for the years ended December 31, 2007, 2006 and 2005, respectively, to DMH for investment management services. These fees are reflected in net investment income on our Consolidated Statements of Income.

We cede and accept reinsurance from affiliated companies. As discussed in Note 8, we cede certain Guaranteed Benefit risks (including certain GMDB and GMWB benefits) to Lincoln National Reinsurance Company (Barbados) Ltd. ("LNR Barbados"). We also cede certain risks for certain UL policies, which resulted from recent actuarial reserving guidelines, to LNR Barbados. The caption insurance premiums, on the accompanying Consolidated Statements of Income, was reduced for premiums paid on these contracts for the years ended December 31, 2007, 2006 and 2005 by $308 million, $234 million and $219 million, respectively. Future contract benefits on the accompanying Consolidated Balance Sheets have been reduced by $1.3 billion and $1.1 billion as of December 31, 2007 and 2006, respectively.

Substantially all reinsurance ceded to affiliated companies is with unauthorized companies. To take a reserve credit for such reinsurance, we hold assets from the reinsurer, including funds held under reinsurance treaties, and are the beneficiary on letters of credit aggregating $1.4 billion and $1.1 billion at December 31, 2007 and 2006, respectively. The letters of credit are issued by banks and represent guarantees of performance under the reinsurance agreement, and are guaranteed by LNC.



<Page>

22. Supplemental Disclosures of Cash Flow Information

The following summarizes our supplemental cash flow data (in millions):

<Table>
<Caption>

| | FOR THE YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| <S> | <C> | <C> | <C> |
| Interest paid | $ 104 | $ 85 | $59 |
| Income taxes paid | 194 | 310 | 75 |
| Significant non-cash investing and financing transactions: | | | |
| Business combinations: | | | |
| Fair value of assets acquired (includes cash and invested cash) | $ 41 | $ 37,356 | $-- |
| Fair value of liabilities assumed | (50) | (30,424) | -- |
| Total purchase price | $ (9) | $ 6,932 | $-- |
| Dividend of FPP: | | | |
| Carrying value of assets (includes cash and invested cash) | $ 2,772 | $ -- | $-- |
| Carrying value of liabilities | (2,280) | -- | -- |
| Total dividend of FPP | $ 492 | $ -- | $-- |

</Table>



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
The Lincoln National Life Insurance Company

We have audited the accompanying consolidated balance sheets of The Lincoln National Life Insurance Company and its subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholder's equity and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the 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 Company'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 Company'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 consolidated financial position of The Lincoln National Life Insurance Company and its subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in 2007 the

Company changed its method of accounting for deferred acquisition costs in connection with modifications or exchanges of insurance contracts as well as its method of accounting for uncertainty in income taxes. Also, as discussed in Note 2 of the consolidated financial statements, in 2006 the Company changed its method of accounting for defined benefit pension and other post retirement plans.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
March 28, 2008



<Page>

LINCOLN LIFE FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M



<Page>

LINCOLN LIFE FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M

STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 2007

<Table>
<Caption>

| SUBACCOUNT | INVESTMENTS | CONTRACT PURCHASES DUE FROM THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | TOTAL ASSETS | CONTRACT REDEMPTIONS DUE TO THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | MORTALITY & EXPENSE GUARANTEE CHARGES PAYABLE TO THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | NET ASSETS |
|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| AIM V.I. Capital Appreciation | $21,597,771 | $ -- | $21,597,771 | $189 | $1,414 | $21,596,168 |
| AIM V.I. Core Equity | 24,062,382 | 6,397 | 24,068,779 | -- | 1,570 | 24,067,209 |
| AIM V.I. Diversified Income | 707,566 | -- | 707,566 | 70 | 46 | 707,450 |
| AIM V.I. International Growth | 10,773,878 | 18,824 | 10,792,702 | -- | 702 | 10,792,000 |
| ABVPSF Global Technology Class A | 2,508,849 | 13,803 | 2,522,652 | -- | 149 | 2,522,503 |
| ABVPSF Growth and Income Class A | 16,978,108 | 2,395 | 16,980,503 | -- | 1,018 | 16,979,485 |
| ABVPSF International Value Class A | 4,799,910 | 50,146 | 4,850,056 | -- | 238 | 4,849,818 |
| ABVPSF Large Cap Growth Class A | 2,556,462 | 10,120 | 2,566,582 | -- | 162 | 2,566,420 |
| ABVPSF Small/Mid Cap Value Class A | 12,052,137 | 5,165 | 12,057,302 | -- | 695 | 12,056,607 |
| American Century VP Inflation Protection | 7,334,038 | 8,328 | 7,342,366 | -- | 394 | 7,341,972 |
| American Funds Global Growth Class 2 | 12,370,685 | 100,801 | 12,471,486 | -- | 672 | 12,470,814 |
| American Funds Global Small Capitalization Class 2 | 31,822,982 | 17,870 | 31,840,852 | -- | 1,911 | 31,838,941 |
| American Funds Growth Class 2 | 118,884,767 | 793,808 | 119,678,575 | -- | 7,177 | 119,671,398 |
| American Funds Growth-Income Class 2 | 90,436,412 | 671,155 | 91,107,567 | -- | 5,456 | 91,102,111 |
| American Funds International Class 2 | 57,612,545 | 97,936 | 57,710,481 | -- | 3,401 | 57,707,080 |
| Delaware VIPT Capital Reserves | 224,489 | 313 | 224,802 | -- | 13 | 224,789 |
| Delaware VIPT Diversified Income | 12,257,630 | 101,096 | 12,358,726 | -- | 647 | 12,358,079 |
| Delaware VIPT Emerging Markets | 27,841,170 | 70,093 | 27,911,263 | -- | 1,645 | 27,909,618 |
| Delaware VIPT High Yield | 14,403,694 | 10,370 | 14,414,064 | -- | 853 | 14,413,211 |
| Delaware VIPT REIT | 23,544,919 | 13,177 | 23,558,096 | -- | 1,375 | 23,556,721 |
| Delaware VIPT Small Cap Value | 39,555,289 | 29,052 | 39,584,341 | -- | 2,433 | 39,581,908 |
| Delaware VIPT Trend | 22,378,052 | 3,901 | 22,381,953 | -- | 1,414 | 22,380,539 |
| Delaware VIPT U.S. Growth | 945,772 | 4 | 945,776 | -- | 57 | 945,719 |
| Delaware VIPT Value | 15,104,162 | 18,067 | 15,122,229 | -- | 895 | 15,121,334 |
| DWS VIP Equity 500 Index | 60,633,798 | 6,231 | 60,640,029 | -- | 3,782 | 60,636,247 |
| DWS VIP Small Cap Index | 13,620,871 | 1,654 | 13,622,525 | -- | 828 | 13,621,697 |
| Fidelity VIP Asset Manager | 869,705 | -- | 869,705 | 428 | 57 | 869,220 |
| Fidelity VIP Contrafund Service Class | 61,582,014 | 84,805 | 61,666,819 | -- | 3,636 | 61,663,183 |
| Fidelity VIP Equity-Income | 4,826,014 | -- | 4,826,014 | 3,560 | 318 | 4,822,136 |
| Fidelity VIP Equity-Income Service Class | 7,684,363 | 17,583 | 7,701,946 | -- | 479 | 7,701,467 |
| Fidelity VIP Growth Service Class | 10,001,760 | -- | 10,001,760 | 3,943 | 627 | 9,997,190 |
| Fidelity VIP Growth Opportunities Service Class | 4,453,331 | -- | 4,453,331 | 194 | 288 | 4,452,849 |
| Fidelity VIP High Income Service Class | 1,626,625 | 1,897 | 1,628,522 | -- | 108 | 1,628,414 |
| Fidelity VIP Investment Grade Bond | 2,533,413 | -- | 2,533,413 | 494 | 166 | 2,532,753 |
| Fidelity VIP Mid Cap Service Class | 7,500,757 | 34,891 | 7,535,648 | -- | 380 | 7,535,268 |
| Fidelity VIP Overseas Service Class | 6,797,354 | 6,887 | 6,804,241 | -- | 392 | 6,803,849 |
| FTVIPT Franklin Income Securities | 3,605,027 | 7,086 | 3,612,113 | -- | 179 | 3,611,934 |
| FTVIPT Franklin Small-Mid Cap Growth Securities | 9,845,377 | 2,741 | 9,848,118 | -- | 581 | 9,847,537 |
| FTVIPT Mutual Shares Securities | 2,852,452 | 4,029 | 2,856,481 | -- | 145 | 2,856,336 |
| FTVIPT Templeton Foreign Securities | 4,124,931 | -- | 4,124,931 | 221 | 272 | 4,124,438 |
| FTVIPT Templeton Foreign Securities Class 2 | 7,764,263 | 1,310 | 7,765,573 | -- | 511 | 7,765,062 |
| FTVIPT Templeton Global Asset Allocation | 870,912 | -- | 870,912 | 39 | 57 | 870,816 |

| | | | | | | |
|---|---|---|---|---|---|---|
| FTVIPT Templeton Global Income Securities | 3,963,583 | 115,246 | 4,078,829 | -- | 195 | 4,078,634 |
| FTVIPT Templeton Growth Securities | 9,847,066 | 4,150 | 9,851,216 | -- | 595 | 9,850,621 |
| FTVIPT Templeton Growth Securities Class 2 | 3,716,886 | -- | 3,716,886 | 36 | 245 | 3,716,605 |
| Janus Aspen Series Balanced | 13,156,456 | -- | 13,156,456 | 530 | 867 | 13,155,059 |
| Janus Aspen Series Balanced Service Shares | 7,146,310 | 2,257 | 7,148,567 | -- | 454 | 7,148,113 |
| Janus Aspen Series Global Technology Service Shares | 1,783,262 | 1,213 | 1,784,475 | -- | 116 | 1,784,359 |

</Table>

See accompanying notes.



<Page>

<Table>
<Caption>

| SUBACCOUNT | INVESTMENTS | CONTRACT PURCHASES DUE FROM THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | TOTAL ASSETS | CONTRACT REDEMPTIONS DUE TO THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | MORTALITY & EXPENSE GUARANTEE CHARGES PAYABLE TO THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | NET ASSETS |
|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Janus Aspen Series Mid Cap Growth Service Shares | $ 5,738,966 | $ 2,121 | $ 5,741,087 | $ -- | $ 364 | $ 5,740,723 |
| Janus Aspen Series Worldwide Growth | 14,508,366 | 3,255 | 14,511,621 | -- | 937 | 14,510,684 |
| Janus Aspen Series Worldwide Growth Service Shares | 3,350,457 | 28 | 3,350,485 | -- | 219 | 3,350,266 |
| Lincoln VIPT Baron Growth Opportunities | 174,539 | 56 | 174,595 | -- | 10 | 174,585 |
| Lincoln VIPT Baron Growth Opportunities Service Class | 6,522,616 | 1,503 | 6,524,119 | -- | 405 | 6,523,714 |
| Lincoln VIPT Capital Growth | 3,063 | -- | 3,063 | -- | -- | 3,063 |
| Lincoln VIPT Cohen & Steers Global Real Estate | 1,867,400 | 10,326 | 1,877,726 | -- | 106 | 1,877,620 |
| Lincoln VIPT Delaware Bond | 55,668,769 | 20,000 | 55,688,769 | -- | 3,372 | 55,685,397 |
| Lincoln VIPT Delaware Growth and Income | 1,105,567 | 426 | 1,105,993 | -- | 54 | 1,105,939 |
| Lincoln VIPT Delaware Social Awareness | 3,703,315 | 14,145 | 3,717,460 | -- | 224 | 3,717,236 |
| Lincoln VIPT Delaware Special Opportunities | 101,073 | -- | 101,073 | -- | 6 | 101,067 |
| Lincoln VIPT FI Equity-Income | 6,085,619 | 645 | 6,086,264 | -- | 380 | 6,085,884 |
| Lincoln VIPT Janus Capital Appreciation | 7,052,823 | 5,060 | 7,057,883 | -- | 443 | 7,057,440 |
| Lincoln VIPT Marsico International Growth | 809,215 | 1,970 | 811,185 | -- | 48 | 811,137 |
| Lincoln VIPT MFS Value | 167,526 | 11,258 | 178,784 | -- | 9 | 178,775 |
| Lincoln VIPT Mid-Cap Growth | 151,466 | 2,527 | 153,993 | -- | 7 | 153,986 |
| Lincoln VIPT Mid-Cap Value | 650,789 | 1,791 | 652,580 | -- | 31 | 652,549 |
| Lincoln VIPT Mondrian International Value | 23,330,275 | 11,973 | 23,342,248 | -- | 1,378 | 23,340,870 |
| Lincoln VIPT Money Market | 47,114,522 | 57,261 | 47,171,783 | -- | 2,737 | 47,169,046 |
| Lincoln VIPT S&P 500 Index | 1,388,207 | 9,540 | 1,397,747 | -- | 74 | 1,397,673 |
| Lincoln VIPT Small-Cap Index | 286,087 | 4,782 | 290,869 | -- | 15 | 290,854 |
| Lincoln VIPT T. Rowe Price Growth Stock | 227,325 | 1,582 | 228,907 | -- | 12 | 228,895 |
| Lincoln VIPT T. Rowe Price Structured Mid-Cap Growth | 1,592,909 | 381 | 1,593,290 | -- | 94 | 1,593,196 |
| Lincoln VIPT Templeton Growth | 76,290 | 927 | 77,217 | -- | 4 | 77,213 |
| Lincoln VIPT UBS Global Asset Allocation | 2,857,494 | 3,287 | 2,860,781 | -- | 170 | 2,860,611 |
| Lincoln VIPT Value Opportunities | 11,674 | 62 | 11,736 | -- | 1 | 11,735 |
| Lincoln VIPT Wilshire 2010 Profile | 7,200 | -- | 7,200 | -- | -- | 7,200 |
| Lincoln VIPT Wilshire 2020 Profile | 12,442 | -- | 12,442 | -- | 1 | 12,441 |
| Lincoln VIPT Wilshire 2030 Profile | 195,268 | -- | 195,268 | -- | 9 | 195,259 |
| Lincoln VIPT Wilshire 2040 Profile | 186,192 | -- | 186,192 | -- | 8 | 186,184 |
| Lincoln VIPT Wilshire Aggressive Profile | 3,555,869 | 30,407 | 3,586,276 | -- | 172 | 3,586,104 |
| Lincoln VIPT Wilshire Conservative Profile | 1,987,842 | 950 | 1,988,792 | -- | 89 | 1,988,703 |
| Lincoln VIPT Wilshire Moderate Profile | 17,568,812 | -- | 17,568,812 | 143,151 | 850 | 17,424,811 |
| Lincoln VIPT Wilshire Moderately Aggressive Profile | 19,047,259 | 67,655 | 19,114,914 | -- | 904 | 19,114,010 |
| M Fund Brandes International Equity | 2,814,829 | 2,300 | 2,817,129 | -- | 132 | 2,816,997 |
| M Fund Business Opportunity Value | 1,156,569 | -- | 1,156,569 | -- | 51 | 1,156,518 |
| M Fund Frontier Capital Appreciation | 929,406 | 1,533 | 930,939 | -- | 46 | 930,893 |
| M Fund Turner Core Growth | 1,516,505 | 1,533 | 1,518,038 | -- | 73 | 1,517,965 |
| MFS VIT Core Equity | 937,098 | 24 | 937,122 | -- | 59 | 937,063 |
| MFS VIT Emerging Growth | 13,303,220 | -- | 13,303,220 | 375 | 863 | 13,301,982 |
| MFS VIT Total Return | 30,361,476 | -- | 30,361,476 | 750 | 1,892 | 30,358,834 |
| MFS VIT Utilities | 28,891,936 | 71,610 | 28,963,546 | -- | 1,809 | 28,961,737 |
| NB AMT Mid-Cap Growth | 23,178,186 | 3,749 | 23,181,935 | -- | 1,432 | 23,180,503 |
| NB AMT Partners | 2,825,585 | -- | 2,825,585 | 100 | 184 | 2,825,301 |
| NB AMT Regency | 8,543,792 | 1,218 | 8,545,010 | -- | 520 | 8,544,490 |
| PIMCO VIT OPCAP Global Equity | 519,250 | -- | 519,250 | 4,658 | 34 | 514,558 |
| PIMCO VIT OPCAP Managed | 691,016 | 106 | 691,122 | -- | 46 | 691,076 |
| Putnam VT Growth & Income Class IB | 2,425,289 | -- | 2,425,289 | 229 | 155 | 2,424,905 |
| Putnam VT Health Sciences Class IB | 2,081,318 | 353 | 2,081,671 | -- | 136 | 2,081,535 |

</Table>

<Page>

LINCOLN LIFE FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2007

<Table>
<Caption>

| SUBACCOUNT | DIVIDENDS FROM INVESTMENT INCOME | MORTALITY AND EXPENSE GUARANTEE CHARGES | NET INVESTMENT INCOME (LOSS) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| AIM V.I. Capital Appreciation | $ -- | $(168,216) | $ (168,216) |
| AIM V.I. Core Equity | 269,317 | (192,811) | 76,506 |
| AIM V.I. Diversified Income | 53,148 | (5,873) | 47,275 |
| AIM V.I. International Growth | 43,545 | (83,150) | (39,605) |
| ABVPSF Global Technology Class A | -- | (13,773) | (13,773) |
| ABVPSF Growth and Income Class A | 244,852 | (123,546) | 121,306 |
| ABVPSF International Value Class A | 36,872 | (19,089) | 17,783 |
| ABVPSF Large Cap Growth Class A | -- | (16,842) | (16,842) |
| ABVPSF Small/Mid Cap Value Class A | 107,070 | (84,348) | 22,722 |
| American Century VP Inflation Protection | 296,805 | (41,020) | 255,785 |
| American Funds Global Growth Class 2 | 296,462 | (66,930) | 229,532 |
| American Funds Global Small Capitalization Class 2 | 867,689 | (217,377) | 650,312 |
| American Funds Growth Class 2 | 902,484 | (825,959) | 76,525 |
| American Funds Growth-Income Class 2 | 1,385,759 | (651,463) | 734,296 |
| American Funds International Class 2 | 802,836 | (358,345) | 444,491 |
| Delaware VIPT Capital Reserves | 9,415 | (1,345) | 8,070 |
| Delaware VIPT Diversified Income | 278,209 | (66,044) | 212,165 |
| Delaware VIPT Emerging Markets | 343,871 | (163,211) | 180,660 |
| Delaware VIPT High Yield | 898,284 | (101,720) | 796,564 |
| Delaware VIPT REIT | 388,950 | (205,853) | 183,097 |
| Delaware VIPT Small Cap Value | 217,778 | (327,462) | (109,684) |
| Delaware VIPT Trend | -- | (172,224) | (172,224) |
| Delaware VIPT U.S. Growth | -- | (5,980) | (5,980) |
| Delaware VIPT Value | 237,065 | (113,214) | 123,851 |
| DWS VIP Equity 500 Index | 926,620 | (467,269) | 459,351 |
| DWS VIP Small Cap Index | 124,956 | (106,699) | 18,257 |
| Fidelity VIP Asset Manager | 49,251 | (6,399) | 42,852 |
| Fidelity VIP Contrafund Service Class | 495,491 | (398,613) | 96,878 |
| Fidelity VIP Equity-Income | 91,745 | (41,657) | 50,088 |
| Fidelity VIP Equity-Income Service Class | 137,262 | (60,415) | 76,847 |
| Fidelity VIP Growth Service Class | 47,878 | (59,269) | (11,391) |
| Fidelity VIP Growth Opportunities Service Class | -- | (32,457) | (32,457) |
| Fidelity VIP High Income Service Class | 134,928 | (13,046) | 121,882 |
| Fidelity VIP Investment Grade Bond | 102,643 | (20,117) | 82,526 |
| Fidelity VIP Mid Cap Service Class | 40,117 | (34,735) | 5,382 |
| Fidelity VIP Overseas Service Class | 186,706 | (39,203) | 147,503 |
| FTVIPT Franklin Income Securities | 67,683 | (12,400) | 55,283 |
| FTVIPT Franklin Small-Mid Cap Growth Securities | -- | (66,007) | (66,007) |
| FTVIPT Mutual Shares Securities | 26,211 | (10,773) | 15,438 |
| FTVIPT Templeton Foreign Securities | 83,270 | (32,010) | 51,260 |
| FTVIPT Templeton Foreign Securities Class 2 | 149,240 | (60,590) | 88,650 |
| FTVIPT Templeton Global Asset Allocation | 150,960 | (7,106) | 143,854 |
| FTVIPT Templeton Global Income Securities | 70,806 | (15,549) | 55,257 |
| FTVIPT Templeton Growth Securities | 150,584 | (74,662) | 75,922 |
| FTVIPT Templeton Growth Securities Class 2 | 51,446 | (33,641) | 17,805 |
| Janus Aspen Series Balanced | 327,111 | (101,770) | 225,341 |
| Janus Aspen Series Balanced Service Shares | 160,901 | (54,438) | 106,463 |
| Janus Aspen Series Global Technology Service Shares | 5,666 | (12,943) | (7,277) |
| Janus Aspen Series Mid Cap Growth Service Shares | 3,221 | (33,113) | (29,892) |
| Janus Aspen Series Worldwide Growth | 112,041 | (116,411) | (4,370) |
| Janus Aspen Series Worldwide Growth Service Shares | 19,453 | (27,768) | (8,315) |
| Lincoln VIPT Baron Growth Opportunities | -- | (593) | (593) |
| Lincoln VIPT Baron Growth Opportunities Service Class | -- | (48,665) | (48,665) |
| Lincoln VIPT Capital Growth | 3 | (4) | (1) |
| Lincoln VIPT Cohen & Steers Global Real Estate | 8,818 | (5,899) | 2,919 |
| Lincoln VIPT Core | -- | (332) | (332) |
| Lincoln VIPT Delaware Bond | 2,672,906 | (386,770) | 2,286,136 |

</Table>

See accompanying notes.



<Page>

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NET INCREASE

| SUBACCOUNT | NET REALIZED GAIN (LOSS) ON INVESTMENTS | DIVIDENDS FROM NET REALIZED GAIN ON INVESTMENTS | TOTAL NET REALIZED GAIN (LOSS) ON INVESTMENTS | NET CHANGE IN UNREALIZED APPRECIATION OR DEPRECIATION ON INVESTMENTS | (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| AIM V.I. Capital Appreciation | $ 171,232 | $ -- | $ 171,232 | $ 2,220,040 | $ 2,223,056 |
| AIM V.I. Core Equity | 414,594 | -- | 414,594 | 1,250,159 | 1,741,259 |
| AIM V.I. Diversified Income | (11,435) | -- | (11,435) | (29,178) | 6,662 |
| AIM V.I. International Growth | 907,674 | -- | 907,674 | 483,020 | 1,351,089 |
| ABVPSF Global Technology Class A | 98,017 | -- | 98,017 | 205,740 | 289,984 |
| ABVPSF Growth and Income Class A | 353,081 | 831,050 | 1,184,131 | (599,752) | 705,685 |
| ABVPSF International Value Class A | 80,063 | 121,944 | 202,007 | (156,791) | 62,999 |
| ABVPSF Large Cap Growth Class A | 83,023 | -- | 83,023 | 204,789 | 270,970 |
| ABVPSF Small/Mid Cap Value Class A | 227,492 | 791,824 | 1,019,316 | (1,016,136) | 25,902 |
| American Century VP Inflation Protection | (9,409) | -- | (9,409) | 308,473 | 554,849 |
| American Funds Global Growth Class 2 | 240,774 | 396,089 | 636,863 | 411,467 | 1,277,862 |
| American Funds Global Small Capitalization Class 2 | 1,695,142 | 2,222,222 | 3,917,364 | 580,010 | 5,147,686 |
| American Funds Growth Class 2 | 2,283,343 | 7,635,743 | 9,919,086 | 1,853,036 | 11,848,647 |
| American Funds Growth-Income Class 2 | 2,052,775 | 2,872,458 | 4,925,233 | (2,172,000) | 3,487,529 |
| American Funds International Class 2 | 1,147,471 | 2,385,089 | 3,532,560 | 4,672,460 | 8,649,511 |
| Delaware VIPT Capital Reserves | (509) | -- | (509) | (385) | 7,176 |
| Delaware VIPT Diversified Income | 43,319 | 22,747 | 66,066 | 400,063 | 678,294 |
| Delaware VIPT Emerging Markets | 1,598,909 | 1,487,098 | 3,086,007 | 3,837,556 | 7,104,223 |
| Delaware VIPT High Yield | 105,852 | -- | 105,852 | (643,699) | 258,717 |
| Delaware VIPT REIT | 370,406 | 5,821,161 | 6,191,567 | (10,559,288) | (4,184,624) |
| Delaware VIPT Small Cap Value | 1,480,025 | 3,459,818 | 4,939,843 | (7,941,065) | (3,110,906) |
| Delaware VIPT Trend | 1,175,440 | 147,762 | 1,323,202 | 947,189 | 2,098,167 |
| Delaware VIPT U.S. Growth | 37,815 | -- | 37,815 | 62,736 | 94,571 |
| Delaware VIPT Value | 445,255 | 374,178 | 819,433 | (1,513,653) | (570,369) |
| DWS VIP Equity 500 Index | 1,795,030 | -- | 1,795,030 | 501,507 | 2,755,888 |
| DWS VIP Small Cap Index | 321,572 | 915,729 | 1,237,301 | (1,606,185) | (350,627) |
| Fidelity VIP Asset Manager | 10,125 | 21,375 | 31,500 | 34,354 | 108,706 |
| Fidelity VIP Contrafund Service Class | 1,037,259 | 14,785,193 | 15,822,452 | (7,516,155) | 8,403,175 |
| Fidelity VIP Equity-Income | 146,689 | 404,566 | 551,255 | (523,276) | 78,067 |
| Fidelity VIP Equity-Income Service Class | 149,036 | 645,127 | 794,163 | (824,165) | 46,845 |
| Fidelity VIP Growth Service Class | 395,245 | 8,203 | 403,448 | 1,337,221 | 1,729,278 |
| Fidelity VIP Growth Opportunities Service Class | 128,839 | -- | 128,839 | 731,990 | 828,372 |
| Fidelity VIP High Income Service Class | 512 | -- | 512 | (92,910) | 29,484 |
| Fidelity VIP Investment Grade Bond | (2,603) | -- | (2,603) | 8,244 | 88,167 |
| Fidelity VIP Mid Cap Service Class | 74,183 | 349,507 | 423,690 | 273,187 | 702,259 |
| Fidelity VIP Overseas Service Class | 151,305 | 336,779 | 488,084 | 124,089 | 759,676 |
| FTVIPT Franklin Income Securities | 6,890 | 12,035 | 18,925 | (56,708) | 17,500 |
| FTVIPT Franklin Small-Mid Cap Growth Securities | 218,294 | 657,547 | 875,841 | 36,382 | 846,216 |
| FTVIPT Mutual Shares Securities | 7,189 | 56,999 | 64,188 | (90,525) | (10,899) |
| FTVIPT Templeton Foreign Securities | 160,564 | 172,420 | 332,984 | 174,147 | 558,391 |
| FTVIPT Templeton Foreign Securities Class 2 | 390,496 | 340,399 | 730,895 | 212,013 | 1,031,558 |
| FTVIPT Templeton Global Asset Allocation | 2,637 | 195,464 | 198,101 | (265,967) | 75,988 |
| FTVIPT Templeton Global Income Securities | 24,011 | -- | 24,011 | 180,165 | 259,433 |
| FTVIPT Templeton Growth Securities | 336,496 | 423,849 | 760,345 | (658,128) | 178,139 |
| FTVIPT Templeton Growth Securities Class 2 | 547,712 | 164,149 | 711,861 | (613,956) | 115,710 |
| Janus Aspen Series Balanced | 218,287 | -- | 218,287 | 714,675 | 1,158,303 |
| Janus Aspen Series Balanced Service Shares | 168,985 | -- | 168,985 | 357,975 | 633,423 |
| Janus Aspen Series Global Technology Service Shares | 56,717 | -- | 56,717 | 252,818 | 302,258 |
| Janus Aspen Series Mid Cap Growth Service Shares | 151,235 | 22,356 | 173,591 | 643,493 | 787,192 |
| Janus Aspen Series Worldwide Growth | 86,888 | -- | 86,888 | 1,159,335 | 1,241,853 |
| Janus Aspen Series Worldwide Growth Service Shares | 179,277 | -- | 179,277 | 124,669 | 295,631 |
| Lincoln VIPT Baron Growth Opportunities | (60) | -- | (60) | (5,089) | (5,742) |
| Lincoln VIPT Baron Growth Opportunities Service Class | 516,588 | 663,374 | 1,179,962 | (959,789) | 171,508 |
| Lincoln VIPT Capital Growth | 1 | -- | 1 | 56 | 56 |
| Lincoln VIPT Cohen & Steers Global Real Estate | (11,278) | -- | (11,278) | (224,374) | (232,733) |
| Lincoln VIPT Core | 16,710 | -- | 16,710 | (14,242) | 2,136 |
| Lincoln VIPT Delaware Bond | 3,051 | -- | 3,051 | 143,052 | 2,432,239 |

</Table>



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| SUBACCOUNT | DIVIDENDS FROM INVESTMENT INCOME | MORTALITY AND EXPENSE GUARANTEE CHARGES | NET INVESTMENT INCOME (LOSS) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Lincoln VIPT Delaware Growth and Income | $ 12,482 | $ (5,818) | $ 6,664 |
| Lincoln VIPT Delaware Social Awareness | 32,580 | (27,445) | 5,135 |
| Lincoln VIPT Delaware Special Opportunities | 767 | (166) | 601 |
| Lincoln VIPT FI Equity-Income | 74,329 | (46,374) | 27,955 |
| Lincoln VIPT Growth | -- | (165) | (165) |
| Lincoln VIPT Growth Opportunities | -- | (230) | (230) |
| Lincoln VIPT Janus Capital Appreciation | 17,529 | (48,203) | (30,674) |
| Lincoln VIPT Marsico International Growth | 5,684 | (1,285) | 4,399 |

| | | | |
|---|---|---|---|
| Lincoln VIPT MFS Value | 1,458 | (239) | 1,219 |
| Lincoln VIPT Mid-Cap Growth | -- | (180) | (180) |
| Lincoln VIPT Mid-Cap Value | 924 | (1,315) | (391) |
| Lincoln VIPT Mondrian International Value | 451,785 | (157,308) | 294,477 |
| Lincoln VIPT Money Market | 2,231,811 | (334,477) | 1,897,334 |
| Lincoln VIPT S&P 500 Index | 12,683 | (2,694) | 9,989 |
| Lincoln VIPT Small-Cap Index | 1,262 | (431) | 831 |
| Lincoln VIPT T. Rowe Price Growth Stock | 290 | (284) | 6 |
| Lincoln VIPT T. Rowe Price Structured Mid-Cap Growth | -- | (8,291) | (8,291) |
| Lincoln VIPT Templeton Growth | 857 | (99) | 758 |
| Lincoln VIPT UBS Global Asset Allocation | 44,595 | (18,780) | 25,815 |
| Lincoln VIPT Value Opportunities | 2 | (2) | -- |
| Lincoln VIPT Wilshire 2010 Profile | 34 | (11) | 23 |
| Lincoln VIPT Wilshire 2020 Profile | 42 | (15) | 27 |
| Lincoln VIPT Wilshire 2030 Profile | 407 | (230) | 177 |
| Lincoln VIPT Wilshire 2040 Profile | 1,236 | (261) | 975 |
| Lincoln VIPT Wilshire Aggressive Profile | 27,133 | (14,153) | 12,980 |
| Lincoln VIPT Wilshire Conservative Profile | 34,369 | (5,480) | 28,889 |
| Lincoln VIPT Wilshire Moderate Profile | 219,398 | (80,932) | 138,466 |
| Lincoln VIPT Wilshire Moderately Aggressive Profile | 247,724 | (71,429) | 176,295 |
| M Fund Brandes International Equity | 57,034 | (14,681) | 42,353 |
| M Fund Business Opportunity Value | 7,511 | (5,697) | 1,814 |
| M Fund Frontier Capital Appreciation | -- | (5,237) | (5,237) |
| M Fund Turner Core Growth | 5,360 | (7,655) | (2,295) |
| MFS VIT Core Equity | 2,916 | (6,796) | (3,880) |
| MFS VIT Emerging Growth | -- | (97,950) | (97,950) |
| MFS VIT Total Return | 748,290 | (228,782) | 519,508 |
| MFS VIT Utilities | 223,101 | (188,931) | 34,170 |
| NB AMT Mid-Cap Growth | -- | (166,582) | (166,582) |
| NB AMT Partners | 17,858 | (21,823) | (3,965) |
| NB AMT Regency | 44,302 | (72,681) | (28,379) |
| PIMCO VIT OPCAP Global Equity | 5,049 | (4,708) | 341 |
| PIMCO VIT OPCAP Managed | 15,223 | (5,799) | 9,424 |
| Putnam VT Growth & Income Class IB | 34,257 | (20,352) | 13,905 |
| Putnam VT Health Sciences Class IB | 17,451 | (17,471) | (20) |

</Table>

See accompanying notes.



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| SUBACCOUNT | NET REALIZED GAIN (LOSS) ON INVESTMENTS | DIVIDENDS FROM NET REALIZED GAIN ON INVESTMENTS | TOTAL NET REALIZED GAIN (LOSS) ON INVESTMENTS | NET CHANGE IN UNREALIZED APPRECIATION OR DEPRECIATION ON INVESTMENTS | NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Lincoln VIPT Delaware Growth and Income | $ 6,009 | $ -- | $ 6,009 | $ 34,794 | $ 47,467 |
| Lincoln VIPT Delaware Social Awareness | 146,781 | -- | 146,781 | (75,366) | 76,550 |
| Lincoln VIPT Delaware Special Opportunities | (112) | 766 | 654 | (4,458) | (3,203) |
| Lincoln VIPT FI Equity-Income | 106,975 | 593,421 | 700,396 | (550,656) | 177,695 |
| Lincoln VIPT Growth | 9,860 | -- | 9,860 | (3,826) | 5,869 |
| Lincoln VIPT Growth Opportunities | 5,170 | -- | 5,170 | (1,336) | 3,604 |
| Lincoln VIPT Janus Capital Appreciation | 18,189 | -- | 18,189 | 1,128,323 | 1,115,838 |
| Lincoln VIPT Marsico International Growth | (3,881) | -- | (3,881) | (6,450) | (5,932) |
| Lincoln VIPT MFS Value | (168) | -- | (168) | (3,590) | (2,539) |
| Lincoln VIPT Mid-Cap Growth | 4,285 | -- | 4,285 | 1,649 | 5,754 |
| Lincoln VIPT Mid-Cap Value | (15,993) | -- | (15,993) | (29,375) | (45,759) |
| Lincoln VIPT Mondrian International Value | 945,366 | 563,271 | 1,508,637 | 300,686 | 2,103,800 |
| Lincoln VIPT Money Market | -- | -- | -- | -- | 1,897,334 |
| Lincoln VIPT S&P 500 Index | (2,621) | -- | (2,621) | (35,517) | (28,149) |
| Lincoln VIPT Small-Cap Index | (2,900) | -- | (2,900) | (7,706) | (9,775) |
| Lincoln VIPT T. Rowe Price Growth Stock | 35 | -- | 35 | 3,555 | 3,596 |
| Lincoln VIPT T. Rowe Price Structured Mid-Cap Growth | 61,311 | -- | 61,311 | 41,302 | 94,322 |
| Lincoln VIPT Templeton Growth | 78 | -- | 78 | (1,361) | (525) |
| Lincoln VIPT UBS Global Asset Allocation | 51,010 | 120,192 | 171,202 | (59,561) | 137,456 |
| Lincoln VIPT Value Opportunities | (3) | -- | (3) | (186) | (189) |
| Lincoln VIPT Wilshire 2010 Profile | 11 | -- | 11 | 258 | 292 |
| Lincoln VIPT Wilshire 2020 Profile | (2) | -- | (2) | (48) | (23) |
| Lincoln VIPT Wilshire 2030 Profile | (3) | -- | (3) | 1,621 | 1,795 |
| Lincoln VIPT Wilshire 2040 Profile | 351 | -- | 351 | 5,061 | 6,387 |
| Lincoln VIPT Wilshire Aggressive Profile | 11,842 | 33,501 | 45,343 | 137,855 | 196,178 |
| Lincoln VIPT Wilshire Conservative Profile | (2,962) | 1,483 | (1,479) | 25,130 | 52,540 |
| Lincoln VIPT Wilshire Moderate Profile | 320,770 | 59,767 | 380,537 | 580,918 | 1,099,921 |
| Lincoln VIPT Wilshire Moderately Aggressive Profile | 118,986 | 150,077 | 269,063 | 466,961 | 912,319 |
| M Fund Brandes International Equity | 84,476 | 373,393 | 457,869 | (337,550) | 162,672 |

| | | | | | |
|---|---|---|---|---|---|
| M Fund Business Opportunity Value | 10,174 | 91,335 | 101,509 | (54,430) | 48,893 |
| M Fund Frontier Capital Appreciation | 36,004 | 83,007 | 119,011 | (21,030) | 92,744 |
| M Fund Turner Core Growth | 58,293 | 105,820 | 164,113 | 102,691 | 264,509 |
| MFS VIT Core Equity | 61,130 | -- | 61,130 | 28,913 | 86,163 |
| MFS VIT Emerging Growth | 137,894 | -- | 137,894 | 2,251,957 | 2,291,901 |
| MFS VIT Total Return | 273,806 | 715,454 | 989,260 | (531,758) | 977,010 |
| MFS VIT Utilities | 1,141,931 | 1,617,142 | 2,759,073 | 2,856,478 | 5,649,721 |
| NB AMT Mid-Cap Growth | 995,220 | -- | 995,220 | 3,367,908 | 4,196,546 |
| NB AMT Partners | 86,782 | 279,457 | 366,239 | (143,022) | 219,252 |
| NB AMT Regency | 660,823 | 266,219 | 927,042 | (694,928) | 203,735 |
| PIMCO VIT OPCAP Global Equity | 14,714 | 146,859 | 161,573 | (126,475) | 35,439 |
| PIMCO VIT OPCAP Managed | 6,719 | 51,334 | 58,053 | (50,148) | 17,329 |
| Putnam VT Growth & Income Class IB | 203,748 | 393,646 | 597,394 | (789,249) | (177,950) |
| Putnam VT Health Sciences Class IB | 54,079 | -- | 54,079 | (83,327) | (29,268) |

</Table>



<Page>

LINCOLN LIFE FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2006 AND 2007

<Table>
<Caption>

| <S> | AIM V.I. CAPITAL APPRECIATION SUBACCOUNT <C> | AIM V.I. CORE EQUITY SUBACCOUNT <C> | AIM V.I. DIVERSIFIED INCOME SUBACCOUNT <C> | AIM V.I. INTERNATIONAL GROWTH SUBACCOUNT <C> |
|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $ 2,731,708 | $ -- | $616,093 | $ 7,184,524 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (104,348) | 4,782 | 38,050 | 23,946 |
| - Net realized gain (loss) on investments | (103,767) | 4,178 | (5,577) | 397,532 |
| - Net change in unrealized appreciation or depreciation on investments | (48,502) | 1,857,990 | (9,733) | 1,585,965 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | (256,617) | 1,866,950 | 22,740 | 2,007,443 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 1,523,903 | 1,527,099 | 50,066 | 700,703 |
| - Contract withdrawals | (2,136,190) | (2,064,442) | (50,419) | (783,625) |
| - Contract transfers | 18,681,969 | 22,502,769 | 68,627 | 657,549 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 18,069,682 | 21,965,426 | 68,274 | 574,627 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 17,813,065 | 23,832,376 | 91,014 | 2,582,070 |
| NET ASSETS AT DECEMBER 31, 2006 | 20,544,773 | 23,832,376 | 707,107 | 9,766,594 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (168,216) | 76,506 | 47,275 | (39,605) |
| - Net realized gain (loss) on investments | 171,232 | 414,594 | (11,435) | 907,674 |
| - Net change in unrealized appreciation or depreciation on investments | 2,220,040 | 1,250,159 | (29,178) | 483,020 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 2,223,056 | 1,741,259 | 6,662 | 1,351,089 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 1,957,872 | 2,119,037 | 49,737 | 678,827 |
| - Contract withdrawals | (2,351,142) | (2,953,356) | (76,453) | (688,624) |
| - Contract transfers | (778,391) | (672,107) | 20,397 | (315,886) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (1,171,661) | (1,506,426) | (6,319) | (325,683) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 1,051,395 | 234,833 | 343 | 1,025,406 |
| NET ASSETS AT DECEMBER 31, 2007 | $21,596,168 | $24,067,209 | $707,450 | $10,792,000 |

</Table>

See accompanying notes.



<Page>

<Table>
<Caption>

| <S> | ABVPSF GLOBAL TECHNOLOGY CLASS A SUBACCOUNT <C> | ABVPSF GROWTH AND INCOME CLASS A SUBACCOUNT <C> | ABVPSF INTERNATIONAL VALUE CLASS A SUBACCOUNT <C> | ABVPSF LARGE CAP GROWTH CLASS A SUBACCOUNT <C> | ABVPSF SMALL/MID CAP VALUE CLASS A SUBACCOUNT <C> |
|---|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $1,381,231 | $12,437,386 | $ -- | $2,451,924 | $ 7,360,063 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | (11,973) | 90,067 | (2,711) | (18,176) | (26,487) |
| - Net realized gain (loss) on investments | 58,674 | 864,651 | 19,856 | 77,086 | 757,708 |
| - Net change in unrealized appreciation or depreciation on investments | 75,314 | 1,224,706 | 146,894 | (119,063) | 364,894 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 122,015 | 2,179,424 | 164,039 | (60,153) | 1,096,115 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 376,030 | 2,184,169 | 172,700 | 272,522 | 1,803,648 |
| - Contract withdrawals | (206,418) | (1,212,933) | (44,253) | (192,178) | (788,456) |
| - Contract transfers | 7,374 | 531,603 | 1,298,260 | (304,378) | 650,876 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 176,986 | 1,502,839 | 1,426,707 | (224,034) | 1,666,068 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 299,001 | 3,682,263 | 1,590,746 | (284,187) | 2,762,183 |
| NET ASSETS AT DECEMBER 31, 2006 | 1,680,232 | 16,119,649 | 1,590,746 | 2,167,737 | 10,122,246 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | (13,773) | 121,306 | 17,783 | (16,842) | 22,722 |
| - Net realized gain (loss) on investments | 98,017 | 1,184,131 | 202,007 | 83,023 | 1,019,316 |
| - Net change in unrealized appreciation or depreciation on investments | 205,740 | (599,752) | (156,791) | 204,789 | (1,016,136) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 289,984 | 705,685 | 62,999 | 270,970 | 25,902 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 216,328 | 1,693,662 | 1,595,290 | 253,372 | 1,737,751 |
| - Contract withdrawals | (255,112) | (1,175,967) | (426,344) | (166,217) | (857,386) |
| - Contract transfers | 591,071 | (363,544) | 2,027,127 | 40,558 | 1,028,094 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 552,287 | 154,151 | 3,196,073 | 127,713 | 1,908,459 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 842,271 | 859,836 | 3,259,072 | 398,683 | 1,934,361 |
| NET ASSETS AT DECEMBER 31, 2007 | $2,522,503 | $16,979,485 | $4,849,818 | $2,566,420 | $12,056,607 |

<Caption>

| <S> | AMERICAN CENTURY VP INFLATION PROTECTION SUBACCOUNT <C> | AMERICAN FUNDS GLOBAL GROWTH CLASS 2 SUBACCOUNT <C> | AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION CLASS 2 SUBACCOUNT <C> | AMERICAN FUNDS GROWTH CLASS 2 SUBACCOUNT <C> |
|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $3,912,014 | $ 3,337,337 | $18,068,003 | $ 84,660,023 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 133,389 | 9,884 | (62,370) | 73,245 |
| - Net realized gain (loss) on investments | (9,305) | 82,764 | 2,150,733 | 2,413,697 |
| - Net change in unrealized appreciation or depreciation on investments | (65,029) | 845,893 | 2,326,952 | 5,856,775 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 59,055 | 938,541 | 4,415,315 | 8,343,717 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 1,345,728 | 1,688,472 | 2,806,249 | 14,945,964 |
| - Contract withdrawals | (442,748) | (467,710) | (1,947,899) | (8,773,852) |
| - Contract transfers | 730,983 | 1,462,417 | 1,779,145 | 818,724 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 1,633,963 | 2,683,179 | 2,637,495 | 6,990,836 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 1,693,018 | 3,621,720 | 7,052,810 | 15,334,553 |
| NET ASSETS AT DECEMBER 31, 2006 | 5,605,032 | 6,959,057 | 25,120,813 | 99,994,576 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 255,785 | 229,532 | 650,312 | 76,525 |
| - Net realized gain (loss) on investments | (9,409) | 636,863 | 3,917,364 | 9,919,086 |
| - Net change in unrealized appreciation or depreciation on investments | 308,473 | 411,467 | 580,010 | 1,853,036 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 554,849 | 1,277,862 | 5,147,686 | 11,848,647 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 1,381,429 | 2,287,772 | 3,359,709 | 14,216,364 |

| | | | | |
|---|---|---|---|---|
| - Contract withdrawals | (530,576) | (1,255,746) | (2,383,321) | (10,646,586) |
| - Contract transfers | 331,238 | 3,201,869 | 594,054 | 4,258,397 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 1,182,091 | 4,233,895 | 1,570,442 | 7,828,175 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 1,736,940 | 5,511,757 | 6,718,128 | 19,676,822 |
| NET ASSETS AT DECEMBER 31, 2007 | $7,341,972 | $12,470,814 | $31,838,941 | $119,671,398 |

</Table>



<Page>

<Table>
<Caption>

| <S> | AMERICAN FUNDS GROWTH-INCOME CLASS 2 SUBACCOUNT <C> | AMERICAN FUNDS INTERNATIONAL CLASS 2 SUBACCOUNT <C> | DELAWARE VIPT CAPITAL RESERVES SUBACCOUNT <C> | DELAWARE VIPT DIVERSIFIED INCOME SUBACCOUNT <C> |
|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $68,532,346 | $30,470,221 | $ 49,341 | $ 4,692,653 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 630,790 | 365,579 | 2,855 | 46,752 |
| - Net realized gain (loss) on investments | 3,109,727 | 1,572,160 | (18) | 5,365 |
| - Net change in unrealized appreciation or depreciation on investments | 6,276,149 | 4,067,050 | 251 | 403,127 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 10,016,666 | 6,004,789 | 3,088 | 455,244 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 10,588,456 | 6,502,318 | 63,020 | 1,693,572 |
| - Contract withdrawals | (6,278,998) | (2,680,392) | (9,970) | (574,243) |
| - Contract transfers | (1,403,245) | 1,436,645 | 15,222 | 1,401,495 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 2,906,213 | 5,258,571 | 68,272 | 2,520,824 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 12,922,879 | 11,263,360 | 71,360 | 2,976,068 |
| NET ASSETS AT DECEMBER 31, 2006 | 81,455,225 | 41,733,581 | 120,701 | 7,668,721 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 734,296 | 444,491 | 8,070 | 212,165 |
| - Net realized gain (loss) on investments | 4,925,233 | 3,532,560 | (509) | 66,066 |
| - Net change in unrealized appreciation or depreciation on investments | (2,172,000) | 4,672,460 | (385) | 400,063 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 3,487,529 | 8,649,511 | 7,176 | 678,294 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 11,345,875 | 6,740,454 | 147,979 | 2,645,774 |
| - Contract withdrawals | (8,467,147) | (3,434,663) | (26,982) | (803,203) |
| - Contract transfers | 3,280,629 | 4,018,197 | (24,085) | 2,168,493 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 6,159,357 | 7,323,988 | 96,912 | 4,011,064 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 9,646,886 | 15,973,499 | 104,088 | 4,689,358 |
| NET ASSETS AT DECEMBER 31, 2007 | $91,102,111 | $57,707,080 | $224,789 | $12,358,079 |

</Table>

See accompanying notes.



<Page>

<Table>
<Caption>

| <S> | DELAWARE VIPT EMERGING MARKETS SUBACCOUNT <C> | DELAWARE VIPT HIGH YIELD SUBACCOUNT <C> | DELAWARE VIPT REIT SUBACCOUNT <C> | DELAWARE VIPT SMALL CAP VALUE SUBACCOUNT <C> | DELAWARE VIPT TREND SUBACCOUNT <C> |
|---|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $15,081,737 | $10,057,594 | $ 19,807,181 | $36,186,924 | $22,013,285 |
| Changes From Operations: | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| - Net investment income (loss) | 98,476 | 639,911 | 254,262 | (207,496) | (169,825) |
| - Net realized gain (loss) on investments | 1,874,278 | 48,138 | 2,001,527 | 3,865,079 | 687,227 |
| - Net change in unrealized appreciation or depreciation on investments | 1,703,790 | 582,744 | 4,337,375 | 1,953,090 | 999,871 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 3,676,544 | 1,270,793 | 6,593,164 | 5,610,673 | 1,517,273 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 2,171,262 | 1,975,390 | 3,509,836 | 4,782,684 | 2,651,030 |
| - Contract withdrawals | (2,486,999) | (935,014) | (2,279,152) | (5,081,900) | (2,689,740) |
| - Contract transfers | (448,792) | 730,096 | 1,090,387 | 1,920,813 | (1,238,610) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (764,529) | 1,770,472 | 2,321,071 | 1,621,597 | (1,277,320) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 2,912,015 | 3,041,265 | 8,914,235 | 7,232,270 | 239,953 |
| NET ASSETS AT DECEMBER 31, 2006 | 17,993,752 | 13,098,859 | 28,721,416 | 43,419,194 | 22,253,238 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | 180,660 | 796,564 | 183,097 | (109,684) | (172,224) |
| - Net realized gain (loss) on investments | 3,086,007 | 105,852 | 6,191,567 | 4,939,843 | 1,323,202 |
| - Net change in unrealized appreciation or depreciation on investments | 3,837,556 | (643,699) | (10,559,288) | (7,941,065) | 947,189 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 7,104,223 | 258,717 | (4,184,624) | (3,110,906) | 2,098,167 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 2,761,671 | 2,081,592 | 3,479,305 | 4,484,344 | 2,293,159 |
| - Contract withdrawals | (1,914,230) | (1,110,062) | (2,325,364) | (4,137,428) | (2,429,800) |
| - Contract transfers | 1,964,202 | 84,105 | (2,134,012) | (1,073,296) | (1,834,225) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 2,811,643 | 1,055,635 | (980,071) | (726,380) | (1,970,866) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 9,915,866 | 1,314,352 | (5,164,695) | (3,837,286) | 127,301 |
| NET ASSETS AT DECEMBER 31, 2007 | $27,909,618 | $14,413,211 | $ 23,556,721 | $39,581,908 | $22,380,539 |

<Caption>

| <S> | DELAWARE VIPT U.S. GROWTH SUBACCOUNT <C> | DELAWARE VIPT VALUE SUBACCOUNT <C> | DWS VIP EQUITY 500 INDEX SUBACCOUNT <C> | DWS VIP SMALL CAP INDEX SUBACCOUNT <C> |
|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $ 836,244 | $ 7,687,908 | $57,222,262 | $11,235,210 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (6,226) | 62,597 | 237,922 | (15,144) |
| - Net realized gain (loss) on investments | 30,730 | 324,758 | 1,650,882 | 1,020,709 |
| - Net change in unrealized appreciation or depreciation on investments | (19,831) | 1,774,757 | 5,970,517 | 909,942 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 4,673 | 2,162,112 | 7,859,321 | 1,915,507 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 149,013 | 2,042,852 | 5,946,918 | 1,639,149 |
| - Contract withdrawals | (151,755) | (1,011,025) | (7,269,968) | (1,170,537) |
| - Contract transfers | (30,339) | 2,951,437 | (4,259,121) | 371,691 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (33,081) | 3,983,264 | (5,582,171) | 840,303 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | (28,408) | 6,145,376 | 2,277,150 | 2,755,810 |
| NET ASSETS AT DECEMBER 31, 2006 | 807,836 | 13,833,284 | 59,499,412 | 13,991,020 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (5,980) | 123,851 | 459,351 | 18,257 |
| - Net realized gain (loss) on investments | 37,815 | 819,433 | 1,795,030 | 1,237,301 |
| - Net change in unrealized appreciation or depreciation on investments | 62,736 | (1,513,653) | 501,507 | (1,606,185) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 94,571 | (570,369) | 2,755,888 | (350,627) |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 214,338 | 2,443,254 | 5,255,541 | 1,452,424 |
| - Contract withdrawals | (85,760) | (1,349,504) | (6,249,383) | (1,172,239) |
| - Contract transfers | (85,266) | 764,669 | (625,211) | (298,881) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 43,312 | 1,858,419 | (1,619,053) | (18,696) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 137,883 | 1,288,050 | 1,136,835 | (369,323) |
| NET ASSETS AT DECEMBER 31, 2007 | $ 945,719 | $15,121,334 | $60,636,247 | $13,621,697 |

</Table>



<Page>

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<Caption>

| | FIDELITY VIP ASSET MANAGER SUBACCOUNT | FIDELITY VIP CONTRAFUND SERVICE CLASS SUBACCOUNT | FIDELITY VIP EQUITY-INCOME SUBACCOUNT | FIDELITY VIP EQUITY-INCOME SERVICE CLASS SUBACCOUNT |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| NET ASSETS AT JANUARY 1, 2006 | $ 734,702 | $36,885,328 | $5,453,343 | $6,161,370 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 13,317 | 175,682 | 129,975 | 164,681 |
| - Net realized gain (loss) on investments | (1,328) | 4,623,408 | 741,203 | 958,625 |
| - Net change in unrealized appreciation or depreciation on investments | 32,650 | (389,442) | 48,493 | 70,293 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 44,639 | 4,409,648 | 919,671 | 1,193,599 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 81,627 | 7,464,266 | 371,241 | 775,755 |
| - Contract withdrawals | (93,981) | (4,826,835) | (764,922) | (551,218) |
| - Contract transfers | (18,537) | 4,485,745 | (573,772) | 19,160 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (30,891) | 7,123,176 | (967,453) | 243,697 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 13,748 | 11,532,824 | (47,782) | 1,437,296 |
| NET ASSETS AT DECEMBER 31, 2006 | 748,450 | 48,418,152 | 5,405,561 | 7,598,666 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 42,852 | 96,878 | 50,088 | 76,847 |
| - Net realized gain (loss) on investments | 31,500 | 15,822,452 | 551,255 | 794,163 |
| - Net change in unrealized appreciation or depreciation on investments | 34,354 | (7,516,155) | (523,276) | (824,165) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 108,706 | 8,403,175 | 78,067 | 46,845 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 72,960 | 7,514,169 | 327,288 | 832,349 |
| - Contract withdrawals | (132,791) | (4,868,543) | (798,527) | (559,584) |
| - Contract transfers | 71,895 | 2,196,230 | (190,253) | (216,809) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 12,064 | 4,841,856 | (661,492) | 55,956 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 120,770 | 13,245,031 | (583,425) | 102,801 |
| NET ASSETS AT DECEMBER 31, 2007 | $ 869,220 | $61,663,183 | $4,822,136 | $7,701,467 |

</Table>

See accompanying notes.



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<Caption>

| | FIDELITY VIP GROWTH SERVICE CLASS SUBACCOUNT | FIDELITY VIP GROWTH OPPORTUNITIES SERVICE CLASS SUBACCOUNT | FIDELITY VIP HIGH INCOME SERVICE CLASS SUBACCOUNT | FIDELITY VIP INVESTMENT GRADE BOND SUBACCOUNT | FIDELITY VIP MID CAP SERVICE CLASS SUBACCOUNT |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| NET ASSETS AT JANUARY 1, 2006 | $ 7,058,638 | $ 4,579,023 | $1,714,771 | $2,612,574 | $ 925,977 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | (36,225) | (3,187) | 106,387 | 81,002 | (9,851) |
| - Net realized gain (loss) on investments | 90,126 | 27,002 | (3,552) | 278 | 134,738 |
| - Net change in unrealized appreciation or depreciation on investments | 353,516 | 148,283 | 54,484 | 6,675 | 84,190 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 407,417 | 172,098 | 157,319 | 87,955 | 209,077 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 1,080,587 | 422,162 | 181,734 | 202,666 | 1,307,785 |
| - Contract withdrawals | (620,138) | (1,234,862) | (194,078) | (293,368) | (230,919) |
| - Contract transfers | (394,847) | (59,553) | (248,966) | 42,964 | 1,156,903 |

| | | | | | |
|---|---|---|---|---|---|
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 65,602 | (872,253) | (261,310) | (47,738) | 2,233,769 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 473,019 | (700,155) | (103,991) | 40,217 | 2,442,846 |
| NET ASSETS AT DECEMBER 31, 2006 | 7,531,657 | 3,878,868 | 1,610,780 | 2,652,791 | 3,368,823 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | (11,391) | (32,457) | 121,882 | 82,526 | 5,382 |
| - Net realized gain (loss) on investments | 403,448 | 128,839 | 512 | (2,603) | 423,690 |
| - Net change in unrealized appreciation or depreciation on investments | 1,337,221 | 731,990 | (92,910) | 8,244 | 273,187 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 1,729,278 | 828,372 | 29,484 | 88,167 | 702,259 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 999,425 | 323,905 | 144,091 | 221,418 | 1,806,508 |
| - Contract withdrawals | (1,319,774) | (406,808) | (178,428) | (440,193) | (548,037) |
| - Contract transfers | 1,056,604 | (171,488) | 22,487 | 10,570 | 2,205,715 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 736,255 | (254,391) | (11,850) | (208,205) | 3,464,186 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 2,465,533 | 573,981 | 17,634 | (120,038) | 4,166,445 |
| NET ASSETS AT DECEMBER 31, 2007 | $ 9,997,190 | $ 4,452,849 | $1,628,414 | $2,532,753 | $7,535,268 |

<Caption>

| | FIDELITY VIP OVERSEAS SERVICE CLASS SUBACCOUNT | FTVIPT FRANKLIN INCOME SECURITIES SUBACCOUNT | FTVIPT FRANKLIN SMALL-MID CAP GROWTH SECURITIES SUBACCOUNT | FTVIPT MUTUAL SHARES SECURITIES SUBACCOUNT |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| NET ASSETS AT JANUARY 1, 2006 | $3,312,085 | $ -- | $6,037,721 | $ -- |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (2,235) | (1,437) | (48,527) | (1,166) |
| - Net realized gain (loss) on investments | 188,248 | 8,142 | 162,685 | 196 |
| - Net change in unrealized appreciation or depreciation on investments | 484,760 | 35,424 | 376,371 | 40,025 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 670,773 | 42,129 | 490,529 | 39,055 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 881,349 | 262,048 | 1,221,396 | 220,751 |
| - Contract withdrawals | (383,074) | (24,088) | (550,254) | (23,183) |
| - Contract transfers | 338,594 | 477,292 | 45,153 | 506,061 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 836,869 | 715,252 | 716,295 | 703,629 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 1,507,642 | 757,381 | 1,206,824 | 742,684 |
| NET ASSETS AT DECEMBER 31, 2006 | 4,819,727 | 757,381 | 7,244,545 | 742,684 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 147,503 | 55,283 | (66,007) | 15,438 |
| - Net realized gain (loss) on investments | 488,084 | 18,925 | 875,841 | 64,188 |
| - Net change in unrealized appreciation or depreciation on investments | 124,089 | (56,708) | 36,382 | (90,525) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 759,676 | 17,500 | 846,216 | (10,899) |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 740,646 | 1,239,781 | 1,233,809 | 1,170,001 |
| - Contract withdrawals | (353,032) | (201,894) | (679,468) | (179,578) |
| - Contract transfers | 836,832 | 1,799,166 | 1,202,435 | 1,134,128 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 1,224,446 | 2,837,053 | 1,756,776 | 2,124,551 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 1,984,122 | 2,854,553 | 2,602,992 | 2,113,652 |
| NET ASSETS AT DECEMBER 31, 2007 | $6,803,849 | $3,611,934 | $9,847,537 | $ 2,856,336 |

</Table>



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<Caption>

| | FTVIPT TEMPLETON | FTVIPT TEMPLETON | FTVIPT TEMPLETON | FTVIPT TEMPLETON |
|---|---|---|---|---|

| | FOREIGN SECURITIES SUBACCOUNT | FOREIGN SECURITIES CLASS 2 SUBACCOUNT | GLOBAL ASSET ALLOCATION SUBACCOUNT | GLOBAL INCOME SECURITIES SUBACCOUNT |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| NET ASSETS AT JANUARY 1, 2006 | $3,514,129 | $ 6,992,790 | $ 954,825 | $ 675,128 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 21,067 | 28,746 | 66,889 | 24,233 |
| - Net realized gain (loss) on investments | 62,403 | 408,540 | 92,683 | 6,593 |
| - Net change in unrealized appreciation or depreciation on investments | 622,442 | 864,772 | 19,682 | 90,062 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 705,912 | 1,302,058 | 179,254 | 120,888 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 264,103 | 683,910 | 53,767 | 443,507 |
| - Contract withdrawals | (495,805) | (1,325,112) | (72,623) | (69,163) |
| - Contract transfers | 19,863 | (371,397) | (132,371) | 271,556 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (211,839) | (1,012,599) | (151,227) | 645,900 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 494,073 | 289,459 | 28,027 | 766,788 |
| NET ASSETS AT DECEMBER 31, 2006 | 4,008,202 | 7,282,249 | 982,852 | 1,441,916 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 51,260 | 88,650 | 143,854 | 55,257 |
| - Net realized gain (loss) on investments | 332,984 | 730,895 | 198,101 | 24,011 |
| - Net change in unrealized appreciation or depreciation on investments | 174,147 | 212,013 | (265,967) | 180,165 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 558,391 | 1,031,558 | 75,988 | 259,433 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 238,968 | 623,962 | 37,904 | 1,066,197 |
| - Contract withdrawals | (684,184) | (1,031,044) | (135,904) | (194,248) |
| - Contract transfers | 3,061 | (141,663) | (90,024) | 1,505,336 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (442,155) | (548,745) | (188,024) | 2,377,285 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 116,236 | 482,813 | (112,036) | 2,636,718 |
| NET ASSETS AT DECEMBER 31, 2007 | $4,124,438 | $ 7,765,062 | $ 870,816 | $4,078,634 |

</Table>

See accompanying notes.



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<Table>
<Caption>

| | FTVIPT TEMPLETON GROWTH SECURITIES SUBACCOUNT | FTVIPT TEMPLETON GROWTH SECURITIES CLASS 2 SUBACCOUNT | JANUS ASPEN SERIES BALANCED SUBACCOUNT | JANUS ASPEN SERIES BALANCED SERVICE SHARES SUBACCOUNT | JANUS ASPEN SERIES GLOBAL TECHNOLOGY SERVICE SHARES SUBACCOUNT |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| NET ASSETS AT JANUARY 1, 2006 | $7,027,823 | $ 4,304,206 | $13,105,959 | $ 7,107,234 | $1,521,215 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | 54,110 | 24,486 | 161,290 | 74,892 | (11,866) |
| - Net realized gain (loss) on investments | 551,726 | 300,695 | 236,319 | 260,957 | 15,023 |
| - Net change in unrealized appreciation or depreciation on investments | 996,127 | 537,309 | 787,175 | 282,836 | 100,737 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 1,601,963 | 862,490 | 1,184,784 | 618,685 | 103,894 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 1,377,332 | 247,625 | 1,262,380 | 779,020 | 207,920 |
| - Contract withdrawals | (896,063) | (450,545) | (2,597,321) | (433,773) | (221,619) |
| - Contract transfers | 582,569 | 23,667 | (446,024) | (1,278,005) | (130,062) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 1,063,838 | (179,253) | (1,780,965) | (932,758) | (143,761) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 2,665,801 | 683,237 | (596,181) | (314,073) | (39,867) |
| NET ASSETS AT DECEMBER 31, 2006 | 9,693,624 | 4,987,443 | 12,509,778 | 6,793,161 | 1,481,348 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | 75,922 | 17,805 | 225,341 | 106,463 | (7,277) |
| - Net realized gain (loss) on investments | 760,345 | 711,861 | 218,287 | 168,985 | 56,717 |
| - Net change in unrealized appreciation or | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| depreciation on investments | (658,128) | (613,956) | 714,675 | 357,975 | 252,818 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 178,139 | 115,710 | 1,158,303 | 633,423 | 302,258 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 1,257,951 | 255,203 | 1,081,756 | 674,762 | 182,567 |
| - Contract withdrawals | (892,743) | (483,425) | (1,456,770) | (722,119) | (165,479) |
| - Contract transfers | (386,350) | (1,158,326) | (138,008) | (231,114) | (16,335) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (21,142) | (1,386,548) | (513,022) | (278,471) | 753 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 156,997 | (1,270,838) | 645,281 | 354,952 | 303,011 |
| NET ASSETS AT DECEMBER 31, 2007 | $9,850,621 | $ 3,716,605 | $13,155,059 | $ 7,148,113 | $1,784,359 |

<Caption>

| | JANUS ASPEN SERIES MID CAP GROWTH SERVICE SHARES SUBACCOUNT | JANUS ASPEN SERIES WORLDWIDE GROWTH SUBACCOUNT | JANUS ASPEN SERIES WORLDWIDE GROWTH SERVICE SHARES SUBACCOUNT | LINCOLN VIPT BARON GROWTH OPPORTUNITIES SUBACCOUNT |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| NET ASSETS AT JANUARY 1, 2006 | $3,439,648 | $13,440,012 | $3,054,651 | $ -- |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (26,928) | 129,427 | 25,919 | -- |
| - Net realized gain (loss) on investments | 196,291 | (263,181) | 75,833 | -- |
| - Net change in unrealized appreciation or depreciation on investments | 219,446 | 2,303,041 | 389,957 | -- |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 388,809 | 2,169,287 | 491,709 | -- |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 466,571 | 1,504,871 | 362,635 | -- |
| - Contract withdrawals | (435,243) | (1,734,331) | (273,663) | -- |
| - Contract transfers | (343,028) | (1,017,712) | (204,324) | -- |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (311,700) | (1,247,172) | (115,352) | -- |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 77,109 | 922,115 | 376,357 | -- |
| NET ASSETS AT DECEMBER 31, 2006 | 3,516,757 | 14,362,127 | 3,431,008 | -- |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (29,892) | (4,370) | (8,315) | (593) |
| - Net realized gain (loss) on investments | 173,591 | 86,888 | 179,277 | (60) |
| - Net change in unrealized appreciation or depreciation on investments | 643,493 | 1,159,335 | 124,669 | (5,089) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 787,192 | 1,241,853 | 295,631 | (5,742) |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 422,860 | 1,358,110 | 294,311 | 12,939 |
| - Contract withdrawals | (313,951) | (1,538,538) | (351,825) | (7,625) |
| - Contract transfers | 1,327,865 | (912,868) | (318,859) | 175,013 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 1,436,774 | (1,093,296) | (376,373) | 180,327 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 2,223,966 | 148,557 | (80,742) | 174,585 |
| NET ASSETS AT DECEMBER 31, 2007 | $5,740,723 | $14,510,684 | $3,350,266 | $174,585 |

</Table>



<Page>

<Table>
<Caption>

| | LINCOLN VIPT BARON GROWTH OPPORTUNITIES SERVICE CLASS SUBACCOUNT | LINCOLN VIPT CAPITAL GROWTH SUBACCOUNT | LINCOLN VIPT COHEN & STEERS GLOBAL REAL ESTATE SUBACCOUNT | LINCOLN VIPT CORE SUBACCOUNT |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| NET ASSETS AT JANUARY 1, 2006 | $ 5,780,762 | $ -- | $ -- | $ 18,624 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (47,855) | -- | -- | 470 |
| - Net realized gain (loss) on investments | 402,384 | -- | -- | 262 |

| | | | | |
|---|---|---|---|---|
| - Net change in unrealized appreciation or depreciation on investments | 471,701 | -- | -- | 13,965 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 826,230 | -- | -- | 14,697 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 654,404 | -- | -- | 50,700 |
| - Contract withdrawals | (881,713) | -- | -- | (7,696) |
| - Contract transfers | (190,364) | -- | -- | 91,260 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (417,673) | -- | -- | 134,264 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 408,557 | -- | -- | 148,961 |
| NET ASSETS AT DECEMBER 31, 2006 | 6,189,319 | -- | -- | 167,585 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (48,665) | (1) | 2,919 | (332) |
| - Net realized gain (loss) on investments | 1,179,962 | 1 | (11,278) | 16,710 |
| - Net change in unrealized appreciation or depreciation on investments | (959,789) | 56 | (224,374) | (14,242) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 171,508 | 56 | (232,733) | 2,136 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 707,233 | 664 | 301,624 | 738 |
| - Contract withdrawals | (1,073,269) | (205) | (47,524) | (2,237) |
| - Contract transfers | 528,923 | 2,548 | 1,856,253 | (168,222) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 162,887 | 3,007 | 2,110,353 | (169,721) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 334,395 | 3,063 | 1,877,620 | (167,585) |
| NET ASSETS AT DECEMBER 31, 2007 | $ 6,523,714 | $3,063 | $1,877,620 | $ -- |

</Table>

See accompanying notes.



<Page>

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<Caption>

| | LINCOLN VIPT DELAWARE BOND SUBACCOUNT | LINCOLN VIPT DELAWARE GROWTH AND INCOME SUBACCOUNT | LINCOLN VIPT DELAWARE SOCIAL AWARENESS SUBACCOUNT | LINCOLN VIPT DELAWARE SPECIAL OPPORTUNITIES SUBACCOUNT | LINCOLN VIPT FI EQUITY-INCOME SUBACCOUNT |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| NET ASSETS AT JANUARY 1, 2006 | $41,896,349 | $ 11,675 | $3,020,847 | $ -- | $5,198,551 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | 1,718,443 | 4,193 | 5,870 | -- | 29,240 |
| - Net realized gain (loss) on investments | (88,545) | 190 | 79,088 | -- | 526,352 |
| - Net change in unrealized appreciation or depreciation on investments | 126,887 | 41,522 | 282,559 | -- | (8,835) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 1,756,785 | 45,905 | 367,517 | -- | 546,757 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 7,086,448 | 112,705 | 576,835 | -- | 511,081 |
| - Contract withdrawals | (4,297,739) | (23,547) | (350,447) | -- | (608,326) |
| - Contract transfers | 2,582,666 | 501,387 | (12,418) | -- | 194,245 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 5,371,375 | 590,545 | 213,970 | -- | 97,000 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 7,128,160 | 636,450 | 581,487 | -- | 643,757 |
| NET ASSETS AT DECEMBER 31, 2006 | 49,024,509 | 648,125 | 3,602,334 | -- | 5,842,308 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | 2,286,136 | 6,664 | 5,135 | 601 | 27,955 |
| - Net realized gain (loss) on investments | 3,051 | 6,009 | 146,781 | 654 | 700,396 |
| - Net change in unrealized appreciation or depreciation on investments | 143,052 | 34,794 | (75,366) | (4,458) | (550,656) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 2,432,239 | 47,467 | 76,550 | (3,203) | 177,695 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 6,276,903 | 183,936 | 383,943 | 33,283 | 449,408 |
| - Contract withdrawals | (4,780,320) | (49,059) | (290,583) | (3,172) | (531,975) |
| - Contract transfers | 2,732,066 | 275,470 | (55,008) | 74,159 | 148,448 |

| | | | | | |
|---|---|---|---|---|---|
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 4,228,649 | 410,347 | 38,352 | 104,270 | 65,881 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 6,660,888 | 457,814 | 114,902 | 101,067 | 243,576 |
| NET ASSETS AT DECEMBER 31, 2007 | $55,685,397 | $1,105,939 | $3,717,236 | $101,067 | $6,085,884 |

<Caption>

| <S> | LINCOLN VIPT GROWTH SUBACCOUNT <C> | LINCOLN VIPT GROWTH OPPORTUNITIES SUBACCOUNT <C> | LINCOLN VIPT JANUS CAPITAL APPRECIATION SUBACCOUNT <C> | LINCOLN VIPT MARSICO INTERNATIONAL GROWTH SUBACCOUNT <C> |
|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $ 21,340 | $ 6,003 | $5,669,248 | $ -- |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (342) | (470) | (32,842) | -- |
| - Net realized gain (loss) on investments | (4,056) | (3,776) | (104,222) | -- |
| - Net change in unrealized appreciation or depreciation on investments | 2,257 | 983 | 615,297 | -- |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | (2,141) | (3,263) | 478,233 | -- |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 37,588 | 53,179 | 760,964 | -- |
| - Contract withdrawals | (9,519) | (9,108) | (725,216) | -- |
| - Contract transfers | 19,665 | 32,304 | (376,607) | -- |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 47,734 | 76,375 | (340,859) | -- |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 45,593 | 73,112 | 137,374 | -- |
| NET ASSETS AT DECEMBER 31, 2006 | 66,933 | 79,115 | 5,806,622 | -- |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (165) | (230) | (30,674) | 4,399 |
| - Net realized gain (loss) on investments | 9,860 | 5,170 | 18,189 | (3,881) |
| - Net change in unrealized appreciation or depreciation on investments | (3,826) | (1,336) | 1,128,323 | (6,450) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 5,869 | 3,604 | 1,115,838 | (5,932) |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 12,042 | 4,045 | 786,005 | 162,178 |
| - Contract withdrawals | (4,271) | (3,771) | (646,134) | (19,115) |
| - Contract transfers | (80,573) | (82,993) | (4,891) | 674,006 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (72,802) | (82,719) | 134,980 | 817,069 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | (66,933) | (79,115) | 1,250,818 | 811,137 |
| NET ASSETS AT DECEMBER 31, 2007 | $ -- | $ -- | $7,057,440 | $811,137 |

</Table>



<Page>

<Table>
<Caption>

| <S> | LINCOLN VIPT MFS VALUE SUBACCOUNT <C> | LINCOLN VIPT MID-CAP GROWTH SUBACCOUNT <C> | LINCOLN VIPT MID-CAP VALUE SUBACCOUNT <C> | LINCOLN VIPT MONDRIAN INTERNATIONAL VALUE SUBACCOUNT <C> |
|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $ -- | $ -- | $ -- | $11,453,277 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | -- | -- | -- | 374,443 |
| - Net realized gain (loss) on investments | -- | -- | -- | 352,229 |
| - Net change in unrealized appreciation or depreciation on investments | -- | -- | -- | 3,165,523 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | -- | -- | -- | 3,892,195 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | -- | -- | -- | 2,200,652 |
| - Contract withdrawals | -- | -- | -- | (1,237,213) |
| - Contract transfers | -- | -- | -- | 3,102,696 |
| NET INCREASE (DECREASE) IN NET ASSETS | | | | |

| | | | | |
|---|---|---|---|---|
| RESULTING FROM UNIT TRANSACTIONS | -- | -- | -- | 4,066,135 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | -- | -- | -- | 7,958,330 |
| NET ASSETS AT DECEMBER 31, 2006 | -- | -- | -- | 19,411,607 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 1,219 | (180) | (391) | 294,477 |
| - Net realized gain (loss) on investments | (168) | 4,285 | (15,993) | 1,508,637 |
| - Net change in unrealized appreciation or depreciation on investments | (3,590) | 1,649 | (29,375) | 300,686 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | (2,539) | 5,754 | (45,759) | 2,103,800 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 65,144 | 38,784 | 331,704 | 2,477,912 |
| - Contract withdrawals | (5,169) | (4,497) | (28,415) | (1,742,042) |
| - Contract transfers | 121,339 | 113,945 | 395,019 | 1,089,593 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 181,314 | 148,232 | 698,308 | 1,825,463 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 178,775 | 153,986 | 652,549 | 3,929,263 |
| NET ASSETS AT DECEMBER 31, 2007 | $178,775 | $153,986 | $652,549 | $23,340,870 |

</Table>

See accompanying notes.



<Page>

<Table>
<Caption>

| <S> | LINCOLN VIPT MONEY MARKET SUBACCOUNT <C> | LINCOLN VIPT S&P 500 INDEX SUBACCOUNT <C> | LINCOLN VIPT SMALL CAP INDEX SUBACCOUNT <C> | LINCOLN VIPT T. ROWE PRICE GROWTH STOCK SUBACCOUNT <C> | LINCOLN VIPT T. ROWE PRICE STRUCTURED MID-CAP GROWTH SUBACCOUNT <C> |
|---|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $ 35,376,424 | $ -- | $ -- | $ -- | $ 410,348 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | 1,526,320 | -- | -- | -- | (3,497) |
| - Net realized gain (loss) on investments | -- | -- | -- | -- | 18,289 |
| - Net change in unrealized appreciation or depreciation on investments | -- | -- | -- | -- | 24,044 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 1,526,320 | -- | -- | -- | 38,836 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 46,255,766 | -- | -- | -- | 148,904 |
| - Contract withdrawals | (9,431,292) | -- | -- | -- | (67,901) |
| - Contract transfers | (32,652,572) | -- | -- | -- | (2,271) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 4,171,902 | -- | -- | -- | 78,732 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 5,698,222 | -- | -- | -- | 117,568 |
| NET ASSETS AT DECEMBER 31, 2006 | 41,074,646 | -- | -- | -- | 527,916 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | 1,897,334 | 9,989 | 831 | 6 | (8,291) |
| - Net realized gain (loss) on investments | -- | (2,621) | (2,900) | 35 | 61,311 |
| - Net change in unrealized appreciation or depreciation on investments | -- | (35,517) | (7,706) | 3,555 | 41,302 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 1,897,334 | (28,149) | (9,775) | 3,596 | 94,322 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 71,426,003 | 399,500 | 110,206 | 29,687 | 381,380 |
| - Contract withdrawals | (8,328,188) | (53,300) | (10,277) | (4,239) | (146,710) |
| - Contract transfers | (58,900,749) | 1,079,622 | 200,700 | 199,851 | 736,288 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 4,197,066 | 1,425,822 | 300,629 | 225,299 | 970,958 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 6,094,400 | 1,397,673 | 290,854 | 228,895 | 1,065,280 |
| NET ASSETS AT DECEMBER 31, 2007 | $ 47,169,046 | $1,397,673 | $290,854 | $228,895 | $1,593,196 |

<CAPTION>

| | LINCOLN VIPT TEMPLETON GROWTH SUBACCOUNT | LINCOLN VIPT UBS GLOBAL ASSET ALLOCATION SUBACCOUNT | LINCOLN VIPT VALUE OPPORTUNITIES SUBACCOUNT | LINCOLN VIPT WILSHIRE 2010 PROFILE SUBACCOUNT |
|---|---|---|---|---|
| | <C> | <C> | <C> | <C> |
| NET ASSETS AT JANUARY 1, 2006 | $ -- | $ 1,576,476 | $ -- | $ -- |
| Changes From Operations: | | | | |
| - Net investment income (loss) | -- | 12,030 | -- | -- |
| - Net realized gain (loss) on investments | -- | 111,067 | -- | -- |
| - Net change in unrealized appreciation or depreciation on investments | -- | 115,808 | -- | -- |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | -- | 238,905 | -- | -- |
| Change From Unit Transactions: | | | | |
| - Contract purchases | -- | 322,463 | -- | -- |
| - Contract withdrawals | -- | (143,711) | -- | -- |
| - Contract transfers | -- | 171,751 | -- | -- |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | -- | 350,503 | -- | -- |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | -- | 589,408 | -- | -- |
| NET ASSETS AT DECEMBER 31, 2006 | -- | 2,165,884 | -- | -- |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 758 | 25,815 | -- | 23 |
| - Net realized gain (loss) on investments | 78 | 171,202 | (3) | 11 |
| - Net change in unrealized appreciation or depreciation on investments | (1,361) | (59,561) | (186) | 258 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | (525) | 137,456 | (189) | 292 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 34,900 | 599,240 | 269 | 135 |
| - Contract withdrawals | (3,998) | (243,667) | (65) | (93) |
| - Contract transfers | 46,836 | 201,698 | 11,720 | 6,866 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 77,738 | 557,271 | 11,924 | 6,908 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 77,213 | 694,727 | 11,735 | 7,200 |
| NET ASSETS AT DECEMBER 31, 2007 | $77,213 | $ 2,860,611 | $11,735 | $7,200 |

</TABLE>



<Page>

<Table>
<Caption>

| <S> | LINCOLN VIPT WILSHIRE 2020 PROFILE SUBACCOUNT | LINCOLN VIPT WILSHIRE 2030 PROFILE SUBACCOUNT | LINCOLN VIPT WILSHIRE 2040 PROFILE SUBACCOUNT | LINCOLN VIPT WILSHIRE AGGRESSIVE PROFILE SUBACCOUNT |
|---|---|---|---|---|
| | <C> | <C> | <C> | <C> |
| NET ASSETS AT JANUARY 1, 2006 | $ -- | $ -- | $ -- | $ 148,138 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | -- | -- | -- | 2,572 |
| - Net realized gain (loss) on investments | -- | -- | -- | 808 |
| - Net change in unrealized appreciation or depreciation on investments | -- | -- | -- | 115,001 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | -- | -- | -- | 118,381 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | -- | -- | -- | 611,560 |
| - Contract withdrawals | -- | -- | -- | (151,965) |
| - Contract transfers | -- | -- | -- | 556,476 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | -- | -- | -- | 1,016,071 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | -- | -- | -- | 1,134,452 |
| NET ASSETS AT DECEMBER 31, 2006 | -- | -- | -- | 1,282,590 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 27 | 177 | 975 | 12,980 |
| - Net realized gain (loss) on investments | (2) | (3) | 351 | 45,343 |

| | | | | |
|---|---|---|---|---|
| - Net change in unrealized appreciation or depreciation on investments | (48) | 1,621 | 5,061 | 137,855 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | (23) | 1,795 | 6,387 | 196,178 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 2,469 | 94,778 | 27,243 | 1,092,143 |
| - Contract withdrawals | (257) | (13,662) | (11,489) | (258,226) |
| - Contract transfers | 10,252 | 112,348 | 164,043 | 1,273,419 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 12,464 | 193,464 | 179,797 | 2,107,336 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 12,441 | 195,259 | 186,184 | 2,303,514 |
| NET ASSETS AT DECEMBER 31, 2007 | $ 12,441 | $195,259 | $186,184 | $3,586,104 |

</Table>

See accompanying notes.



<Page>

<Table>
<Caption>

| <S> | LINCOLN VIPT WILSHIRE CONSERVATIVE PROFILE SUBACCOUNT <C> | LINCOLN VIPT WILSHIRE MODERATE PROFILE SUBACCOUNT <C> | LINCOLN VIPT WILSHIRE MODERATELY AGGRESSIVE PROFILE SUBACCOUNT <C> | M FUND BRANDES INTERNATIONAL EQUITY SUBACCOUNT <C> | M FUND BUSINESS OPPORTUNITY VALUE SUBACCOUNT <C> |
|---|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $ 40,388 | $ 5,008,456 | $ 2,104,287 | $1,508,085 | $ 540,753 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | 1,106 | 45,675 | 36,363 | 17,440 | 531 |
| - Net realized gain (loss) on investments | 226 | 29,923 | 37,344 | 211,706 | 60,725 |
| - Net change in unrealized appreciation or depreciation on investments | 7,332 | 732,912 | 570,631 | 191,648 | 34,041 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 8,664 | 808,510 | 644,338 | 420,794 | 95,297 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 18,606 | 1,998,877 | 3,594,181 | 434,810 | 196,697 |
| - Contract withdrawals | (7,000) | (552,681) | (775,130) | (130,438) | (56,565) |
| - Contract transfers | 101,230 | 3,037,523 | 1,898,746 | 13,893 | 105,037 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 112,836 | 4,483,719 | 4,717,797 | 318,265 | 245,169 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 121,500 | 5,292,229 | 5,362,135 | 739,059 | 340,466 |
| NET ASSETS AT DECEMBER 31, 2006 | 161,888 | 10,300,685 | 7,466,422 | 2,247,144 | 881,219 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | 28,889 | 138,466 | 176,295 | 42,353 | 1,814 |
| - Net realized gain (loss) on investments | (1,479) | 380,537 | 269,063 | 457,869 | 101,509 |
| - Net change in unrealized appreciation or depreciation on investments | 25,130 | 580,918 | 466,961 | (337,550) | (54,430) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 52,540 | 1,099,921 | 912,319 | 162,672 | 48,893 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 70,263 | 4,351,843 | 5,858,887 | 436,341 | 193,339 |
| - Contract withdrawals | (44,024) | (1,132,404) | (1,506,052) | (265,683) | (153,605) |
| - Contract transfers | 1,748,036 | 2,804,766 | 6,382,434 | 236,523 | 186,672 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 1,774,275 | 6,024,205 | 10,735,269 | 407,181 | 226,406 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 1,826,815 | 7,124,126 | 11,647,588 | 569,853 | 275,299 |
| NET ASSETS AT DECEMBER 31, 2007 | $1,988,703 | $17,424,811 | $19,114,010 | $2,816,997 | $1,156,518 |

<Caption>

| <S> | M FUND FRONTIER CAPITAL APPRECIATION SUBACCOUNT <C> | M FUND TURNER CORE GROWTH SUBACCOUNT <C> | MFS VIT CORE EQUITY SUBACCOUNT <C> | MFS VIT EMERGING GROWTH SUBACCOUNT <C> |
|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $ 347,327 | $ 910,852 | $ 748,013 | $12,351,770 |
| Changes From Operations: | | | | |

| | | | | |
|---|---|---|---|---|
| - Net investment income (loss) | (3,799) | 654 | (2,570) | (93,628) |
| - Net realized gain (loss) on investments | 76,581 | 64,877 | 9,725 | (208,430) |
| - Net change in unrealized appreciation or depreciation on investments | (9,128) | 7,841 | 91,051 | 1,070,404 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 63,654 | 73,372 | 98,206 | 768,346 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 120,605 | 119,434 | 84,472 | 1,272,442 |
| - Contract withdrawals | (40,523) | (48,079) | (63,451) | (1,615,748) |
| - Contract transfers | 304,761 | 28,892 | 35,148 | (1,041,915) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 384,843 | 100,247 | 56,169 | (1,385,221) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 448,497 | 173,619 | 154,375 | (616,875) |
| NET ASSETS AT DECEMBER 31, 2006 | 795,824 | 1,084,471 | 902,388 | 11,734,895 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | (5,237) | (2,295) | (3,880) | (97,950) |
| - Net realized gain (loss) on investments | 119,011 | 164,113 | 61,130 | 137,894 |
| - Net change in unrealized appreciation or depreciation on investments | (21,030) | 102,691 | 28,913 | 2,251,957 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 92,744 | 264,509 | 86,163 | 2,291,901 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 140,917 | 128,310 | 64,767 | 1,127,030 |
| - Contract withdrawals | (124,593) | (143,411) | (175,188) | (1,463,505) |
| - Contract transfers | 26,001 | 184,086 | 58,933 | (388,339) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 42,325 | 168,985 | (51,488) | (724,814) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 135,069 | 433,494 | 34,675 | 1,567,087 |
| NET ASSETS AT DECEMBER 31, 2007 | $ 930,893 | $1,517,965 | $ 937,063 | $13,301,982 |

</Table>



<Page>

<Table>
<Caption>

| <S> | MFS VIT TOTAL RETURN SUBACCOUNT <C> | MFS VIT UTILITIES SUBACCOUNT <C> | NB AMT MID-CAP GROWTH SUBACCOUNT <C> | NB AMT PARTNERS SUBACCOUNT <C> |
|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $ 25,878,371 | $16,432,850 | $16,353,094 | $2,580,726 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 417,822 | 210,617 | (139,556) | (2,303) |
| - Net realized gain (loss) on investments | 1,146,734 | 1,814,391 | 506,935 | 426,036 |
| - Net change in unrealized appreciation or depreciation on investments | 1,301,233 | 2,565,087 | 1,967,968 | (139,353) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 2,865,789 | 4,590,095 | 2,335,347 | 284,380 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 3,733,278 | 1,810,426 | 2,793,671 | 275,671 |
| - Contract withdrawals | (3,329,048) | (2,284,830) | (2,102,565) | (396,901) |
| - Contract transfers | (558,493) | (832,873) | 27,110 | (20,365) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (154,263) | (1,307,277) | 718,216 | (141,595) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 2,711,526 | 3,282,818 | 3,053,563 | 142,785 |
| NET ASSETS AT DECEMBER 31, 2006 | 28,589,897 | 19,715,668 | 19,406,657 | 2,723,511 |
| Changes From Operations: | | | | |
| - Net investment income (loss) | 519,508 | 34,170 | (166,582) | (3,965) |
| - Net realized gain (loss) on investments | 989,260 | 2,759,073 | 995,220 | 366,239 |
| - Net change in unrealized appreciation or depreciation on investments | (531,758) | 2,856,478 | 3,367,908 | (143,022) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 977,010 | 5,649,721 | 4,196,546 | 219,252 |
| Change From Unit Transactions: | | | | |
| - Contract purchases | 3,157,098 | 2,066,474 | 2,192,542 | 220,770 |
| - Contract withdrawals | (2,426,597) | (2,015,524) | (1,865,498) | (209,457) |
| - Contract transfers | 61,426 | 3,545,398 | (749,744) | (128,775) |
| NET INCREASE (DECREASE) IN NET ASSETS | | | | |

| | | | | |
|---|---|---|---|---|
| RESULTING FROM UNIT TRANSACTIONS | 791,927 | 3,596,348 | (422,700) | (117,462) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 1,768,937 | 9,246,069 | 3,773,846 | 101,790 |
| NET ASSETS AT DECEMBER 31, 2007 | $ 30,358,834 | $28,961,737 | $23,180,503 | $2,825,301 |

</Table>

See accompanying notes.



<Page>

<Table>
<Caption>

| <S> | NB AMT REGENCY SUBACCOUNT <C> | PIMCO VIT OPCAP GLOBAL EQUITY SUBACCOUNT <C> | PIMCO VIT OPCAP MANAGED SUBACCOUNT <C> | PUTNAM VT GROWTH & INCOME CLASS IB SUBACCOUNT <C> | PUTNAM VT HEALTH SCIENCES CLASS IB SUBACCOUNT <C> |
|---|---|---|---|---|---|
| NET ASSETS AT JANUARY 1, 2006 | $ 8,365,230 | $ 726,576 | $ 789,317 | $2,728,631 | $2,290,195 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | (31,374) | 438 | 7,241 | 22,003 | (10,163) |
| - Net realized gain (loss) on investments | 778,550 | 109,806 | 83,859 | 94,588 | 50,858 |
| - Net change in unrealized appreciation or depreciation on investments | 188,075 | 11,114 | (23,934) | 304,931 | (1,492) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 935,251 | 121,358 | 67,166 | 421,522 | 39,203 |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 1,245,454 | 62,416 | 50,343 | 249,563 | 162,260 |
| - Contract withdrawals | (890,921) | (301,590) | (84,171) | (170,185) | (216,048) |
| - Contract transfers | 566,318 | (16,745) | (12,335) | 43,442 | (108,326) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | 920,851 | (255,919) | (46,163) | 122,820 | (162,114) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 1,856,102 | (134,561) | 21,003 | 544,342 | (122,911) |
| NET ASSETS AT DECEMBER 31, 2006 | 10,221,332 | 592,015 | 810,320 | 3,272,973 | 2,167,284 |
| Changes From Operations: | | | | | |
| - Net investment income (loss) | (28,379) | 341 | 9,424 | 13,905 | (20) |
| - Net realized gain (loss) on investments | 927,042 | 161,573 | 58,053 | 597,394 | 54,079 |
| - Net change in unrealized appreciation or depreciation on investments | (694,928) | (126,475) | (50,148) | (789,249) | (83,327) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 203,735 | 35,439 | 17,329 | (177,950) | (29,268) |
| Change From Unit Transactions: | | | | | |
| - Contract purchases | 967,040 | 40,919 | 44,181 | 230,172 | 128,747 |
| - Contract withdrawals | (892,242) | (79,581) | (113,841) | (116,470) | (212,523) |
| - Contract transfers | (1,955,375) | (74,234) | (66,913) | (783,820) | 27,295 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS | (1,880,577) | (112,896) | (136,573) | (670,118) | (56,481) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | (1,676,842) | (77,457) | (119,244) | (848,068) | (85,749) |
| NET ASSETS AT DECEMBER 31, 2007 | $ 8,544,490 | $ 514,558 | $ 691,076 | $2,424,905 | $2,081,535 |

</Table>



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LINCOLN LIFE FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

1. ACCOUNTING POLICIES AND VARIABLE ACCOUNT INFORMATION

THE VARIABLE ACCOUNT: Lincoln Life Flexible Premium Variable Life Account M (the Variable Account) is a segregated investment account of The Lincoln National Life Insurance Company (the Company) and is registered as a unit investment trust with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended. The operations of the Variable Account, which commenced on June 18, 1998, are part of the operations of the Company. The Variable Account consists of fifteen variable universal life (VUL) products which are listed below.

VUL-I
Lincoln VUL(CV)
Lincoln VUL(CV) II and Lincoln VUL Flex
Lincoln VUL(CV)-III
Lincoln VUL(CV)-IV
Lincoln VUL(DB) and Lincoln VULDB Elite
Lincoln VUL(DB)-II
Lincoln VUL(DB)-IV
VUL-Money Guard
Lincoln VUL(ONE)
Lincoln Momentum VUL(ONE)
Lincoln VUL(ONE) 2005
Lincoln Momentum
VUL(ONE) 2005
VUL(ONE) 2007
Momentum VUL(ONE) 2007

The assets of the Variable Account are owned by the Company. The portion of the Variable Account's assets supporting the variable life policies may not be used to satisfy liabilities arising from any other business of the Company.

During 2007, Jefferson Pilot Life Insurance Company and Jefferson Pilot Financial Insurance Company merged into The Lincoln National Life Insurance Company. The merger did not affect the assets and liabilities of Lincoln Life Flexible Premium Variable Life Account M.

BASIS OF PRESENTATION: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States for unit investment trusts.

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 157 "Fair Value Measurements" (Statement 157). Statement 157 establishes a framework for measuring fair value in U.S. generally accepted accounting principles, clarifies the definition of fair value within that framework and expands disclosures about the use of fair value measurements. Statement 157 is intended to increase consistency and comparability among fair value estimates used in financial reporting. Statement 157 is effective for fiscal years beginning after November 15, 2007. Management does not expect the adoption of Statement 157 to have a material impact on the amounts reported in the financial statements.

INVESTMENTS: The assets of the Variable Account are divided into variable subaccounts, each of which may be invested in shares of one of ninety-seven mutual funds (the Funds) of fifteen diversified open-end management investment companies, each Fund with its own investment objective. The Funds are:

AIM Variable Insurance Funds (AIM V.I.):
- AIM V.I. Capital Appreciation (Series I)
- AIM V.I. Core Equity Fund (Series I)
- AIM V.I. Diversified Income Fund (Series I)
- AIM V.I. International Growth Fund (Series I)

AllianceBernstein Variable Products Series Fund, Inc. (ABVPSF):
- ABVPSF Global Technology Portfolio (Class A)
- ABVPSF Growth and Income Portfolio (Class A)
- ABVPSF International Value Portfolio (Class A)
- ABVPSF Large Cap Growth Portfolio (Class A)
- ABVPSF Small/Mid Cap Value Portfolio (Class A)

American Century Variable Portfolios, Inc. (American Century VP):
- American Century VP Inflation Protection (Class 1)

American Funds Insurance Series (American Funds):
- American Funds Global Growth Fund (Class 2)
- American Funds Global Small Capitalization Fund (Class 2)
- American Funds Growth Fund (Class 2)
- American Funds Growth-Income Fund (Class 2)
- American Funds International Fund (Class 2)

Delaware VIP Trust (Delaware VIPT)*:
- Delaware VIPT Capital Reserves Series (Standard Class)
- Delaware VIPT Diversified Income Series (Standard Class)
- Delaware VIPT Emerging Markets Series (Standard Class)
- Delaware VIPT High Yield Series (Standard Class)
- Delaware VIPT REIT Series (Standard Class)
- Delaware VIPT Small Cap Value Series (Standard Class)
- Delaware VIPT Trend Series (Standard Class)
- Delaware VIPT U.S. Growth Series (Standard Class)
- Delaware VIPT Value Series (Standard Class)

DWS Scudder VIP Funds (DWS VIP):
- DWS VIP Equity 500 Index Fund
- DWS VIP Small Cap Index Fund

Fidelity Variable Insurance Products Fund (Fidelity VIP):
- Fidelity VIP Asset Manager Portfolio

Fidelity VIP Contrafund Portfolio (Service Class)
Fidelity VIP Equity-Income Portfolio
Fidelity VIP Equity-Income Portfolio (Service Class)
Fidelity VIP Growth Portfolio (Service Class)
Fidelity VIP Growth Opportunities Portfolio (Service Class)
Fidelity VIP High Income Portfolio (Service Class)
Fidelity VIP Investment Grade Bond Portfolio
Fidelity VIP Mid Cap Portfolio (Service Class)
Fidelity VIP Overseas Portfolio (Service Class)

Franklin Templeton Variable Insurance Products Trust (FTVIPT):
FTVIPT Franklin Income Securities Fund (Class 1)



<Page>

1. ACCOUNTING POLICIES AND VARIABLE ACCOUNT INFORMATION (CONTINUED)

FTVIPT Franklin Small-Mid Cap Growth Securities Fund (Class 1)
FTVIPT Mutual Shares Securities Fund (Class 1)
FTVIPT Templeton Foreign Securities Fund (Class 1)
FTVIPT Templeton Foreign Securities Fund (Class 2)
FTVIPT Templeton Global Asset Allocation Fund (Class 1)
FTVIPT Templeton Global Income Securities Fund (Class 1)
FTVIPT Templeton Growth Securities Fund (Class 1)
FTVIPT Templeton Growth Securities Fund (Class 2)

Janus Aspen Series:
Janus Aspen Series Balanced Portfolio
Janus Aspen Series Balanced Portfolio (Service Shares)
Janus Aspen Series Global Technology Portfolio (Service Shares)
Janus Aspen Series Mid Cap Growth Portfolio (Service Shares)
Janus Aspen Series Worldwide Growth Portfolio
Janus Aspen Series Worldwide Growth Portfolio (Service Shares)

Lincoln Variable Insurance Products Trust (Lincoln VIPT)*:
Lincoln VIPT Baron Growth Opportunities
Lincoln VIPT Baron Growth Opportunities Service Class
Lincoln VIPT Capital Growth
Lincoln VIPT Cohen & Steers Global Real Estate
Lincoln VIPT Delaware Bond
Lincoln VIPT Delaware Growth and Income
Lincoln VIPT Delaware Social Awareness
Lincoln VIPT Delaware Special Opportunities
Lincoln VIPT FI Equity-Income
Lincoln VIPT Janus Capital Appreciation
Lincoln VIPT Marsico International Growth
Lincoln VIPT MFS Value
Lincoln VIPT Mid-Cap Growth
Lincoln VIPT Mid-Cap Value
Lincoln VIPT Mondrian International Value
Lincoln VIPT Money Market
Lincoln VIPT S & P 500 Index
Lincoln VIPT Small-Cap Index
Lincoln VIPT T. Rowe Price Growth Stock
Lincoln VIPT T. Rowe Price Structured Mid-Cap Growth
Lincoln VIPT Templeton Growth
Lincoln VIPT UBS Global Asset Allocation
Lincoln VIPT Value Opportunities
Lincoln VIPT Wilshire 2010 Profile
Lincoln VIPT Wilshire 2020 Profile
Lincoln VIPT Wilshire 2030 Profile
Lincoln VIPT Wilshire 2040 Profile
Lincoln VIPT Wilshire Aggressive Profile
Lincoln VIPT Wilshire Conservative Profile
Lincoln VIPT Wilshire Moderate Profile
Lincoln VIPT Wilshire Moderately Aggressive Profile

M Fund, Inc. (M Fund):
M Fund Brandes International Equity Fund
M Fund Business Opportunity Value Fund
M Fund Frontier Capital Appreciation Fund
M Fund Turner Core Growth Fund

MFS Variable Insurance Trust (MFS VIT):
MFS VIT Core Equity Series (Initial Class)
MFS VIT Emerging Growth Series (Initial Class)
MFS VIT Total Return Series (Initial Class)
MFS VIT Utilities Series (Initial Class)

Neuberger Berman Advisers Management Trust (NB AMT):
NB AMT Mid-Cap Growth Portfolio (I Class)
NB AMT Partners Portfolio (I Class)
NB AMT Regency Portfolio (I Class)

PIMCO Advisors VIT (PIMCO VIT OPCAP):
PIMCO VIT OPCAP Global Equity Portfolio
PIMCO VIT OPCAP Managed Portfolio

Putnam Variable Trust (Putnam VT):
Putnam VT Growth & Income Fund (Class IB)
Putnam VT Health Sciences Fund (Class IB)

* Denotes an affiliate of the Company

Investments in the Funds are stated at the closing net asset value per share on December 31, 2007, which approximates fair value. The difference between cost and fair value is reflected as unrealized appreciation or depreciation of investments.

Investment transactions are accounted for on a trade date basis. The cost of investments sold is determined by the average cost method.

DIVIDENDS: Dividends paid to the Variable Account are automatically reinvested in shares of the variable subaccounts on the payable date. Dividend income is recorded on the ex-dividend date.

FEDERAL INCOME TAXES: Operations of the Variable Account form a part of and are taxed with operations of the Company, which is taxed as a "life insurance company" under the Internal Revenue Code. The Variable Account will not be taxed as a regulated invest- ment company under Subchapter M of the Internal Revenue Code, as amended. Under current federal income tax law, no federal income taxes are payable with respect to the Variable Account's net investment income and the net realized gain on investments.

INVESTMENT FUND CHANGES: During 2006, the AIM V.I. Core Equity Fund, the ABVPSF International Value Fund, the FTVIPT Franklin Income Securities Fund and



<Page>



the FTVIPT Mutual Shares Securities Fund became available as investment options for Account Contract owners. Accordingly, the 2006 statements of changes in net assets and total return and investment income ratios in note 3 for these subaccounts are for the period from the commencement of operations to December 31, 2006.

Also during 2006, the Scudder Investments VIT Funds (Scudder VIT) family of funds changed its name to DWS Scudder VIP Funds (DWS VIP).

During 2006, the AIM V.I. Growth Fund and the AIM V.I. Premier Equity Fund ceased to be available as investment options to Variable Account Contract owners.

Also during 2006, the AIM V.I. Growth Fund merged into the AIM V.I. Capital Appreciation Fund and the AIM V.I. Premier Equity Fund merged into the AIM V.I Core Equity Fund.

During 2007, the Lincoln VIPT Baron Growth Opportunities Fund, the Lincoln VIPT Capital Growth Fund, the Lincoln VIPT Cohen & Steers Global Real Estate Fund, the Lincoln VIPT Delaware Special Opportunities Fund, the Lincoln VIPT Marsico International Growth Fund, the Lincoln VIPT MFS Value Fund, the Lincoln VIPT Mid-Cap Growth Fund, the Lincoln VIPT Mid-Cap Value Fund, the Lincoln VIPT S&P 500 Index Fund, the Lincoln VIPT Small-Cap Index Fund, the Lincoln VIPT T. Rowe Price Growth Stock Fund, the Lincoln VIPT Templeton Growth Fund, the Lincon VIPT Value Opportunities Fund, the Lincoln VIPT Wilshire 2010 Profile Fund, the Lincoln VIPT Wilshire 2020 Profile Fund, the Lincoln VIPT Wilshire 2030 Profile Fund and the Lincoln VIPT Wilshire 2040 Profile Fund became available as investment options for Account Contract owners. Accordingly, the 2007 statement of operations and statements of changes in net assets and total return and investment income ratios in note 3 for these subaccounts are for the period from the commencement of operations to December 31, 2007.

Also during 2007 the following funds changed their names:

<Table>
<Caption>

| PREVIOUS FUND NAME | NEW FUND NAME |
|---|---|
| <S> | <C> |
| Lincoln VIPT Bond Fund | Lincoln VIPT Delaware Bond Fund |
| Lincoln VIPT Growth and Income Fund | Lincoln VIPT Delaware Growth and Income Fund |
| Lincoln VIPT Social Awareness Fund | Lincoln VIPT Delaware Social Awareness Fund |
| Lincoln VIPT Equity-Income Fund | Lincoln VIPT FI Equity-Income Fund |
| Lincoln VIPT Capital Appreciation Fund | Lincoln VIPT Janus Capital Appreciation Fund |
| Lincoln VIPT International Fund | Lincoln VIPT Mondrian International Value Fund |
| Lincoln VIPT Aggressive Growth Fund | Lincoln VIPT T. Rowe Price Structured Mid-Cap Growth Fund |
| Lincoln VIPT Global Asset Allocation Fund | Lincoln VIPT UBS Global Asset Allocation Fund |

| | |
|---|---|
| Lincoln VIPT Aggressive Profile Fund | Lincoln VIPT Wilshire Aggressive Profile Fund |
| Lincoln VIPT Conservative Profile Fund | Lincoln VIPT Wilshire Conservative Profile Fund |
| Lincoln VIPT Moderate Profile Fund | Lincoln VIPT Wilshire Moderate Profile Fund |
| Lincoln VIPT Moderately Aggressive Profile Fund | Lincoln VIPT Wilshire Moderately Aggressive Profile Fund |
| MFS VIT Capital Opportunities Series | MFS VIT Core Equity Series |

</Table>

Also during 2007, the Lincoln VIPT Core Fund, the Lincoln VIPT Growth Fund and the Lincoln VIPT Growth Opportunities Fund ceased to be available as an investment option to Variable Account Contract owners.

During 2007, the Lincoln Variable Insurance Products Trust (Lincoln VIPT) acquired the Baron Capital Asset Service Class Fund and renamed the fund Lincoln VIPT Baron Growth Opportunities Service Class Fund. This fund acquisition had no impact on the units outstanding or the unit prices to the Variable Account Contract owner.

2. MORTALITY AND EXPENSE GUARANTEES AND OTHER TRANSACTIONS WITH AFFILIATES

Amounts are paid to the Company for mortality and expense guarantees at a percentage of the current value of the Variable Account each day. The mortality and expense risk charges for each of the variable subaccounts are reported in the statement of operations. The rates are as follows for the fifteen policy types within the Variable Account:

- VUL-I - annual rate of .80% for policy years one through twelve and .55% thereafter.

- Lincoln VULCV - annual rate of .75% for policy years one through ten, .35% for policy years eleven through twenty and .20% thereafter.

- Lincoln VULCV-II & Lincoln VUL Flex - annual rate of .75% for policy years one through ten, .35% for policy years eleven through twenty and .20% thereafter.

- Lincoln VULCV-III - annual rate of .75% for policy years one through ten, .35% for policy years eleven through twenty and .20% thereafter.



<Page>

2. MORTALITY AND EXPENSE GUARANTEES AND OTHER TRANSACTIONS WITH AFFILIATES (CONTINUED)

- Lincoln VULCV-IV - annual rate of .60% for policy years one through ten and .20% thereafter.

- Lincoln VULDB & Lincoln VULDB Elite - annual rate of .90% for policy years one through nineteen and .20% thereafter.

- Lincoln VULDB-II - annual rate of .90% for policy years one through nineteen and .20% thereafter.

- Lincoln VULDB-IV - annual rate of .90% for policy years one through nineteen and .20% thereafter.

- MONEYGUARD VUL - annual rate of 1.00%.

- Lincoln VULONE - annual rate of .50% for policy years one through ten and .20% thereafter.

- Lincoln Momentum VULONE - annual rate of .50% for policy years one through ten and .20% thereafter.

- Lincoln VULONE 2005 - annual rate of .50% for policy years one through ten and .20% thereafter.

- Lincoln Momentum VULONE 2005 - annual rate of .50% for policy years one through ten and .20% thereafter.

- Lincoln VULONE 2007 - annual rate of .60% for policy years one through ten and .20% thereafter.

- Lincoln Momentum VULONE 2007 - annual rate of .60% for policy years one through ten and .20% thereafter.

Prior to the allocation of premiums to the Variable Account, the Company deducts a premium load, based on product, to cover state taxes and federal income tax liabilities and a portion of the sales expenses incurred by the Company. Refer to the product prospectuses for the applicable rate. The premium loads for the years ended December 31, 2007 and 2006 amounted to $10,922,160 and $8,890,567, respectively.

The Company charges a monthly administrative fee for items such as premium billings and collection, policy value calculation, confirmations and periodic reports. Refer to the product prospectus for the applicable administrative fee rates. Administrative fees for the years ended December 31, 2007 and 2006 totaled $5,462,998 and $4,274,102, respectively.

The Company assumes responsibility for providing the insurance benefit included in the policy. On a monthly basis, a cost of insurance charge is deducted proportionately from the value of each variable subaccount and/or fixed account funding option. The fixed account is part of the general account of the Company and is not included in these financial statements. The cost of insurance charge depends on the attained age, risk classification, gender classification (in accordance with state law) and the current net amount at risk. The cost of insurance charges for the years ended December 31, 2007 and 2006 amounted to $56,179,777 and $51,460,204, respectively.

Under certain circumstances, the Company reserves the right to charge a transfer fee, refer to the product prospectus for applicable rates. No such fees were deducted for the years ended December 31, 2007 and 2006.

The Company, upon full surrender of a policy, may charge a surrender charge. This charge is in part a deferred sales charge and in part a recovery of certain first year administrative costs. The amount of the surrender charge, if any, will depend on the amount of the death benefit, the amount of premium payments made during the first two policy years and the age of the policy. In no event will the surrender charge exceed the maximum allowed by state or federal law. No surrender charge is imposed on a partial surrender, but an administrative fee of $25 (not to exceed 2% of the amount withdrawn) is imposed, allocated pro-rata among the variable subac-counts (and, where applicable, the fixed account) from which the partial surrender proceeds are taken. Full surrender charges and partial surrender administrative charges paid to the Company attributable to the variable subaccounts for the years ended December 31, 2007 and 2006 were $3,021.909 and $3,701,133, respectively.

3. FINANCIAL HIGHLIGHTS

A summary of the fee rates, unit values, units outstanding, net assets and total return and investment income ratios for variable life contracts as of and for each year or period in the five years ended December 31, 2007 follows.

<Table>
<Caption>

| SUBACCOUNT | YEAR | COMMENCEMENT DATE(1) | MINIMUM FEE RATE(2) | MAXIMUM FEE RATE(2) | MINIMUM UNIT VALUE(3) | MAXIMUM UNIT VALUE(3) | UNITS OUTSTANDING | NET ASSETS | MINIMUM TOTAL RETURN(4) | MAXIMUM TOTAL RETURN(4) | INVESTMENT INCOME RATIO(5) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| AIM V.I. CAPITAL APPRECIATION | | | | | | | | | | | |
| | 2007 | | 0.75% | 1.00% | $ 7.79 | $14.30 | 2,363,019 | $21,596,168 | 10.90% | 11.18% | 0.00% |
| | 2006 | | 0.75% | 1.00% | 12.33 | 12.33 | 2,498,659 | 20,544,773 | 5.45% | 5.45% | 0.08% |
| | 2005 | | 0.80% | 0.80% | 11.69 | 11.69 | 233,722 | 2,731,708 | 7.97% | 7.97% | 0.07% |
| | 2004 | | 0.80% | 0.80% | 10.83 | 10.83 | 252,859 | 2,737,256 | 5.78% | 5.78% | 0.00% |
| | 2003 | | 0.80% | 0.80% | 10.23 | 10.23 | 278,064 | 2,845,726 | 28.49% | 28.49% | 0.00% |

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3. FINANCIAL HIGHLIGHTS (CONTINUED)

<Table>
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| SUBACCOUNT | YEAR | COMMENCEMENT DATE(1) | MINIMUM FEE RATE(2) | MAXIMUM FEE RATE(2) | MINIMUM UNIT VALUE(3) | MAXIMUM UNIT VALUE(3) | UNITS OUTSTANDING | NET ASSETS | MINIMUM TOTAL RETURN(4) | MAXIMUM TOTAL RETURN(4) | INVESTMENT INCOME RATIO(5) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| <S> | <C> | | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| AIM V.I. CORE EQUITY | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | $10.12 | $13.79 | 2,276,561 | $24,067,209 | 7.15% | 7.31% | 1.10% |
| | 2006 | 4/28/06 | 0.75% | 0.90% | 9.43 | 12.85 | 2,410,740 | 23,832,376 | 8.50% | 8.61% | 0.56% |
| AIM V.I. DIVERSIFIED INCOME | | | | | | | | | | | |
| | 2007 | | 0.80% | 0.80% | 12.15 | 12.15 | 58,213 | 707,450 | 0.91% | 0.91% | 7.24% |
| | 2006 | | 0.80% | 0.80% | 12.04 | 12.04 | 58,717 | 707,107 | 3.65% | 3.65% | 6.80% |
| | 2005 | | 0.80% | 0.80% | 11.62 | 11.62 | 53,025 | 616,093 | 2.08% | 2.08% | 6.04% |
| | 2004 | | 0.80% | 0.80% | 11.38 | 11.38 | 64,670 | 736,082 | 4.20% | 4.20% | 5.84% |
| | 2003 | | 0.80% | 0.80% | 10.92 | 10.92 | 63,029 | 688,507 | 8.37% | 8.37% | 6.38% |
| AIM V.I. INTERNATIONAL GROWTH | | | | | | | | | | | |
| | 2007 | | 0.75% | 1.00% | 17.32 | 23.45 | 568,487 | 10,792,000 | 13.57% | 13.86% | 0.41% |
| | 2006 | | 0.75% | 1.00% | 15.24 | 20.65 | 585,021 | 9,766,594 | 26.95% | 27.28% | 1.08% |
| | 2005 | | 0.75% | 1.00% | 11.99 | 16.27 | 549,225 | 7,184,524 | 16.75% | 17.05% | 0.70% |
| | 2004 | | 0.75% | 1.00% | 10.26 | 13.93 | 553,222 | 6,159,699 | 22.77% | 23.08% | 0.69% |
| | 2003 | | 0.75% | 1.00% | 8.35 | 11.35 | 522,345 | 4,711,335 | 27.79% | 28.10% | 0.61% |
| ABVPSF GLOBAL TECHNOLOGY CLASS A | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | 13.20 | 14.91 | 178,937 | 2,522,503 | 18.99% | 19.60% | 0.00% |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | 0.50% | 1.00% | 11.08 | 12.47 | 143,191 | 1,680,232 | 7.54% | 8.10% | 0.00% |
| | 2005 | | 0.50% | 1.00% | 10.29 | 11.53 | 128,019 | 1,381,231 | 2.83% | 3.35% | 0.00% |
| | 2004 | | 0.50% | 1.00% | 10.00 | 11.11 | 113,830 | 1,191,160 | 4.39% | 4.67% | 0.00% |
| | 2003 | | 0.75% | 1.00% | 9.56 | 10.63 | 103,251 | 1,026,807 | 42.68% | 43.01% | 0.00% |
| ABVPSF GROWTH AND INCOME CLASS A | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | 13.05 | 15.90 | 1,164,357 | 16,979,485 | 4.07% | 4.59% | 1.45% |
| | 2006 | | 0.50% | 1.00% | 12.47 | 15.28 | 1,147,240 | 16,119,649 | 16.12% | 16.70% | 1.39% |
| | 2005 | | 0.50% | 1.00% | 11.27 | 13.16 | 1,021,702 | 12,437,386 | 3.81% | 4.34% | 1.43% |
| | 2004 | | 0.50% | 1.00% | 11.63 | 12.67 | 852,277 | 10,058,033 | 10.35% | 10.63% | 0.88% |
| | 2003 | | 0.75% | 1.00% | 10.52 | 11.48 | 550,191 | 5,872,560 | 31.20% | 31.51% | 0.99% |
| ABVPSF INTERNATIONAL VALUE CLASS A | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 12.50 | 12.58 | 388,765 | 4,849,818 | 4.89% | 5.31% | 1.17% |
| | 2006 | 5/24/06 | 0.50% | 0.90% | 11.92 | 11.95 | 133,275 | 1,590,746 | 9.55% | 24.74% | 0.01% |
| ABVPSF LARGE CAP GROWTH CLASS A | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 12.73 | 14.48 | 191,705 | 2,566,420 | 12.90% | 13.37% | 0.00% |
| | 2006 | | 0.50% | 0.90% | 11.27 | 12.77 | 183,380 | 2,167,737 | -1.34% | -0.94% | 0.00% |
| | 2005 | | 0.50% | 0.90% | 11.42 | 12.76 | 207,677 | 2,451,924 | 14.11% | 14.57% | 0.00% |
| | 2004 | | 0.50% | 0.90% | 10.01 | 10.99 | 190,371 | 1,955,214 | 7.65% | 7.81% | 0.00% |
| | 2003 | | 0.75% | 0.90% | 9.30 | 10.19 | 147,802 | 1,403,201 | 22.56% | 22.74% | 0.00% |
| ABVPSF SMALL/MID CAP VALUE CLASS A | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | 12.94 | 21.98 | 756,901 | 12,056,607 | 0.69% | 1.20% | 0.90% |
| | 2006 | | 0.50% | 1.00% | 12.79 | 21.82 | 625,164 | 10,122,246 | 13.28% | 13.85% | 0.42% |
| | 2005 | | 0.50% | 1.00% | 11.68 | 19.26 | 490,156 | 7,360,063 | 5.85% | 6.38% | 0.71% |
| | 2004 | | 0.50% | 1.00% | 13.97 | 18.20 | 395,464 | 5,991,252 | 18.12% | 18.41% | 0.17% |
| | 2003 | | 0.75% | 1.00% | 11.80 | 15.41 | 240,638 | 3,164,836 | 39.87% | 40.21% | 0.57% |
| AMERICAN CENTURY VP INFLATION PROTECTION | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 11.10 | 11.98 | 634,123 | 7,341,972 | 8.69% | 9.12% | 4.77% |
| | 2006 | | 0.50% | 0.90% | 10.17 | 10.98 | 525,134 | 5,605,032 | 0.97% | 1.38% | 3.51% |
| | 2005 | | 0.50% | 0.90% | 10.19 | 10.83 | 368,148 | 3,912,014 | 0.90% | 1.30% | 4.95% |
| | 2004 | 5/11/04 | 0.50% | 0.90% | 10.07 | 10.69 | 142,887 | 1,525,342 | 0.16% | 6.42% | 2.31% |
| AMERICAN FUNDS GLOBAL GROWTH CLASS 2 | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 16.10 | 18.01 | 732,305 | 12,470,814 | 13.82% | 14.28% | 2.92% |
| | 2006 | | 0.50% | 0.90% | 14.09 | 15.76 | 460,526 | 6,959,057 | 19.35% | 19.83% | 0.86% |
| | 2005 | | 0.50% | 0.90% | 12.23 | 13.15 | 261,330 | 3,337,337 | 13.05% | 13.51% | 0.65% |
| | 2004 | 5/18/04 | 0.50% | 0.90% | 10.78 | 11.59 | 60,634 | 701,402 | 2.66% | 15.46% | 0.08% |
| AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION CLASS 2 | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | 18.17 | 33.46 | 1,433,504 | 31,838,941 | 20.20% | 20.82% | 2.94% |
| | 2006 | | 0.50% | 1.00% | 15.08 | 27.84 | 1,339,444 | 25,120,813 | 22.78% | 23.43% | 0.46% |
| | 2005 | | 0.50% | 1.00% | 12.25 | 22.67 | 1,172,972 | 18,068,003 | 24.10% | 24.73% | 0.97% |
| | 2004 | | 0.50% | 1.00% | 9.84 | 18.27 | 1,012,526 | 12,718,196 | 19.70% | 19.98% | 0.00% |
| | 2003 | | 0.75% | 1.00% | 8.20 | 15.26 | 888,055 | 9,082,686 | 52.02% | 52.38% | 0.62% |

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3. FINANCIAL HIGHLIGHTS (CONTINUED)

<Table>
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| SUBACCOUNT | YEAR | COMMENCEMENT DATE(1) | MINIMUM FEE RATE(2) | MAXIMUM FEE RATE(2) | MINIMUM UNIT VALUE(3) | MAXIMUM UNIT VALUE(3) | UNITS OUTSTANDING | NET ASSETS | MINIMUM TOTAL RETURN(4) | MAXIMUM TOTAL RETURN(4) | INVESTMENT INCOME RATIO(5) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| <S> | <C> | | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| AMERICAN FUNDS GROWTH CLASS 2 | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | $11.94 | $19.44 | 7,941,147 | $119,671,398 | 11.23% | 11.79% | 0.80% |
| | 2006 | | 0.50% | 1.00% | 10.71 | 17.48 | 7,394,487 | 99,994,576 | 9.12% | 9.67% | 0.83% |
| | 2005 | | 0.50% | 1.00% | 9.79 | 16.02 | 6,865,411 | 84,660,023 | 15.04% | 15.61% | 0.74% |
| | 2004 | | 0.50% | 1.00% | 8.49 | 13.92 | 6,022,896 | 64,124,987 | 11.37% | 11.66% | 0.19% |
| | 2003 | | 0.75% | 1.00% | 7.60 | 12.50 | 5,272,519 | 48,481,609 | 35.45% | 35.79% | 0.13% |
| AMERICAN FUNDS GROWTH-INCOME CLASS 2 | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | 13.08 | 17.21 | 6,190,959 | 91,102,111 | 4.00% | 4.52% | 1.56% |
| | 2006 | | 0.50% | 1.00% | 12.52 | 16.53 | 5,699,653 | 81,455,225 | 14.06% | 14.63% | 1.60% |
| | 2005 | | 0.50% | 1.00% | 11.20 | 14.48 | 5,432,375 | 68,532,346 | 4.78% | 5.30% | 1.41% |
| | 2004 | | 0.50% | 1.00% | 11.39 | 13.81 | 4,766,655 | 58,105,625 | 9.28% | 9.55% | 0.97% |
| | 2003 | | 0.75% | 1.00% | 10.40 | 12.62 | 3,715,110 | 41,484,845 | 31.11% | 31.44% | 1.20% |
| AMERICAN FUNDS INTERNATIONAL CLASS 2 | | | | | | | | | | | |

| SUBACCOUNT | YEAR | COMMENCEMENT DATE(1) | MINIMUM FEE RATE(2) | MAXIMUM FEE RATE(2) | MINIMUM UNIT VALUE(3) | MAXIMUM UNIT VALUE(3) | UNITS OUTSTANDING | NET ASSETS | MINIMUM TOTAL RETURN(4) | MAXIMUM TOTAL RETURN(4) | INVESTMENT INCOME RATIO(5) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | | 0.50% | 1.00% | 17.50 | 24.31 | 2,749,494 | 57,707,080 | 18.83% | 19.42% | 1.61% |
| | 2006 | | 0.50% | 1.00% | 14.65 | 20.46 | 2,325,308 | 41,733,581 | 17.80% | 18.38% | 1.75% |
| | 2005 | | 0.50% | 1.00% | 13.16 | 17.37 | 1,959,489 | 30,470,221 | 20.30% | 20.90% | 1.72% |
| | 2004 | | 0.50% | 1.00% | 13.01 | 14.44 | 1,290,799 | 17,137,258 | 18.13% | 18.43% | 1.65% |
| | 2003 | | 0.75% | 1.00% | 10.99 | 12.22 | 596,867 | 6,737,992 | 33.52% | 33.84% | 1.90% |
| DELAWARE VIPT CAPITAL RESERVES | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 10.67 | 10.92 | 20,715 | 224,789 | 3.53% | 3.97% | 4.83% |
| | 2006 | | 0.50% | 0.90% | 10.46 | 10.50 | 11,544 | 120,701 | 3.78% | 4.05% | 4.52% |
| | 2005 | 7/13/05 | 0.50% | 0.75% | 10.08 | 10.09 | 4,896 | 49,341 | 0.21% | 0.44% | 1.97% |
| DELAWARE VIPT DIVERSIFIED INCOME | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 11.51 | 12.57 | 1,032,963 | 12,358,079 | 6.67% | 7.10% | 2.73% |
| | 2006 | | 0.50% | 0.90% | 10.75 | 11.73 | 679,400 | 7,668,721 | 6.95% | 7.38% | 1.42% |
| | 2005 | | 0.50% | 0.90% | 10.14 | 10.93 | 440,376 | 4,692,653 | -1.34% | -0.94% | 0.66% |
| | 2004 | 5/26/04 | 0.50% | 0.90% | 10.25 | 11.03 | 79,095 | 871,216 | 0.62% | 9.01% | 0.00% |
| DELAWARE VIPT EMERGING MARKETS | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 21.96 | 50.18 | 779,035 | 27,909,618 | 37.61% | 38.16% | 1.52% |
| | 2006 | | 0.50% | 0.90% | 15.89 | 36.46 | 659,640 | 17,993,752 | 26.00% | 26.51% | 1.35% |
| | 2005 | | 0.50% | 0.90% | 14.56 | 28.94 | 631,793 | 15,081,737 | 26.34% | 26.85% | 0.29% |
| | 2004 | | 0.50% | 0.90% | 21.04 | 22.90 | 302,211 | 6,330,954 | 32.28% | 32.48% | 2.59% |
| | 2003 | | 0.75% | 0.90% | 15.89 | 17.32 | 196,841 | 3,323,709 | 69.02% | 69.27% | 2.48% |
| DELAWARE VIPT HIGH YIELD | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | 12.03 | 17.47 | 1,007,976 | 14,413,211 | 1.77% | 2.28% | 6.42% |
| | 2006 | | 0.50% | 1.00% | 11.81 | 17.17 | 923,725 | 13,098,859 | 11.33% | 11.89% | 6.34% |
| | 2005 | | 0.50% | 1.00% | 10.60 | 15.42 | 771,649 | 10,057,594 | 2.55% | 3.07% | 6.37% |
| | 2004 | | 0.50% | 1.00% | 10.93 | 15.04 | 693,889 | 9,065,390 | 13.11% | 13.39% | 5.50% |
| | 2003 | | 0.75% | 1.00% | 9.64 | 13.30 | 573,981 | 6,418,558 | 27.48% | 27.78% | 5.06% |
| DELAWARE VIPT REIT | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 12.22 | 31.18 | 1,235,576 | 23,556,721 | -14.71% | -14.37% | 1.38% |
| | 2006 | | 0.50% | 0.90% | 14.27 | 36.55 | 1,186,561 | 28,721,416 | 31.44% | 31.97% | 1.81% |
| | 2005 | | 0.50% | 0.90% | 11.64 | 27.81 | 1,021,761 | 19,807,181 | 6.21% | 6.64% | 1.83% |
| | 2004 | | 0.50% | 0.90% | 16.15 | 26.18 | 963,937 | 19,156,672 | 30.20% | 30.40% | 2.06% |
| | 2003 | | 0.75% | 0.90% | 12.40 | 20.11 | 749,573 | 11,829,767 | 32.82% | 33.02% | 2.12% |
| DELAWARE VIPT SMALL CAP VALUE | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | 12.32 | 25.23 | 2,175,595 | 39,581,908 | -7.55% | -7.09% | 0.50% |
| | 2006 | | 0.50% | 1.00% | 13.26 | 27.26 | 2,116,606 | 43,419,194 | 15.04% | 15.61% | 0.24% |
| | 2005 | | 0.50% | 1.00% | 12.08 | 23.67 | 1,958,046 | 36,186,924 | 8.33% | 8.87% | 0.36% |
| | 2004 | | 0.50% | 1.00% | 14.45 | 21.83 | 1,861,598 | 32,820,027 | 20.28% | 20.57% | 0.20% |
| | 2003 | | 0.75% | 1.00% | 12.00 | 18.13 | 1,439,653 | 21,938,961 | 40.57% | 40.92% | 0.36% |
| DELAWARE VIPT TREND | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | 13.38 | 21.17 | 1,362,908 | 22,380,539 | 9.65% | 10.20% | 0.00% |
| | 2006 | | 0.50% | 1.00% | 12.19 | 19.27 | 1,490,436 | 22,253,238 | 6.52% | 7.06% | 0.00% |
| | 2005 | | 0.50% | 1.00% | 11.43 | 18.06 | 1,557,042 | 22,013,285 | 4.81% | 5.33% | 0.00% |
| | 2004 | | 0.50% | 1.00% | 11.63 | 17.19 | 1,636,004 | 22,221,023 | 11.49% | 11.76% | 0.00% |
| | 2003 | | 0.75% | 1.00% | 10.41 | 15.39 | 1,491,305 | 18,421,491 | 33.77% | 34.09% | 0.00% |

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3. FINANCIAL HIGHLIGHTS (CONTINUED)

<Table>
<Caption>

| SUBACCOUNT | YEAR | COMMENCEMENT DATE(1) | MINIMUM FEE RATE(2) | MAXIMUM FEE RATE(2) | MINIMUM UNIT VALUE(3) | MAXIMUM UNIT VALUE(3) | UNITS OUTSTANDING | NET ASSETS | MINIMUM TOTAL RETURN(4) | MAXIMUM TOTAL RETURN(4) | INVESTMENT INCOME RATIO(5) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| DELAWARE VIPT U.S. GROWTH | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | $11.85 | $14.51 | 74,970 | $ 945,719 | 11.55% | 12.00% | 0.00% |
| | 2006 | | 0.50% | 0.90% | 10.92 | 12.95 | 70,620 | 807,836 | 1.40% | 1.80% | 0.00% |
| | 2005 | | 0.50% | 0.90% | 10.75 | 12.43 | 74,695 | 836,244 | 13.62% | 14.08% | 0.54% |
| | 2004 | | 0.50% | 0.90% | 9.45 | 9.81 | 54,807 | 534,228 | 2.37% | 2.53% | 0.12% |
| | 2003 | | 0.75% | 0.90% | 9.35 | 9.57 | 17,308 | 164,052 | 22.64% | 22.83% | 0.12% |
| DELAWARE VIPT VALUE | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 12.74 | 15.21 | 1,049,683 | 15,121,334 | -3.59% | -3.21% | 1.52% |
| | 2006 | | 0.50% | 0.90% | 13.17 | 15.75 | 915,132 | 13,833,284 | 22.99% | 23.48% | 1.36% |
| | 2005 | | 0.50% | 0.90% | 11.39 | 12.79 | 617,122 | 7,687,908 | 5.08% | 5.50% | 1.47% |
| | 2004 | | 0.50% | 0.90% | 11.83 | 12.15 | 371,986 | 4,474,824 | 13.90% | 14.07% | 1.47% |
| | 2003 | | 0.75% | 0.90% | 10.37 | 10.65 | 239,935 | 2,536,779 | 27.15% | 27.34% | 0.92% |
| DWS VIP EAFE EQUITY INDEX | | | | | | | | | | | |
| | 2004 | | 0.50% | 0.90% | 8.88 | 12.18 | 474,562 | 4,940,125 | 18.00% | 18.18% | 2.28% |
| | 2003 | | 0.75% | 0.90% | 7.53 | 10.31 | 438,408 | 3,753,928 | 32.16% | 32.36% | 3.89% |
| DWS VIP EQUITY 500 INDEX | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 11.60 | 14.76 | 4,784,358 | 60,636,247 | 4.35% | 4.77% | 1.50% |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 0.50% | 0.90% | 11.10 | 14.13 | 4,914,527 | 59,499,412 | 14.49% | 14.95% | 1.18% |
| | 2005 | 0.50% | 0.90% | 9.68 | 12.32 | 5,441,256 | 57,222,262 | 3.74% | 4.15% | 1.53% |
| | 2004 | 0.50% | 0.90% | 9.32 | 11.86 | 5,763,380 | 58,157,558 | 9.60% | 9.77% | 1.10% |
| | 2003 | 0.75% | 0.90% | 8.49 | 10.80 | 5,582,819 | 50,954,438 | 27.01% | 27.20% | 1.18% |
| DWS VIP SMALL CAP INDEX | | | | | | | | | | |
| | 2007 | 0.50% | 0.90% | 13.03 | 18.52 | 862,949 | 13,621,697 | -2.78% | -2.39% | 0.86% |
| | 2006 | 0.50% | 0.90% | 13.35 | 19.05 | 855,091 | 13,991,020 | 16.44% | 16.91% | 0.63% |
| | 2005 | 0.50% | 0.90% | 11.57 | 16.36 | 788,123 | 11,235,210 | 3.33% | 3.74% | 0.61% |
| | 2004 | 0.50% | 0.90% | 13.39 | 15.83 | 772,863 | 10,954,179 | 16.70% | 16.88% | 0.42% |
| | 2003 | 0.75% | 0.90% | 11.46 | 13.57 | 649,424 | 7,989,559 | 45.11% | 45.33% | 0.81% |
| FIDELITY VIP ASSET MANAGER | | | | | | | | | | |
| | 2007 | 0.80% | 0.80% | 14.81 | 14.81 | 58,676 | 869,220 | 14.58% | 14.58% | 6.16% |
| | 2006 | 0.80% | 0.80% | 12.93 | 12.93 | 57,892 | 748,450 | 6.46% | 6.46% | 2.62% |
| | 2005 | 0.80% | 0.80% | 12.14 | 12.14 | 60,501 | 734,702 | 3.22% | 3.22% | 2.76% |
| | 2004 | 0.80% | 0.80% | 11.77 | 11.77 | 72,589 | 854,036 | 4.63% | 4.63% | 2.68% |
| | 2003 | 0.80% | 0.80% | 11.24 | 11.24 | 76,514 | 860,396 | 17.04% | 17.04% | 3.45% |
| FIDELITY VIP CONTRAFUND SERVICE CLASS | | | | | | | | | | |
| | 2007 | 0.50% | 0.90% | 15.48 | 19.27 | 3,475,642 | 61,663,183 | 16.46% | 16.92% | 0.90% |
| | 2006 | 0.50% | 0.90% | 13.24 | 16.53 | 3,133,407 | 48,418,152 | 10.59% | 11.03% | 1.15% |
| | 2005 | 0.50% | 0.90% | 12.55 | 14.92 | 2,603,278 | 36,885,328 | 15.80% | 16.26% | 0.18% |
| | 2004 | 0.50% | 0.90% | 12.11 | 12.87 | 2,014,251 | 24,995,490 | 14.31% | 14.48% | 0.23% |
| | 2003 | 0.75% | 0.90% | 10.58 | 11.24 | 1,673,784 | 18,101,114 | 27.20% | 27.39% | 0.33% |
| FIDELITY VIP EQUITY-INCOME | | | | | | | | | | |
| | 2007 | 0.80% | 0.80% | 16.28 | 16.28 | 296,277 | 4,822,136 | 0.72% | 0.72% | 1.76% |
| | 2006 | 0.80% | 0.80% | 16.16 | 16.16 | 334,521 | 5,405,561 | 19.24% | 19.24% | 3.31% |
| | 2005 | 0.80% | 0.80% | 13.55 | 13.55 | 402,396 | 5,453,343 | 5.02% | 5.02% | 1.61% |
| | 2004 | 0.80% | 0.80% | 12.90 | 12.90 | 421,341 | 5,437,053 | 10.64% | 10.64% | 1.57% |
| | 2003 | 0.80% | 0.80% | 11.66 | 11.66 | 427,784 | 4,989,282 | 29.29% | 29.29% | 1.80% |
| FIDELITY VIP EQUITY-INCOME SERVICE CLASS | | | | | | | | | | |
| | 2007 | 0.50% | 1.00% | 13.52 | 16.24 | 511,636 | 7,701,467 | 0.42% | 0.91% | 1.72% |
| | 2006 | 0.50% | 1.00% | 13.45 | 16.17 | 507,718 | 7,598,666 | 18.89% | 19.48% | 3.21% |
| | 2005 | 0.50% | 1.00% | 11.30 | 13.60 | 490,143 | 6,161,370 | 4.71% | 5.24% | 1.39% |
| | 2004 | 0.50% | 1.00% | 12.00 | 12.99 | 412,976 | 4,987,854 | 10.28% | 10.55% | 1.42% |
| | 2003 | 0.75% | 1.00% | 10.87 | 11.78 | 315,071 | 3,452,894 | 28.94% | 29.25% | 1.14% |
| FIDELITY VIP GROWTH SERVICE CLASS | | | | | | | | | | |
| | 2007 | 0.50% | 0.90% | 8.98 | 15.20 | 888,887 | 9,997,190 | 25.73% | 26.24% | 0.62% |
| | 2006 | 0.50% | 0.90% | 7.14 | 12.07 | 865,736 | 7,531,657 | 5.78% | 6.20% | 0.27% |
| | 2005 | 0.50% | 0.90% | 6.75 | 11.39 | 874,064 | 7,058,638 | 4.73% | 5.15% | 0.38% |
| | 2004 | 0.50% | 0.90% | 6.45 | 10.86 | 860,538 | 6,473,006 | 2.34% | 2.49% | 0.16% |
| | 2003 | 0.75% | 0.90% | 6.30 | 10.60 | 764,235 | 5,460,425 | 31.59% | 31.79% | 0.17% |

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3. FINANCIAL HIGHLIGHTS (CONTINUED)

<Table>
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| SUBACCOUNT | YEAR | COMMENCEMENT DATE(1) | MINIMUM FEE RATE(2) | MAXIMUM FEE RATE(2) | MINIMUM UNIT VALUE(3) | MAXIMUM UNIT VALUE(3) | UNITS OUTSTANDING | NET ASSETS | MINIMUM TOTAL RETURN(4) | MAXIMUM TOTAL RETURN(4) | INVESTMENT INCOME RATIO(5) |
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| FIDELITY VIP GROWTH OPPORTUNITIES SERVICE CLASS | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | $10.26 | $13.52 | 424,150 | $4,452,849 | 21.94% | 22.12% | 0.00% |
| | 2006 | | 0.75% | 0.90% | 8.40 | 11.07 | 450,665 | 3,878,868 | 4.36% | 4.51% | 0.70% |
| | 2005 | | 0.75% | 0.90% | 8.04 | 10.59 | 559,457 | 4,579,023 | 7.89% | 8.05% | 0.82% |
| | 2004 | | 0.75% | 0.90% | 7.44 | 9.80 | 583,852 | 4,435,752 | 6.10% | 6.26% | 0.47% |
| | 2003 | | 0.75% | 0.90% | 7.00 | 9.22 | 603,056 | 4,305,467 | 28.50% | 28.69% | 0.63% |
| FIDELITY VIP HIGH INCOME SERVICE CLASS | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | 11.24 | 14.34 | 139,905 | 1,628,414 | 1.74% | 1.89% | 8.35% |
| | 2006 | | 0.75% | 0.90% | 11.05 | 14.08 | 140,532 | 1,610,780 | 10.18% | 10.35% | 7.39% |
| | 2005 | | 0.75% | 0.90% | 10.03 | 12.76 | 165,831 | 1,714,771 | 1.60% | 1.76% | 16.08% |
| | 2004 | | 0.75% | 0.90% | 9.87 | 12.54 | 273,178 | 2,754,143 | 8.49% | 8.65% | 8.34% |
| | 2003 | | 0.75% | 0.90% | 9.10 | 11.54 | 288,482 | 2,676,502 | 25.83% | 26.02% | 5.44% |
| FIDELITY VIP INVESTMENT GRADE BOND | | | | | | | | | | | |
| | 2007 | | 0.80% | 0.80% | 15.70 | 15.70 | 161,347 | 2,532,753 | 3.52% | 3.52% | 4.08% |
| | 2006 | | 0.80% | 0.80% | 15.16 | 15.16 | 174,935 | 2,652,791 | 3.52% | 3.52% | 3.97% |
| | 2005 | | 0.80% | 0.80% | 14.65 | 14.65 | 178,343 | 2,612,574 | 1.38% | 1.38% | 3.68% |
| | 2004 | | 0.80% | 0.80% | 14.45 | 14.45 | 185,382 | 2,678,797 | 3.62% | 3.62% | 4.30% |
| | 2003 | | 0.80% | 0.80% | 13.94 | 13.94 | 211,232 | 2,945,598 | 4.37% | 4.37% | 4.24% |
| FIDELITY VIP MID CAP SERVICE CLASS | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 12.07 | 15.72 | 494,616 | 7,535,268 | 14.45% | 15.10% | 0.71% |
| | 2006 | | 0.50% | 0.90% | 13.57 | 13.66 | 251,713 | 3,368,823 | 11.58% | 12.03% | 0.15% |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 6/2/05 | 0.50% | 0.90% | 12.16 | 12.19 | 76,026 | 925,977 | -0.84% | 16.52% | 0.00% |
| FIDELITY VIP OVERSEAS SERVICE CLASS | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 17.07 | 21.12 | 356,920 | 6,803,849 | 16.16% | 16.62% | 3.36% |
| | 2006 | | 0.50% | 0.90% | 14.64 | 18.15 | 290,728 | 4,819,727 | 16.89% | 17.39% | 0.68% |
| | 2005 | | 0.50% | 0.90% | 13.08 | 15.51 | 225,598 | 3,312,085 | 17.91% | 18.38% | 0.49% |
| | 2004 | | 0.50% | 0.90% | 12.26 | 13.13 | 147,382 | 1,861,724 | 12.47% | 12.64% | 0.89% |
| | 2003 | | 0.75% | 0.90% | 10.90 | 11.66 | 55,890 | 632,379 | 41.92% | 42.14% | 0.36% |
| FTVIPT FRANKLIN INCOME SECURITIES | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 11.63 | 11.70 | 313,897 | 3,611,934 | 3.08% | 3.49% | 3.37% |
| | 2006 | 6/20/06 | 0.50% | 0.90% | 11.28 | 11.31 | 67,037 | 757,381 | 6.73% | 12.84% | 0.00% |
| FTVIPT FRANKLIN SMALL-MID CAP GROWTH SECURITIES | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | 13.43 | 16.30 | 675,263 | 9,847,537 | 10.40% | 10.95% | 0.00% |
| | 2006 | | 0.50% | 1.00% | 12.16 | 14.76 | 542,178 | 7,244,545 | 7.87% | 8.41% | 0.00% |
| | 2005 | | 0.50% | 1.00% | 11.30 | 13.69 | 483,307 | 6,037,721 | 4.04% | 4.56% | 0.00% |
| | 2004 | | 0.50% | 1.00% | 11.70 | 13.15 | 368,961 | 4,494,761 | 10.59% | 10.87% | 0.00% |
| | 2003 | | 0.75% | 1.00% | 10.55 | 11.89 | 308,700 | 3,384,540 | 36.25% | 36.58% | 0.00% |
| FTVIPT MUTUAL SHARES SECURITIES | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 11.65 | 11.73 | 245,698 | 2,856,336 | 2.79% | 3.21% | 1.57% |
| | 2006 | 6/16/06 | 0.50% | 0.90% | 11.34 | 11.37 | 65,437 | 742,684 | 5.30% | 14.90% | 0.00% |
| FTVIPT TEMPLETON FOREIGN SECURITIES | | | | | | | | | | | |
| | 2007 | | 0.80% | 0.80% | 18.24 | 18.24 | 226,059 | 4,124,438 | 14.87% | 14.87% | 2.08% |
| | 2006 | | 0.80% | 0.80% | 15.88 | 15.88 | 252,347 | 4,008,202 | 20.73% | 20.73% | 1.37% |
| | 2005 | | 0.80% | 0.80% | 13.16 | 13.16 | 267,099 | 3,514,129 | 9.60% | 9.60% | 1.29% |
| | 2004 | | 0.80% | 0.80% | 12.00 | 12.00 | 296,333 | 3,557,383 | 17.93% | 17.93% | 1.17% |
| | 2003 | | 0.80% | 0.80% | 10.18 | 10.18 | 323,559 | 3,293,782 | 31.50% | 31.50% | 1.91% |
| FTVIPT TEMPLETON FOREIGN SECURITIES CLASS 2 | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | 16.70 | 17.60 | 449,769 | 7,765,062 | 14.42% | 14.59% | 1.97% |
| | 2006 | | 0.75% | 0.90% | 14.58 | 15.38 | 483,284 | 7,282,249 | 20.36% | 20.54% | 1.21% |
| | 2005 | | 0.75% | 0.90% | 12.09 | 12.78 | 559,713 | 6,992,790 | 9.18% | 9.35% | 1.16% |
| | 2004 | | 0.75% | 0.90% | 11.06 | 11.70 | 580,633 | 6,633,509 | 17.47% | 17.64% | 1.06% |
| | 2003 | | 0.75% | 0.90% | 9.40 | 9.96 | 565,732 | 5,497,116 | 31.03% | 31.23% | 1.71% |
| FTVIPT TEMPLETON GLOBAL ASSET ALLOCATION | | | | | | | | | | | |
| | 2007 | | 0.80% | 0.80% | 20.89 | 20.89 | 41,692 | 870,816 | 9.44% | 9.44% | 16.99% |
| | 2006 | | 0.80% | 0.80% | 19.08 | 19.08 | 51,499 | 982,852 | 20.42% | 20.42% | 7.62% |
| | 2005 | | 0.80% | 0.80% | 15.85 | 15.85 | 60,248 | 954,825 | 3.03% | 3.03% | 4.01% |
| | 2004 | | 0.80% | 0.80% | 15.38 | 15.38 | 58,431 | 898,836 | 15.01% | 15.01% | 2.94% |
| | 2003 | | 0.80% | 0.80% | 13.37 | 13.37 | 44,022 | 588,802 | 31.26% | 31.26% | 2.74% |

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3. FINANCIAL HIGHLIGHTS (CONTINUED)

<Table>
<Caption>

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| FTVIPT TEMPLETON GLOBAL INCOME SECURITIES | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | $11.62 | $12.39 | 333,508 | $ 4,078,634 | 10.28% | 10.72% | 2.70% |
| | 2006 | | 0.50% | 0.90% | 11.12 | 11.19 | 129,179 | 1,441,916 | 12.13% | 12.58% | 2.92% |
| | 2005 | 6/2/05 | 0.50% | 0.90% | 9.92 | 9.94 | 67,928 | 675,128 | -0.48% | 1.69% | 0.36% |
| FTVIPT TEMPLETON GROWTH SECURITIES | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 13.77 | 20.36 | 607,307 | 9,850,621 | 1.63% | 2.04% | 1.48% |
| | 2006 | | 0.50% | 0.90% | 13.49 | 20.01 | 599,467 | 9,693,624 | 21.11% | 21.59% | 1.43% |
| | 2005 | | 0.50% | 0.90% | 11.83 | 16.51 | 514,487 | 7,027,823 | 8.08% | 8.51% | 1.17% |
| | 2004 | | 0.50% | 0.90% | 11.99 | 15.26 | 446,802 | 5,700,642 | 15.21% | 15.38% | 1.25% |
| | 2003 | | 0.75% | 0.90% | 10.41 | 13.23 | 316,203 | 3,544,172 | 31.43% | 31.63% | 1.63% |
| FTVIPT TEMPLETON GROWTH SECURITIES CLASS 2 | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | 15.86 | 20.14 | 191,240 | 3,716,605 | 1.43% | 1.58% | 1.21% |
| | 2006 | | 0.75% | 0.90% | 15.61 | 19.86 | 260,667 | 4,987,443 | 20.72% | 20.90% | 1.32% |
| | 2005 | | 0.75% | 0.90% | 12.91 | 16.45 | 271,772 | 4,304,206 | 7.89% | 8.05% | 1.13% |
| | 2004 | | 0.75% | 0.90% | 11.95 | 15.25 | 264,563 | 3,879,934 | 14.99% | 15.16% | 1.21% |
| | 2003 | | 0.75% | 0.90% | 10.38 | 13.26 | 216,959 | 2,765,506 | 30.95% | 31.15% | 1.43% |
| JANUS ASPEN SERIES BALANCED | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | 14.15 | 15.69 | 856,695 | 13,155,059 | 9.55% | 9.71% | 2.57% |
| | 2006 | | 0.75% | 0.90% | 12.90 | 14.33 | 893,064 | 12,509,778 | 9.73% | 9.89% | 2.10% |
| | 2005 | | 0.75% | 0.90% | 11.74 | 13.06 | 1,027,833 | 13,105,959 | 6.98% | 7.14% | 2.25% |
| | 2004 | | 0.75% | 0.90% | 10.95 | 12.20 | 1,151,972 | 13,708,028 | 7.55% | 7.72% | 2.23% |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | | 0.75% | 0.90% | 10.17 | 11.35 | 1,291,957 | 14,293,025 | 13.03% | 13.20% | 2.14% |
| JANUS ASPEN SERIES BALANCED SERVICE SHARES | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 13.42 | 14.74 | 489,711 | 7,148,113 | 9.30% | 9.74% | 2.28% |
| | 2006 | | 0.50% | 0.90% | 12.28 | 13.47 | 509,243 | 6,793,161 | 9.43% | 9.86% | 1.89% |
| | 2005 | | 0.50% | 0.90% | 11.26 | 12.29 | 583,216 | 7,107,234 | 6.70% | 7.12% | 2.19% |
| | 2004 | | 0.50% | 0.90% | 11.35 | 11.50 | 512,787 | 5,868,923 | 7.32% | 7.48% | 2.37% |
| | 2003 | | 0.75% | 0.90% | 10.57 | 10.70 | 448,540 | 4,784,416 | 12.70% | 12.87% | 2.08% |
| JANUS ASPEN SERIES GLOBAL TECHNOLOGY SERVICE SHARES | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | 5.05 | 9.28 | 340,300 | 1,784,359 | 20.61% | 20.79% | 0.35% |
| | 2006 | | 0.75% | 0.90% | 4.19 | 7.68 | 340,533 | 1,481,348 | 6.86% | 7.02% | 0.00% |
| | 2005 | | 0.75% | 0.90% | 3.92 | 7.18 | 370,850 | 1,521,215 | 10.55% | 10.72% | 0.00% |
| | 2004 | | 0.75% | 0.90% | 3.55 | 6.48 | 412,417 | 1,524,164 | -0.33% | -0.18% | 0.00% |
| | 2003 | | 0.75% | 0.90% | 3.56 | 6.50 | 397,855 | 1,487,613 | 45.16% | 45.38% | 0.00% |
| JANUS ASPEN SERIES MID CAP GROWTH SERVICE SHARES | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 16.77 | 20.43 | 304,947 | 5,740,723 | 20.65% | 21.13% | 0.08% |
| | 2006 | | 0.50% | 0.90% | 13.90 | 16.91 | 228,123 | 3,516,757 | 12.29% | 12.74% | 0.00% |
| | 2005 | | 0.50% | 0.90% | 12.38 | 15.03 | 250,505 | 3,439,648 | 11.02% | 11.47% | 0.00% |
| | 2004 | | 0.50% | 0.90% | 11.62 | 13.52 | 200,566 | 2,488,825 | 19.40% | 19.58% | 0.00% |
| | 2003 | | 0.75% | 0.90% | 9.73 | 11.31 | 123,696 | 1,274,455 | 33.56% | 33.76% | 0.00% |
| JANUS ASPEN SERIES WORLDWIDE GROWTH | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | 10.76 | 12.34 | 1,200,110 | 14,510,684 | 8.65% | 8.81% | 0.75% |
| | 2006 | | 0.75% | 0.90% | 9.89 | 11.34 | 1,291,657 | 14,362,127 | 17.14% | 17.32% | 1.75% |
| | 2005 | | 0.75% | 0.90% | 8.43 | 9.67 | 1,418,366 | 13,440,012 | 4.92% | 5.07% | 1.37% |
| | 2004 | | 0.75% | 0.90% | 8.02 | 9.20 | 1,569,533 | 14,169,637 | 3.84% | 4.00% | 1.00% |
| | 2003 | | 0.75% | 0.90% | 7.71 | 8.85 | 1,770,271 | 15,368,723 | 22.88% | 23.06% | 1.11% |
| JANUS ASPEN SERIES WORLDWIDE GROWTH SERVICE SHARES | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | 13.28 | 13.67 | 248,332 | 3,350,266 | 8.38% | 8.55% | 0.56% |
| | 2006 | | 0.75% | 0.90% | 12.25 | 12.60 | 275,922 | 3,431,008 | 16.88% | 17.06% | 1.64% |
| | 2005 | | 0.75% | 0.90% | 10.48 | 10.76 | 287,389 | 3,054,651 | 4.62% | 4.78% | 1.16% |
| | 2004 | | 0.75% | 0.90% | 10.02 | 10.27 | 334,656 | 3,398,641 | 3.59% | 3.75% | 0.93% |
| | 2003 | | 0.75% | 0.90% | 9.67 | 9.90 | 319,416 | 3,124,511 | 22.57% | 22.76% | 0.92% |
| LINCOLN VIPT BARON GROWTH OPPORTUNITIES | | | | | | | | | | | |
| | 2007 | 6/7/07 | 0.50% | 0.90% | 10.41 | 13.63 | 14,413 | 174,585 | -3.31% | -2.19% | 0.00% |
| LINCOLN VIPT BARON GROWTH OPPORTUNITIES SERVICE CLASS | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 10.93 | 22.40 | 369,942 | 6,523,714 | 2.49% | 2.90% | 0.00% |
| | 2006 | | 0.50% | 0.90% | 17.10 | 21.85 | 315,556 | 6,189,319 | 14.49% | 14.66% | 0.00% |
| | 2005 | | 0.75% | 0.90% | 14.91 | 19.09 | 330,460 | 5,780,762 | 2.44% | 2.59% | 0.00% |
| | 2004 | | 0.75% | 0.90% | 14.54 | 18.63 | 332,877 | 5,640,416 | 24.51% | 24.70% | 0.00% |
| | 2003 | | 0.75% | 0.90% | 11.66 | 14.96 | 306,309 | 4,162,432 | 28.85% | 29.04% | 0.00% |

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3. FINANCIAL HIGHLIGHTS (CONTINUED)

<Table>
<Caption>

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| LINCOLN VIPT CAPITAL GROWTH | | | | | | | | | | | |
| | 2007 | 9/11/07 | 0.50% | 0.60% | $10.78 | $10.79 | 284 | $ 3,063 | 1.62% | 7.52% | 0.13% |
| LINCOLN VIPT COHEN & STEERS GLOBAL REAL ESTATE | | | | | | | | | | | |
| | 2007 | 6/13/07 | 0.50% | 0.90% | 8.27 | 8.29 | 226,750 | 1,877,620 | -13.91% | -7.26% | 0.60% |
| LINCOLN VIPT CORE | | | | | | | | | | | |
| | 2006 | | 0.50% | 0.90% | 11.84 | 11.92 | 14,085 | 167,585 | 12.92% | 13.38% | 0.98% |
| | 2005 | 9/7/05 | 0.50% | 0.90% | 10.49 | 10.51 | 1,772 | 18,624 | 1.39% | 3.56% | 0.35% |
| LINCOLN VIPT DELAWARE BOND | | | | | | | | | | | |
| | 2007 | | 0.50% | 1.00% | 11.04 | 16.01 | 4,094,308 | 55,685,397 | 4.40% | 4.92% | 5.12% |
| | 2006 | | 0.50% | 1.00% | 10.52 | 15.30 | 3,729,565 | 49,024,509 | 3.67% | 4.19% | 4.61% |
| | 2005 | | 0.50% | 1.00% | 10.20 | 14.72 | 3,239,974 | 41,896,349 | 1.62% | 2.13% | 4.28% |
| | 2004 | | 0.50% | 1.00% | 11.79 | 14.45 | 2,769,349 | 36,532,839 | 4.25% | 4.52% | 4.12% |
| | 2003 | | 0.75% | 1.00% | 11.30 | 13.82 | 2,498,495 | 32,267,258 | 6.22% | 6.48% | 4.37% |
| LINCOLN VIPT DELAWARE GROWTH AND INCOME | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 12.59 | 12.73 | 88,104 | 1,105,939 | 5.17% | 5.59% | 1.26% |
| | 2006 | | 0.50% | 0.90% | 12.03 | 12.05 | 53,981 | 648,125 | 11.69% | 11.80% | 1.55% |
| | 2005 | 7/22/05 | 0.50% | 0.60% | 10.77 | 10.78 | 1,083 | 11,675 | 1.14% | 4.83% | 2.07% |
| LINCOLN VIPT DELAWARE SOCIAL AWARENESS | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 12.91 | 15.57 | 265,618 | 3,717,236 | 2.04% | 2.45% | 0.87% |
| | 2006 | | 0.50% | 0.90% | 12.60 | 15.23 | 263,463 | 3,602,334 | 11.30% | 11.75% | 0.92% |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | | 0.50% | 0.90% | 11.49 | 13.66 | 247,210 | 3,020,847 | 11.02% | 11.47% | 0.90% |
| | 2004 | | 0.50% | 0.90% | 10.33 | 12.29 | 211,560 | 2,299,740 | 11.69% | 11.86% | 1.02% |
| | 2003 | | 0.75% | 0.90% | 9.24 | 10.99 | 190,211 | 1,824,641 | 30.68% | 30.88% | 0.95% |
| LINCOLN VIPT DELAWARE SPECIAL OPPORTUNITIES | | | | | | | | | | | |
| | 2007 | 7/6/07 | 0.50% | 0.90% | 9.20 | 9.22 | 10,976 | 101,067 | -8.87% | 1.05% | 1.55% |
| LINCOLN VIPT FI EQUITY-INCOME | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 12.34 | 16.05 | 428,276 | 6,085,884 | 3.42% | 3.83% | 1.22% |
| | 2006 | | 0.50% | 0.90% | 11.93 | 15.52 | 423,391 | 5,842,308 | 10.25% | 10.71% | 1.31% |
| | 2005 | | 0.50% | 0.90% | 11.75 | 14.07 | 412,915 | 5,198,551 | 3.56% | 3.71% | 1.18% |
| | 2004 | | 0.75% | 0.90% | 11.32 | 13.59 | 415,672 | 5,087,500 | 8.78% | 8.95% | 1.11% |
| | 2003 | | 0.75% | 0.90% | 10.39 | 12.49 | 409,366 | 4,588,426 | 31.16% | 31.35% | 1.14% |
| LINCOLN VIPT GROWTH | | | | | | | | | | | |
| | 2006 | | 0.50% | 0.90% | 12.00 | 12.02 | 5,574 | 66,933 | 5.54% | 5.65% | 0.00% |
| | 2005 | 7/13/05 | 0.50% | 0.60% | 11.37 | 11.38 | 1,875 | 21,340 | -0.76% | 7.49% | 0.00% |
| LINCOLN VIPT GROWTH OPPORTUNITIES | | | | | | | | | | | |
| | 2006 | | 0.50% | 0.90% | 13.43 | 13.45 | 5,894 | 79,115 | 9.51% | 9.62% | 0.00% |
| | 2005 | 7/25/05 | 0.50% | 0.60% | 12.26 | 12.27 | 489 | 6,003 | 3.01% | 5.88% | 0.00% |
| LINCOLN VIPT JANUS CAPITAL APPRECIATION | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 10.49 | 14.84 | 638,505 | 7,057,440 | 19.34% | 19.82% | 0.28% |
| | 2006 | | 0.50% | 0.90% | 8.79 | 12.42 | 637,508 | 5,806,622 | 8.68% | 9.13% | 0.19% |
| | 2005 | | 0.50% | 0.90% | 8.09 | 11.41 | 681,042 | 5,669,248 | 3.27% | 3.68% | 0.21% |
| | 2004 | | 0.50% | 0.90% | 7.83 | 11.03 | 1,008,127 | 8,028,411 | 4.34% | 4.50% | 0.00% |
| | 2003 | | 0.75% | 0.90% | 7.51 | 10.56 | 1,001,397 | 7,619,032 | 31.27% | 31.47% | 0.00% |
| LINCOLN VIPT MARSICO INTERNATIONAL GROWTH | | | | | | | | | | | |
| | 2007 | 6/29/07 | 0.50% | 0.90% | 11.21 | 11.24 | 72,245 | 811,137 | -0.35% | 15.97% | 1.57% |
| LINCOLN VIPT MFS VALUE | | | | | | | | | | | |
| | 2007 | 8/7/07 | 0.50% | 0.90% | 9.77 | 9.79 | 18,277 | 178,775 | -2.54% | 3.19% | 1.52% |
| LINCOLN VIPT MID-CAP GROWTH | | | | | | | | | | | |
| | 2007 | 7/16/07 | 0.50% | 0.90% | 11.01 | 11.04 | 13,954 | 153,986 | -2.02% | 5.89% | 0.00% |
| LINCOLN VIPT MID-CAP VALUE | | | | | | | | | | | |
| | 2007 | 6/20/07 | 0.50% | 0.90% | 8.69 | 8.71 | 74,959 | 652,549 | -15.27% | -7.42% | 0.26% |
| LINCOLN VIPT MONDRIAN INTERNATIONAL VALUE | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 16.38 | 24.32 | 1,112,617 | 23,340,870 | 10.49% | 10.93% | 2.07% |
| | 2006 | | 0.50% | 0.90% | 14.77 | 21.97 | 1,011,598 | 19,411,607 | 28.84% | 29.36% | 3.19% |
| | 2005 | | 0.50% | 0.90% | 12.23 | 17.03 | 758,771 | 11,453,277 | 11.54% | 11.98% | 2.62% |
| | 2004 | | 0.50% | 0.90% | 13.72 | 15.25 | 285,082 | 3,990,440 | 19.85% | 20.03% | 1.31% |
| | 2003 | | 0.75% | 0.90% | 11.45 | 12.70 | 125,826 | 1,487,220 | 40.35% | 40.56% | 2.57% |

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3. FINANCIAL HIGHLIGHTS (CONTINUED)

<Table>
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| SUBACCOUNT | YEAR | COMMENCEMENT DATE(1) | MINIMUM FEE RATE(2) | MAXIMUM FEE RATE(2) | MINIMUM UNIT VALUE(3) | MAXIMUM UNIT VALUE(3) | UNITS OUTSTANDING | NET ASSETS | MINIMUM TOTAL RETURN(4) | MAXIMUM TOTAL RETURN(4) | INVESTMENT INCOME RATIO(5) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| LINCOLN VIPT MONEY MARKET | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | $10.99 | $12.79 | 4,117,683 | $47,169,046 | 4.03% | 4.44% | 4.85% |
| | 2006 | | 0.50% | 0.90% | 10.56 | 12.28 | 3,687,559 | 41,074,646 | 3.74% | 4.16% | 4.60% |
| | 2005 | | 0.50% | 0.90% | 10.18 | 11.82 | 3,272,520 | 35,376,424 | 1.87% | 2.28% | 2.77% |
| | 2004 | | 0.50% | 0.90% | 10.00 | 11.60 | 3,162,521 | 33,594,587 | -0.02% | 0.13% | 0.86% |
| | 2003 | | 0.75% | 0.90% | 10.00 | 11.59 | 4,409,924 | 46,813,138 | -0.22% | -0.07% | 0.69% |
| LINCOLN VIPT S&P 500 INDEX | | | | | | | | | | | |
| | 2007 | 4/27/07 | 0.50% | 0.90% | 9.69 | 11.95 | 120,389 | 1,397,673 | -3.60% | -0.29% | 2.05% |
| LINCOLN VIPT SMALL-CAP INDEX | | | | | | | | | | | |
| | 2007 | 6/26/07 | 0.50% | 0.90% | 9.20 | 9.22 | 31,559 | 290,854 | -8.71% | 1.65% | 0.98% |
| LINCOLN VIPT T. ROWE PRICE GROWTH STOCK | | | | | | | | | | | |
| | 2007 | 7/2/07 | 0.50% | 0.90% | 9.98 | 10.01 | 22,895 | 228,895 | -5.41% | 5.17% | 0.33% |
| LINCOLN VIPT T. ROWE PRICE STRUCTURED MID-CAP GROWTH | | | | | | | | | | | |
| | 2007 | | 0.50% | 0.90% | 14.15 | 15.63 | 107,858 | 1,593,196 | 12.57% | 13.02% | 0.00% |
| | 2006 | | 0.50% | 0.90% | 12.52 | 13.86 | 39,575 | 527,916 | 8.30% | 8.74% | 0.00% |
| | 2005 | | 0.50% | 0.90% | 12.18 | 12.78 | 32,958 | 410,348 | 8.83% | 9.26% | 0.00% |
| | 2004 | | 0.50% | 0.90% | 11.19 | 11.72 | 26,784 | 305,886 | 12.65% | 12.82% | 0.00% |
| | 2003 | | 0.75% | 0.90% | 9.93 | 10.39 | 13,346 | 135,291 | 31.44% | 31.63% | 0.00% |
| LINCOLN VIPT TEMPLETON GROWTH | | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 2007 | 7/6/07 | 0.50% | 0.90% | 9.85 | 9.87 | 7,824 | 77,213 | -4.15% | 7.45% | 2.24% |
| LINCOLN VIPT UBS GLOBAL ASSET ALLOCATION | | | | | | | | | | |
| 2007 | | 0.50% | 0.90% | 13.10 | 15.35 | 204,110 | 2,860,611 | 5.42% | 5.84% | 1.74% |
| 2006 | | 0.50% | 0.90% | 12.37 | 14.54 | 159,723 | 2,165,884 | 13.48% | 13.94% | 1.41% |
| 2005 | | 0.50% | 0.90% | 11.58 | 12.80 | 130,730 | 1,576,476 | 5.85% | 6.27% | 1.28% |
| 2004 | | 0.50% | 0.90% | 10.93 | 12.07 | 117,555 | 1,329,816 | 12.52% | 12.69% | 1.76% |
| 2003 | | 0.75% | 0.90% | 9.70 | 10.71 | 96,740 | 957,721 | 19.32% | 19.50% | 3.23% |
| LINCOLN VIPT VALUE OPPORTUNITIES | | | | | | | | | | |
| 2007 | 9/20/07 | 0.50% | 0.60% | 9.43 | 9.44 | 1,244 | 11,735 | -6.60% | -1.99% | 0.16% |
| LINCOLN VIPT WILSHIRE 2010 PROFILE | | | | | | | | | | |
| 2007 | 9/14/07 | 0.50% | 0.50% | 10.53 | 10.53 | 684 | 7,200 | 3.68% | 3.68% | 0.46% |
| LINCOLN VIPT WILSHIRE 2020 PROFILE | | | | | | | | | | |
| 2007 | 10/5/07 | 0.50% | 0.60% | 10.36 | 10.37 | 1,201 | 12,441 | -0.34% | 0.22% | 0.38% |
| LINCOLN VIPT WILSHIRE 2030 PROFILE | | | | | | | | | | |
| 2007 | 7/20/07 | 0.50% | 0.90% | 10.45 | 10.48 | 18,646 | 195,259 | -0.03% | 4.84% | 0.52% |
| LINCOLN VIPT WILSHIRE 2040 PROFILE | | | | | | | | | | |
| 2007 | 8/17/07 | 0.50% | 0.90% | 10.28 | 10.30 | 18,079 | 186,184 | -3.41% | 7.38% | 0.91% |
| LINCOLN VIPT WILSHIRE AGGRESSIVE PROFILE | | | | | | | | | | |
| 2007 | | 0.50% | 0.90% | 14.37 | 14.52 | 248,522 | 3,586,104 | 10.02% | 10.46% | 1.13% |
| 2006 | | 0.50% | 0.90% | 13.06 | 13.15 | 97,709 | 1,282,590 | 15.50% | 15.96% | 1.06% |
| 2005 | 6/15/05 | 0.50% | 0.90% | 11.31 | 11.34 | 13,081 | 148,138 | 3.23% | 8.67% | 0.00% |
| LINCOLN VIPT WILSHIRE CONSERVATIVE PROFILE | | | | | | | | | | |
| 2007 | | 0.50% | 0.90% | 12.19 | 12.32 | 161,649 | 1,988,703 | 6.81% | 7.24% | 3.49% |
| 2006 | | 0.50% | 0.90% | 11.41 | 11.47 | 14,124 | 161,888 | 8.36% | 8.69% | 1.75% |
| 2005 | 10/14/05 | 0.60% | 0.90% | 10.53 | 10.55 | 3,833 | 40,388 | 1.87% | 2.75% | 0.00% |
| LINCOLN VIPT WILSHIRE MODERATE PROFILE | | | | | | | | | | |
| 2007 | | 0.50% | 0.90% | 12.99 | 13.13 | 1,331,965 | 17,424,811 | 8.29% | 8.72% | 1.58% |
| 2006 | | 0.50% | 0.90% | 12.00 | 12.08 | 853,856 | 10,300,685 | 11.03% | 11.48% | 1.22% |
| 2005 | 7/8/05 | 0.50% | 0.90% | 10.81 | 10.83 | 462,412 | 5,008,456 | 1.28% | 4.30% | 0.00% |
| LINCOLN VIPT WILSHIRE MODERATELY AGGRESSIVE PROFILE | | | | | | | | | | |
| 2007 | | 0.50% | 0.90% | 13.57 | 13.71 | 1,408,883 | 19,114,010 | 8.83% | 9.26% | 1.97% |
| 2006 | | 0.50% | 0.90% | 12.47 | 12.55 | 595,647 | 7,466,422 | 13.12% | 13.57% | 1.43% |
| 2005 | 6/17/05 | 0.50% | 0.90% | 11.02 | 11.05 | 190,526 | 2,104,287 | 1.92% | 5.70% | 0.00% |
| M FUND BRANDES INTERNATIONAL EQUITY | | | | | | | | | | |
| 2007 | | 0.50% | 0.90% | 15.75 | 26.21 | 155,389 | 2,816,997 | 7.04% | 7.47% | 2.21% |
| 2006 | | 0.50% | 0.90% | 14.65 | 24.45 | 129,365 | 2,247,144 | 25.65% | 26.15% | 1.55% |
| 2005 | | 0.50% | 0.90% | 12.70 | 19.43 | 107,617 | 1,508,085 | 9.56% | 10.00% | 2.47% |
| 2004 | | 0.50% | 0.90% | 17.66 | 17.71 | 22,323 | 390,111 | 22.88% | 23.07% | 1.69% |
| 2003 | 8/6/03 | 0.75% | 0.90% | 14.37 | 14.39 | 3,400 | 48,903 | 9.97% | 28.66% | 1.23% |

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3. FINANCIAL HIGHLIGHTS (CONTINUED)

<Table>
<Caption>

| SUBACCOUNT YEAR | COMMENCEMENT DATE(1) | MINIMUM FEE RATE(2) | MAXIMUM FEE RATE(2) | MINIMUM UNIT VALUE(3) | MAXIMUM UNIT VALUE(3) | UNITS OUTSTANDING | NET ASSETS | MINIMUM TOTAL RETURN(4) | MAXIMUM TOTAL RETURN(4) | INVESTMENT INCOME RATIO(5) |
|---|---|---|---|---|---|---|---|---|---|---|
| <S> <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| M FUND BUSINESS OPPORTUNITY VALUE | | | | | | | | | | |
| 2007 | | 0.50% | 0.90% | $13.22 | $19.10 | 79,888 | $ 1,156,518 | 4.50% | 4.91% | 0.70% |
| 2006 | | 0.50% | 0.90% | 12.60 | 18.25 | 62,077 | 881,219 | 12.87% | 13.32% | 0.62% |
| 2005 | | 0.50% | 0.90% | 12.43 | 16.14 | 42,021 | 540,753 | 6.84% | 7.27% | 1.15% |
| 2004 | | 0.50% | 0.90% | 15.05 | 15.05 | 819 | 10,760 | 21.50% | 21.50% | 2.62% |
| 2003 | 12/11/03 | 0.90% | 0.90% | 12.39 | 12.39 | 6 | 70 | 4.61% | 4.61% | 0.00% |
| M FUND FRONTIER CAPITAL APPRECIATION | | | | | | | | | | |
| 2007 | | 0.50% | 0.90% | 15.88 | 22.36 | 53,180 | 930,893 | 10.91% | 11.36% | 0.00% |
| 2006 | | 0.50% | 0.90% | 14.26 | 20.13 | 48,022 | 795,824 | 15.30% | 15.77% | 0.00% |
| 2005 | | 0.50% | 0.90% | 12.99 | 17.44 | 21,666 | 347,327 | 14.10% | 14.55% | 0.00% |
| 2004 | | 0.50% | 0.90% | 15.22 | 15.26 | 14,433 | 217,149 | 8.35% | 8.51% | 0.00% |
| 2003 | 8/6/03 | 0.75% | 0.90% | 14.05 | 14.06 | 3,381 | 47,537 | 8.33% | 25.31% | 0.00% |
| M FUND TURNER CORE GROWTH | | | | | | | | | | |
| 2007 | | 0.50% | 0.90% | 15.52 | 20.38 | 88,839 | 1,517,965 | 21.33% | 21.82% | 0.41% |
| 2006 | | 0.50% | 0.90% | 12.74 | 16.77 | 75,855 | 1,084,471 | 7.55% | 7.98% | 0.65% |
| 2005 | | 0.50% | 0.90% | 12.86 | 15.57 | 68,594 | 910,852 | 12.91% | 13.35% | 0.73% |
| 2004 | | 0.50% | 0.90% | 13.74 | 13.77 | 17,186 | 235,873 | 10.19% | 10.36% | 0.45% |
| 2003 | 8/6/03 | 0.75% | 0.90% | 12.47 | 12.48 | 2,690 | 33,584 | 3.92% | 15.88% | 0.21% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| MFS VIT CORE EQUITY | | | | | | | | | |
| 2007 | 0.50% | 0.90% | 13.15 | 14.56 | 68,662 | 937,063 | 10.15% | 10.60% | 0.33% |
| 2006 | 0.50% | 0.90% | 11.94 | 13.17 | 72,642 | 902,388 | 12.78% | 13.23% | 0.44% |
| 2005 | 0.50% | 0.90% | 10.59 | 11.63 | 68,045 | 748,013 | 0.77% | 1.18% | 0.75% |
| 2004 | 0.50% | 0.90% | 10.51 | 11.33 | 65,843 | 714,584 | 11.46% | 11.62% | 0.37% |
| 2003 | 0.75% | 0.90% | 9.43 | 10.15 | 47,047 | 452,630 | 26.25% | 26.44% | 0.23% |
| MFS VIT EMERGING GROWTH | | | | | | | | | |
| 2007 | 0.50% | 0.90% | 11.10 | 16.23 | 1,102,410 | 13,301,982 | 20.09% | 20.57% | 0.00% |
| 2006 | 0.50% | 0.90% | 9.23 | 13.49 | 1,167,363 | 11,734,895 | 6.92% | 7.36% | 0.00% |
| 2005 | 0.50% | 0.90% | 8.62 | 12.60 | 1,318,447 | 12,351,770 | 8.21% | 8.64% | 0.00% |
| 2004 | 0.50% | 0.90% | 7.95 | 11.63 | 1,450,598 | 12,532,454 | 11.95% | 12.12% | 0.00% |
| 2003 | 0.75% | 0.90% | 7.09 | 10.37 | 1,492,145 | 11,504,139 | 29.06% | 29.25% | 0.00% |
| MFS VIT TOTAL RETURN | | | | | | | | | |
| 2007 | 0.50% | 1.00% | 12.04 | 17.06 | 2,088,500 | 30,358,834 | 3.18% | 3.70% | 2.49% |
| 2006 | 0.50% | 1.00% | 11.61 | 16.50 | 2,007,091 | 28,589,897 | 10.78% | 11.34% | 2.32% |
| 2005 | 0.50% | 1.00% | 10.72 | 14.87 | 1,987,322 | 25,878,371 | 1.80% | 2.31% | 1.95% |
| 2004 | 0.50% | 1.00% | 11.85 | 14.58 | 1,721,804 | 22,546,236 | 10.22% | 10.49% | 1.61% |
| 2003 | 0.75% | 1.00% | 10.73 | 13.20 | 1,518,791 | 18,203,679 | 15.17% | 15.45% | 1.60% |
| MFS VIT UTILITIES | | | | | | | | | |
| 2007 | 0.50% | 0.90% | 19.48 | 30.38 | 1,206,846 | 28,961,737 | 26.75% | 27.26% | 0.90% |
| 2006 | 0.50% | 0.90% | 15.31 | 23.93 | 1,035,763 | 19,715,668 | 30.08% | 30.60% | 2.00% |
| 2005 | 0.50% | 0.90% | 11.97 | 18.37 | 1,128,642 | 16,432,850 | 15.79% | 16.26% | 0.59% |
| 2004 | 0.50% | 0.90% | 10.32 | 15.84 | 834,236 | 10,778,886 | 29.04% | 29.23% | 1.43% |
| 2003 | 0.75% | 0.90% | 7.99 | 12.26 | 765,495 | 7,676,654 | 34.68% | 34.88% | 2.26% |
| NB AMT MID-CAP GROWTH | | | | | | | | | |
| 2007 | 0.50% | 1.00% | 14.06 | 19.05 | 1,402,411 | 23,180,503 | 21.30% | 21.93% | 0.00% |
| 2006 | 0.50% | 1.00% | 11.56 | 15.71 | 1,432,631 | 19,406,657 | 13.57% | 14.12% | 0.00% |
| 2005 | 0.50% | 1.00% | 10.15 | 13.83 | 1,376,586 | 16,353,094 | 12.61% | 13.17% | 0.00% |
| 2004 | 0.50% | 1.00% | 8.99 | 12.28 | 1,307,449 | 13,727,168 | 15.15% | 15.44% | 0.00% |
| 2003 | 0.75% | 1.00% | 7.79 | 10.67 | 1,151,773 | 10,401,154 | 26.81% | 27.11% | 0.00% |
| NB AMT PARTNERS | | | | | | | | | |
| 2007 | 0.75% | 0.90% | 15.48 | 18.31 | 174,180 | 2,825,301 | 8.36% | 8.52% | 0.64% |
| 2006 | 0.75% | 0.90% | 14.27 | 16.90 | 182,280 | 2,723,511 | 11.24% | 11.40% | 0.70% |
| 2005 | 0.75% | 0.90% | 12.81 | 15.19 | 192,816 | 2,580,726 | 16.99% | 17.16% | 1.08% |
| 2004 | 0.75% | 0.90% | 10.93 | 12.99 | 134,332 | 1,544,444 | 17.91% | 18.09% | 0.01% |
| 2003 | 0.75% | 0.90% | 9.26 | 11.01 | 153,136 | 1,491,517 | 33.88% | 34.08% | 0.00% |
| NB AMT REGENCY | | | | | | | | | |
| 2007 | 0.50% | 0.90% | 13.10 | 19.18 | 504,908 | 8,544,490 | 2.38% | 2.79% | 0.45% |
| 2006 | 0.50% | 0.90% | 12.75 | 18.71 | 609,553 | 10,221,332 | 10.17% | 10.61% | 0.42% |
| 2005 | 0.50% | 0.90% | 12.42 | 16.95 | 538,226 | 8,365,230 | 11.00% | 11.44% | 0.09% |
| 2004 | 0.50% | 0.90% | 13.95 | 15.25 | 405,892 | 5,797,497 | 21.26% | 21.45% | 0.02% |
| 2003 | 0.75% | 0.90% | 11.48 | 12.56 | 312,388 | 3,680,321 | 34.63% | 34.83% | 0.00% |

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3. FINANCIAL HIGHLIGHTS (CONTINUED)

<Table>
<Caption>

| SUBACCOUNT | YEAR | COMMENCEMENT DATE(1) | MINIMUM FEE RATE(2) | MAXIMUM FEE RATE(2) | MINIMUM UNIT VALUE(3) | MAXIMUM UNIT VALUE(3) | UNITS OUTSTANDING | NET ASSETS | MINIMUM TOTAL RETURN(4) | MAXIMUM TOTAL RETURN(4) | INVESTMENT INCOME RATIO(5) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| PIMCO VIT OPCAP GLOBAL EQUITY | | | | | | | | | | | |
| | 2007 | | 0.80% | 0.80% | $17.76 | $17.76 | 28,967 | $ 514,558 | 6.55% | 6.55% | 0.86% |
| | 2006 | | 0.80% | 0.80% | 16.67 | 16.67 | 35,510 | 592,015 | 20.10% | 20.10% | 0.86% |
| | 2005 | | 0.80% | 0.80% | 13.88 | 13.88 | 52,340 | 726,576 | 6.18% | 6.18% | 0.34% |
| | 2004 | | 0.80% | 0.80% | 13.07 | 13.07 | 57,126 | 746,862 | 11.64% | 11.64% | 0.52% |
| | 2003 | | 0.80% | 0.80% | 11.71 | 11.71 | 57,184 | 669,695 | 30.50% | 30.50% | 0.63% |
| PIMCO VIT OPCAP MANAGED | | | | | | | | | | | |
| | 2007 | | 0.80% | 0.80% | 13.29 | 13.29 | 51,991 | 691,076 | 2.23% | 2.23% | 2.10% |
| | 2006 | | 0.80% | 0.80% | 13.00 | 13.00 | 62,324 | 810,320 | 8.78% | 8.78% | 1.71% |
| | 2005 | | 0.80% | 0.80% | 11.95 | 11.95 | 66,037 | 789,317 | 4.44% | 4.44% | 1.17% |
| | 2004 | | 0.80% | 0.80% | 11.44 | 11.44 | 72,567 | 830,474 | 9.88% | 9.88% | 1.39% |
| | 2003 | | 0.80% | 0.80% | 10.41 | 10.41 | 63,899 | 665,512 | 20.78% | 20.78% | 1.78% |
| PUTNAM VT GROWTH & INCOME CLASS IB | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | 12.68 | 13.19 | 188,022 | 2,424,905 | -6.88% | -6.74% | 1.30% |
| | 2006 | | 0.75% | 0.90% | 13.62 | 14.14 | 237,088 | 3,272,973 | 14.87% | 15.04% | 1.51% |
| | 2005 | | 0.75% | 0.90% | 11.86 | 12.29 | 227,366 | 2,728,631 | 4.29% | 4.44% | 1.54% |
| | 2004 | | 0.75% | 0.90% | 11.37 | 11.77 | 213,202 | 2,448,475 | 10.12% | 10.28% | 1.53% |
| | 2003 | | 0.75% | 0.90% | 10.32 | 10.67 | 190,562 | 1,984,018 | 26.24% | 26.43% | 1.22% |
| PUTNAM VT HEALTH SCIENCES CLASS IB | | | | | | | | | | | |
| | 2007 | | 0.75% | 0.90% | 11.15 | 12.45 | 177,160 | 2,081,535 | -1.49% | -1.34% | 0.79% |
| | 2006 | | 0.75% | 0.90% | 11.32 | 12.62 | 181,608 | 2,167,284 | 1.87% | 2.02% | 0.32% |
| | 2005 | | 0.75% | 0.90% | 11.12 | 12.37 | 195,975 | 2,290,195 | 12.18% | 12.35% | 0.05% |
| | 2004 | | 0.75% | 0.90% | 9.91 | 11.01 | 119,267 | 1,233,697 | 6.16% | 6.32% | 0.16% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2003 | 0.75% | 0.90% | 9.33 | 10.36 | 106,719 | 1,028,200 | 17.33% | 17.50% | 0.44% |

</Table>

(1) Reflects less than a full year of activity. Funds were first received in this option on the commencement date noted or the option was inactive at the date funds were received.

(2) These amounts represent the annualized minimum and maximum contract expenses of the separate account, consisting primarily of mortality and expense charges, for each period indicated. The ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through the redemption of units and expenses of the underlying funds have been excluded.

(3) As the unit value is presented as a range of minimum to maximum values for only those subaccounts which existed for the entire year, some individual contract unit values may not be within the ranges presented as a result of partial year activity.

(4) These amounts represent the total return, including changes in value of mutual funds, and reflect deductions for all items included in the fee rate. The total return does not include contract charges deducted directly from policy account values. The total return is not annualized. As the total return is presented as a range of minimum to maximum values for only those subaccounts which existed for the entire year, some individual contract total returns may not be within the ranges presented as a result of partial year activity.

(5) These amounts represent the dividends, excluding distributions of capital gains, received by the subaccount from the underlying mutual fund, net of management fees assessed by the fund manager, divided by the average net assets. These ratios exclude those expenses, such as mortality and expense guarantee charges, that result in direct reductions in the unit values. The recognition of investment income by the subaccount is affected by the timing of the declaration of dividends by the underlying fund in which the subaccounts invest. Investment income ratios are not annualized.

Note: Fee rate, unit value and total return minimum and maximum are the same where there is only one active contract level charge for the subaccount.



<Page>

4. PURCHASES AND SALES OF INVESTMENTS

The aggregate cost of investments purchased and the aggregate proceeds from investments sold were as follows for 2007.

<Table>
<Caption>

| <S> | AGGREGATE COST OF PURCHASES <C> | AGGREGATE PROCEEDS FROM SALES <C> |
|---|---|---|
| AIM V.I. Capital Appreciation | $ 1,356,150 | $ 2,698,924 |
| AIM V.I. Core Equity | 1,783,290 | 3,210,994 |
| AIM V.I. Diversified Income | 166,983 | 125,932 |
| AIM V.I. International Growth | 1,975,292 | 2,363,400 |
| ABVPSF Global Technology Class A | 1,107,504 | 582,633 |
| ABVPSF Growth and Income Class A | 3,938,506 | 2,833,343 |
| ABVPSF International Value Class A | 4,670,544 | 1,366,922 |
| ABVPSF Large Cap Growth Class A | 657,291 | 556,470 |
| ABVPSF Small/Mid Cap Value Class A | 4,700,680 | 1,981,951 |
| American Century VP Inflation Protection | 2,616,076 | 1,180,306 |
| American Funds Global Growth Class 2 | 6,924,338 | 2,140,346 |
| American Funds Global Small Capitalization Class 2 | 10,933,283 | 6,436,804 |
| American Funds Growth Class 2 | 26,470,678 | 11,668,028 |
| American Funds Growth-Income Class 2 | 20,710,616 | 11,556,353 |
| American Funds International Class 2 | 15,778,427 | 5,706,024 |
| Delaware VIPT Capital Reserves | 230,120 | 125,443 |
| Delaware VIPT Diversified Income | 5,628,203 | 1,480,221 |
| Delaware VIPT Emerging Markets | 10,666,869 | 6,299,589 |
| Delaware VIPT High Yield | 4,596,011 | 2,737,508 |
| Delaware VIPT REIT | 13,224,131 | 8,201,135 |
| Delaware VIPT Small Cap Value | 12,148,032 | 9,535,754 |
| Delaware VIPT Trend | 3,264,597 | 5,256,630 |
| Delaware VIPT U.S. Growth | 359,413 | 322,074 |
| Delaware VIPT Value | 5,984,064 | 3,650,413 |
| DWS VIP Equity 500 Index | 8,689,780 | 9,827,406 |
| DWS VIP Small Cap Index | 3,208,094 | 2,285,198 |
| Fidelity VIP Asset Manager | 250,719 | 173,994 |
| Fidelity VIP Contrafund Service Class | 27,226,023 | 7,557,491 |
| Fidelity VIP Equity-Income | 848,052 | 1,052,216 |
| Fidelity VIP Equity-Income Service Class | 1,898,779 | 1,138,163 |

| | | |
|---|---|---|
| Fidelity VIP Growth Service Class | 3,394,557 | 2,646,351 |
| Fidelity VIP Growth Opportunities Service Class | 398,495 | 684,868 |
| Fidelity VIP High Income Service Class | 323,874 | 215,708 |
| Fidelity VIP Investment Grade Bond | 624,153 | 753,409 |
| Fidelity VIP Mid Cap Service Class | 5,099,175 | 1,310,397 |
| Fidelity VIP Overseas Service Class | 2,668,433 | 965,313 |
| FTVIPT Franklin Income Securities | 3,280,394 | 364,765 |
| FTVIPT Franklin Small-Mid Cap Growth Securities | 3,761,751 | 1,408,799 |
| FTVIPT Mutual Shares Securities | 2,605,350 | 400,078 |
| FTVIPT Templeton Foreign Securities | 495,198 | 713,473 |
| FTVIPT Templeton Foreign Securities Class 2 | 1,172,945 | 1,291,045 |
| FTVIPT Templeton Global Asset Allocation | 470,839 | 319,514 |
| FTVIPT Templeton Global Income Securities | 2,798,198 | 480,483 |
| FTVIPT Templeton Growth Securities | 2,423,594 | 1,943,160 |
| FTVIPT Templeton Growth Securities Class 2 | 681,718 | 1,883,685 |
| Janus Aspen Series Balanced | 1,141,431 | 1,428,084 |
| Janus Aspen Series Balanced Service Shares | 806,964 | 977,894 |
| Janus Aspen Series Global Technology Service Shares | 336,139 | 343,714 |
| Janus Aspen Series Mid Cap Growth Service Shares | 2,033,802 | 605,783 |
| Janus Aspen Series Worldwide Growth | 813,533 | 1,905,369 |
| Janus Aspen Series Worldwide Growth Service Shares | 305,454 | 690,168 |
| Lincoln VIPT Baron Growth Opportunities | 201,520 | 21,832 |
| Lincoln VIPT Baron Growth Opportunities Service Class | 2,652,119 | 1,872,318 |
| Lincoln VIPT Capital Growth | 3,169 | 163 |
| Lincoln VIPT Cohen & Steers Global Real Estate | 2,861,191 | 758,139 |
| Lincoln VIPT Core | 13,886 | 183,948 |
| Lincoln VIPT Delaware Bond | 12,730,285 | 6,207,937 |
| Lincoln VIPT Delaware Growth and Income | 537,652 | 120,915 |

</Table>



<Page>

4. PURCHASES AND SALES OF INVESTMENTS (CONTINUED)

<Table>
<Caption>

| <S> | <C> AGGREGATE COST OF PURCHASES | <C> AGGREGATE PROCEEDS FROM SALES |
|---|---|---|
| Lincoln VIPT Delaware Social Awareness | $ 910,444 | $ 880,334 |
| Lincoln VIPT Delaware Special Opportunities | 108,315 | 2,672 |
| Lincoln VIPT FI Equity-Income | 1,759,653 | 1,072,735 |
| Lincoln VIPT Growth | 56,183 | 128,999 |
| Lincoln VIPT Growth Opportunities | 8,261 | 91,168 |
| Lincoln VIPT Janus Capital Appreciation | 1,121,857 | 1,026,280 |
| Lincoln VIPT Marsico International Growth | 975,121 | 155,575 |
| Lincoln VIPT MFS Value | 175,614 | 4,330 |
| Lincoln VIPT Mid-Cap Growth | 225,382 | 79,850 |
| Lincoln VIPT Mid-Cap Value | 913,966 | 217,809 |
| Lincoln VIPT Mondrian International Value | 7,659,194 | 4,975,412 |
| Lincoln VIPT Money Market | 75,488,725 | 69,098,330 |
| Lincoln VIPT S&P 500 Index | 1,678,893 | 252,548 |
| Lincoln VIPT Small-Cap Index | 386,080 | 89,387 |
| Lincoln VIPT T. Rowe Price Growth Stock | 226,727 | 2,992 |
| Lincoln VIPT T. Rowe Price Structured Mid-Cap Growth | 2,147,865 | 1,185,234 |
| Lincoln VIPT Templeton Growth | 85,111 | 7,538 |
| Lincoln VIPT UBS Global Asset Allocation | 1,181,886 | 481,762 |
| Lincoln VIPT Value Opportunities | 12,076 | 213 |
| Lincoln VIPT Wilshire 2010 Profile | 7,351 | 420 |
| Lincoln VIPT Wilshire 2020 Profile | 12,610 | 118 |
| Lincoln VIPT Wilshire 2030 Profile | 199,612 | 5,962 |
| Lincoln VIPT Wilshire 2040 Profile | 190,214 | 9,434 |
| Lincoln VIPT Wilshire Aggressive Profile | 2,339,021 | 215,173 |
| Lincoln VIPT Wilshire Conservative Profile | 3,349,842 | 1,521,969 |
| Lincoln VIPT Wilshire Moderate Profile | 10,320,282 | 3,953,908 |
| Lincoln VIPT Wilshire Moderately Aggressive Profile | 12,864,686 | 1,946,459 |
| M Fund Brandes International Equity | 1,438,237 | 593,276 |
| M Fund Business Opportunity Value | 488,594 | 161,926 |
| M Fund Frontier Capital Appreciation | 410,024 | 280,101 |
| M Fund Turner Core Growth | 617,024 | 337,392 |
| MFS VIT Core Equity | 210,804 | 266,074 |
| MFS VIT Emerging Growth | 927,341 | 1,768,269 |
| MFS VIT Total Return | 5,137,906 | 3,092,078 |
| MFS VIT Utilities | 9,864,310 | 4,679,195 |
| NB AMT Mid-Cap Growth | 3,265,519 | 3,853,296 |
| NB AMT Partners | 678,462 | 526,349 |
| NB AMT Regency | 2,197,497 | 3,835,299 |
| PIMCO VIT OPCAP Global Equity | 220,755 | 207,808 |
| PIMCO VIT OPCAP Managed | 130,195 | 206,137 |
| Putnam VT Growth & Income Class IB | 701,811 | 964,202 |
| Putnam VT Health Sciences Class IB | 346,283 | 403,166 |

</Table>

5. INVESTMENTS

The following is a summary of investments owned at December 31, 2007.

<Table>
<Caption>

| <S> | SHARES OWNED <C> | NET ASSET VALUE <C> | FAIR VALUE OF SHARES <C> | COST OF SHARES <C> |
|---|---|---|---|---|
| AIM V.I. Capital Appreciation | 735,368 | $29.37 | $ 21,597,771 | $19,360,547 |
| AIM V.I. Core Equity | 826,602 | 29.11 | 24,062,382 | 20,954,233 |
| AIM V.I. Diversified Income | 90,714 | 7.80 | 707,566 | 814,555 |
| AIM V.I. International Growth | 320,365 | 33.63 | 10,773,878 | 6,381,126 |
| ABVPSF Global Technology Class A | 121,142 | 20.71 | 2,508,849 | 2,039,553 |
| ABVPSF Growth and Income Class A | 633,039 | 26.82 | 16,978,108 | 14,907,551 |
| ABVPSF International Value Class A | 190,927 | 25.14 | 4,799,910 | 4,809,807 |
| ABVPSF Large Cap Growth Class A | 83,517 | 30.61 | 2,556,462 | 2,093,496 |
| ABVPSF Small/Mid Cap Value Class A | 704,391 | 17.11 | 12,052,137 | 11,691,875 |
| American Century VP Inflation Protection | 695,169 | 10.55 | 7,334,038 | 7,144,090 |

</Table>



<Page>

5. INVESTMENTS (CONTINUED)

<Table>
<Caption>

| <S> | SHARES OWNED <C> | NET ASSET VALUE <C> | FAIR VALUE OF SHARES <C> | COST OF SHARES <C> |
|---|---|---|---|---|
| American Funds Global Growth Class 2 | 494,827 | $25.00 | $ 12,370,685 | $10,748,788 |
| American Funds Global Small Capitalization Class 2 | 1,180,816 | 26.95 | 31,822,982 | 23,085,012 |
| American Funds Growth Class 2 | 1,781,846 | 66.72 | 118,884,767 | 92,645,647 |
| American Funds Growth-Income Class 2 | 2,140,000 | 42.26 | 90,436,412 | 76,039,318 |
| American Funds International Class 2 | 2,330,605 | 24.72 | 57,612,545 | 41,722,476 |
| Delaware VIPT Capital Reserves | 23,215 | 9.67 | 224,489 | 224,864 |
| Delaware VIPT Diversified Income | 1,199,377 | 10.22 | 12,257,630 | 11,459,752 |
| Delaware VIPT Emerging Markets | 1,000,042 | 27.84 | 27,841,170 | 18,177,924 |
| Delaware VIPT High Yield | 2,420,789 | 5.95 | 14,403,694 | 13,967,597 |
| Delaware VIPT REIT | 1,487,361 | 15.83 | 23,544,919 | 26,226,328 |
| Delaware VIPT Small Cap Value | 1,380,638 | 28.65 | 39,555,289 | 37,186,003 |
| Delaware VIPT Trend | 581,248 | 38.50 | 22,378,052 | 16,843,768 |
| Delaware VIPT U.S. Growth | 105,555 | 8.96 | 945,772 | 799,387 |
| Delaware VIPT Value | 704,485 | 21.44 | 15,104,162 | 14,009,616 |
| DWS VIP Equity 500 Index | 3,904,301 | 15.53 | 60,633,798 | 48,665,980 |
| DWS VIP Small Cap Index | 925,960 | 14.71 | 13,620,871 | 12,274,206 |
| Fidelity VIP Asset Manager | 52,487 | 16.57 | 869,705 | 809,606 |
| Fidelity VIP Contrafund Service Class | 2,215,180 | 27.80 | 61,582,014 | 61,153,740 |
| Fidelity VIP Equity-Income | 201,841 | 23.91 | 4,826,014 | 4,837,666 |
| Fidelity VIP Equity-Income Service Class | 322,601 | 23.82 | 7,684,363 | 7,666,986 |
| Fidelity VIP Growth Service Class | 222,311 | 44.99 | 10,001,760 | 7,736,662 |
| Fidelity VIP Growth Opportunities Service Class | 199,522 | 22.32 | 4,453,331 | 3,401,910 |
| Fidelity VIP High Income Service Class | 273,382 | 5.95 | 1,626,625 | 1,751,609 |
| Fidelity VIP Investment Grade Bond | 198,543 | 12.76 | 2,533,413 | 2,502,821 |
| Fidelity VIP Mid Cap Service Class | 208,470 | 35.98 | 7,500,757 | 7,083,484 |
| Fidelity VIP Overseas Service Class | 269,522 | 25.22 | 6,797,354 | 5,644,320 |
| FTVIPT Franklin Income Securities | 204,483 | 17.63 | 3,605,027 | 3,626,311 |
| FTVIPT Franklin Small-Mid Cap Growth Securities | 420,923 | 23.39 | 9,845,377 | 8,516,079 |
| FTVIPT Mutual Shares Securities | 139,689 | 20.42 | 2,852,452 | 2,902,952 |
| FTVIPT Templeton Foreign Securities | 200,434 | 20.58 | 4,124,931 | 3,170,340 |
| FTVIPT Templeton Foreign Securities Class 2 | 383,420 | 20.25 | 7,764,263 | 5,366,858 |
| FTVIPT Templeton Global Asset Allocation | 59,045 | 14.75 | 870,912 | 1,007,405 |
| FTVIPT Templeton Global Income Securities | 233,152 | 17.00 | 3,963,583 | 3,687,181 |
| FTVIPT Templeton Growth Securities | 628,002 | 15.68 | 9,847,066 | 8,216,387 |
| FTVIPT Templeton Growth Securities Class 2 | 240,731 | 15.44 | 3,716,886 | 2,938,472 |
| Janus Aspen Series Balanced | 437,819 | 30.05 | 13,156,456 | 10,890,029 |
| Janus Aspen Series Balanced Service Shares | 229,933 | 31.08 | 7,146,310 | 5,769,845 |
| Janus Aspen Series Global Technology Service Shares | 344,259 | 5.18 | 1,783,262 | 1,400,635 |
| Janus Aspen Series Mid Cap Growth Service Shares | 147,342 | 38.95 | 5,738,966 | 4,178,677 |
| Janus Aspen Series Worldwide Growth | 410,653 | 35.33 | 14,508,366 | 13,735,972 |
| Janus Aspen Series Worldwide Growth Service Shares | 95,645 | 35.03 | 3,350,457 | 2,491,033 |
| Lincoln VIPT Baron Growth Opportunities | 5,821 | 29.99 | 174,539 | 179,628 |
| Lincoln VIPT Baron Growth Opportunities Service Class | 217,827 | 29.94 | 6,522,616 | 5,478,863 |
| Lincoln VIPT Capital Growth | 111 | 27.51 | 3,063 | 3,007 |
| Lincoln VIPT Cohen & Steers Global Real Estate | 231,946 | 8.05 | 1,867,400 | 2,091,774 |
| Lincoln VIPT Delaware Bond | 4,390,974 | 12.68 | 55,668,769 | 56,168,893 |
| Lincoln VIPT Delaware Growth and Income | 29,996 | 36.86 | 1,105,567 | 1,028,961 |
| Lincoln VIPT Delaware Social Awareness | 101,034 | 36.65 | 3,703,315 | 3,150,814 |
| Lincoln VIPT Delaware Special Opportunities | 2,404 | 42.05 | 101,073 | 105,531 |

| | | | | |
|---|---|---|---|---|
| Lincoln VIPT FI Equity-Income | 358,610 | 16.97 | 6,085,619 | 5,917,376 |
| Lincoln VIPT Janus Capital Appreciation | 291,801 | 24.17 | 7,052,823 | 6,225,470 |
| Lincoln VIPT Marsico International Growth | 44,777 | 18.07 | 809,215 | 815,665 |
| Lincoln VIPT MFS Value | 6,340 | 26.42 | 167,526 | 171,116 |
| Lincoln VIPT Mid-Cap Growth | 10,723 | 14.13 | 151,466 | 149,817 |
| Lincoln VIPT Mid-Cap Value | 44,395 | 14.66 | 650,789 | 680,164 |
| Lincoln VIPT Mondrian International Value | 965,537 | 24.16 | 23,330,275 | 18,473,330 |
| Lincoln VIPT Money Market | 4,711,452 | 10.00 | 47,114,522 | 47,114,522 |
| Lincoln VIPT S&P 500 Index | 134,542 | 10.32 | 1,388,207 | 1,423,724 |
| Lincoln VIPT Small-Cap Index | 14,982 | 19.10 | 286,087 | 293,793 |
| Lincoln VIPT T. Rowe Price Growth Stock | 12,412 | 18.32 | 227,325 | 223,770 |
| Lincoln VIPT T. Rowe Price Structured Mid-Cap Growth | 118,564 | 13.44 | 1,592,909 | 1,466,373 |
| Lincoln VIPT Templeton Growth | 2,296 | 33.23 | 76,290 | 77,651 |

</Table>



<Page>

5. INVESTMENTS (CONTINUED)

<Table>
<Caption>

| | SHARES OWNED | NET ASSET VALUE | FAIR VALUE OF SHARES | COST OF SHARES |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Lincoln VIPT UBS Global Asset Allocation | 183,302 | $15.59 | $ 2,857,494 | $ 2,638,099 |
| Lincoln VIPT Value Opportunities | 796 | 14.66 | 11,674 | 11,860 |
| Lincoln VIPT Wilshire 2010 Profile | 678 | 10.61 | 7,200 | 6,942 |
| Lincoln VIPT Wilshire 2020 Profile | 1,186 | 10.49 | 12,442 | 12,490 |
| Lincoln VIPT Wilshire 2030 Profile | 18,316 | 10.66 | 195,268 | 193,647 |
| Lincoln VIPT Wilshire 2040 Profile | 17,736 | 10.50 | 186,192 | 181,131 |
| Lincoln VIPT Wilshire Aggressive Profile | 248,993 | 14.28 | 3,555,869 | 3,300,566 |
| Lincoln VIPT Wilshire Conservative Profile | 165,571 | 12.01 | 1,987,842 | 1,954,583 |
| Lincoln VIPT Wilshire Moderate Profile | 1,359,184 | 12.93 | 17,568,812 | 16,215,138 |
| Lincoln VIPT Wilshire Moderately Aggressive Profile | 1,422,924 | 13.39 | 19,047,259 | 17,977,480 |
| M Fund Brandes International Equity | 152,565 | 18.45 | 2,814,829 | 2,876,107 |
| M Fund Business Opportunity Value | 95,505 | 12.11 | 1,156,569 | 1,175,865 |
| M Fund Frontier Capital Appreciation | 37,567 | 24.74 | 929,406 | 926,331 |
| M Fund Turner Core Growth | 77,690 | 19.52 | 1,516,505 | 1,297,730 |
| MFS VIT Core Equity | 54,546 | 17.18 | 937,098 | 721,818 |
| MFS VIT Emerging Growth | 531,916 | 25.01 | 13,303,220 | 11,267,436 |
| MFS VIT Total Return | 1,400,437 | 21.68 | 30,361,476 | 27,455,114 |
| MFS VIT Utilities | 837,933 | 34.48 | 28,891,936 | 19,828,467 |
| NB AMT Mid-Cap Growth | 813,270 | 28.50 | 23,178,186 | 15,227,192 |
| NB AMT Partners | 136,042 | 20.77 | 2,825,585 | 2,561,548 |
| NB AMT Regency | 526,420 | 16.23 | 8,543,792 | 7,434,366 |
| PIMCO VIT OPCAP Global Equity | 35,061 | 14.81 | 519,250 | 532,015 |
| PIMCO VIT OPCAP Managed | 17,842 | 38.73 | 691,016 | 714,020 |
| Putnam VT Growth & Income Class IB | 104,900 | 23.12 | 2,425,289 | 2,460,542 |
| Putnam VT Health Sciences Class IB | 155,206 | 13.41 | 2,081,318 | 1,874,269 |

</Table>

6. CHANGES IN UNITS OUTSTANDING

The change in units outstanding for the year ended December 31, 2007 is as follows:

<Table>
<Caption>

| | UNITS ISSUED | UNITS REDEEMED | NET INCREASE (DECREASE) |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| AIM V.I. Capital Appreciation | 278,156 | (413,796) | (135,640) |
| AIM V.I. Core Equity | 268,693 | (402,872) | (134,179) |
| AIM V.I. Diversified Income | 11,763 | (12,267) | (504) |
| AIM V.I. International Growth | 126,569 | (143,103) | (16,534) |
| ABVPSF Global Technology Class A | 84,553 | (48,807) | 35,746 |
| ABVPSF Growth and Income Class A | 233,835 | (216,718) | 17,117 |
| ABVPSF International Value Class A | 368,426 | (112,936) | 255,490 |
| ABVPSF Large Cap Growth Class A | 56,938 | (48,613) | 8,325 |
| ABVPSF Small/Mid Cap Value Class A | 264,775 | (133,038) | 131,737 |
| American Century VP Inflation Protection | 236,470 | (127,481) | 108,989 |
| American Funds Global Growth Class 2 | 401,420 | (129,641) | 271,779 |
| American Funds Global Small Capitalization Class 2 | 451,309 | (357,249) | 94,060 |
| American Funds Growth Class 2 | 1,714,765 | (1,168,105) | 546,660 |
| American Funds Growth-Income Class 2 | 1,487,179 | (995,873) | 491,306 |
| American Funds International Class 2 | 828,153 | (403,967) | 424,186 |
| Delaware VIPT Capital Reserves | 21,319 | (12,148) | 9,171 |
| Delaware VIPT Diversified Income | 489,247 | (135,684) | 353,563 |
| Delaware VIPT Emerging Markets | 353,124 | (233,729) | 119,395 |
| Delaware VIPT High Yield | 292,276 | (208,025) | 84,251 |
| Delaware VIPT REIT | 454,115 | (405,100) | 49,015 |

| | | | |
|---|---|---|---|
| Delaware VIPT Small Cap Value | 617,984 | (558,995) | 58,989 |
| Delaware VIPT Trend | 262,121 | (389,649) | (127,528) |
| Delaware VIPT U.S. Growth | 26,577 | (22,227) | 4,350 |
| Delaware VIPT Value | 402,706 | (268,155) | 134,551 |
| DWS VIP Equity 500 Index | 744,837 | (875,006) | (130,169) |
| DWS VIP Small Cap Index | 158,545 | (150,687) | 7,858 |
| Fidelity VIP Asset Manager | 15,301 | (14,517) | 784 |
| Fidelity VIP Contrafund Service Class | 966,761 | (624,526) | 342,235 |

</Table>



<Page>

6. CHANGES IN UNITS OUTSTANDING (CONTINUED)

<Table>
<Caption>

| <S> | UNITS ISSUED <C> | UNITS REDEEMED <C> | NET INCREASE (DECREASE) <C> |
|---|---|---|---|
| Fidelity VIP Equity-Income | 38,805 | (77,049) | (38,244) |
| Fidelity VIP Equity-Income Service Class | 85,600 | (81,682) | 3,918 |
| Fidelity VIP Growth Service Class | 342,972 | (319,821) | 23,151 |
| Fidelity VIP Growth Opportunities Service Class | 54,442 | (80,957) | (26,515) |
| Fidelity VIP High Income Service Class | 21,973 | (22,600) | (627) |
| Fidelity VIP Investment Grade Bond | 43,559 | (57,147) | (13,588) |
| Fidelity VIP Mid Cap Service Class | 344,704 | (101,801) | 242,903 |
| Fidelity VIP Overseas Service Class | 123,894 | (57,702) | 66,192 |
| FTVIPT Franklin Income Securities | 279,674 | (32,814) | 246,860 |
| FTVIPT Franklin Small-Mid Cap Growth Securities | 246,680 | (113,595) | 133,085 |
| FTVIPT Mutual Shares Securities | 215,795 | (35,534) | 180,261 |
| FTVIPT Templeton Foreign Securities | 26,423 | (52,711) | (26,288) |
| FTVIPT Templeton Foreign Securities Class 2 | 59,402 | (92,917) | (33,515) |
| FTVIPT Templeton Global Asset Allocation | 8,752 | (18,559) | (9,807) |
| FTVIPT Templeton Global Income Securities | 244,247 | (39,918) | 204,329 |
| FTVIPT Templeton Growth Securities | 136,732 | (128,892) | 7,840 |
| FTVIPT Templeton Growth Securities Class 2 | 28,455 | (97,882) | (69,427) |
| Janus Aspen Series Balanced | 93,302 | (129,671) | (36,369) |
| Janus Aspen Series Balanced Service Shares | 57,929 | (77,461) | (19,532) |
| Janus Aspen Series Global Technology Service Shares | 75,234 | (75,467) | (233) |
| Janus Aspen Series Mid Cap Growth Service Shares | 115,708 | (38,884) | 76,824 |
| Janus Aspen Series Worldwide Growth | 126,048 | (217,595) | (91,547) |
| Janus Aspen Series Worldwide Growth Service Shares | 28,985 | (56,575) | (27,590) |
| Lincoln VIPT Baron Growth Opportunities | 15,551 | (1,138) | 14,413 |
| Lincoln VIPT Baron Growth Opportunities Service Class | 153,499 | (99,113) | 54,386 |
| Lincoln VIPT Capital Growth | 300 | (16) | 284 |
| Lincoln VIPT Cohen & Steers Global Real Estate | 306,732 | (79,982) | 226,750 |
| Lincoln VIPT Core | 1,212 | (15,297) | (14,085) |
| Lincoln VIPT Delaware Bond | 1,027,859 | (663,116) | 364,743 |
| Lincoln VIPT Delaware Growth and Income | 43,132 | (9,009) | 34,123 |
| Lincoln VIPT Delaware Social Awareness | 61,994 | (59,839) | 2,155 |
| Lincoln VIPT Delaware Special Opportunities | 11,129 | (153) | 10,976 |
| Lincoln VIPT FI Equity-Income | 84,494 | (79,609) | 4,885 |
| Lincoln VIPT Growth | 3,571 | (9,145) | (5,574) |
| Lincoln VIPT Growth Opportunities | 566 | (6,460) | (5,894) |
| Lincoln VIPT Janus Capital Appreciation | 116,763 | (115,766) | 997 |
| Lincoln VIPT Marsico International Growth | 87,073 | (14,828) | 72,245 |
| Lincoln VIPT MFS Value | 18,466 | (189) | 18,277 |
| Lincoln VIPT Mid-Cap Growth | 21,326 | (7,372) | 13,954 |
| Lincoln VIPT Mid-Cap Value | 98,554 | (23,595) | 74,959 |
| Lincoln VIPT Mondrian International Value | 384,872 | (283,853) | 101,019 |
| Lincoln VIPT Money Market | 8,102,290 | (7,672,166) | 430,124 |
| Lincoln VIPT S&P 500 Index | 138,901 | (18,512) | 120,389 |
| Lincoln VIPT Small-Cap Index | 41,506 | (9,947) | 31,559 |
| Lincoln VIPT T. Rowe Price Growth Stock | 23,231 | (336) | 22,895 |
| Lincoln VIPT T. Rowe Price Structured Mid-Cap Growth | 97,092 | (28,809) | 68,283 |
| Lincoln VIPT Templeton Growth | 8,041 | (217) | 7,824 |
| Lincoln VIPT UBS Global Asset Allocation | 78,449 | (34,062) | 44,387 |
| Lincoln VIPT Value Opportunities | 1,249 | (5) | 1,244 |
| Lincoln VIPT Wilshire 2010 Profile | 723 | (39) | 684 |
| Lincoln VIPT Wilshire 2020 Profile | 1,213 | (12) | 1,201 |
| Lincoln VIPT Wilshire 2030 Profile | 19,453 | (807) | 18,646 |
| Lincoln VIPT Wilshire 2040 Profile | 19,142 | (1,063) | 18,079 |
| Lincoln VIPT Wilshire Aggressive Profile | 168,058 | (17,245) | 150,813 |
| Lincoln VIPT Wilshire Conservative Profile | 178,595 | (31,070) | 147,525 |
| Lincoln VIPT Wilshire Moderate Profile | 708,752 | (230,643) | 478,109 |
| Lincoln VIPT Wilshire Moderately Aggressive Profile | 969,695 | (156,459) | 813,236 |
| M Fund Brandes International Equity | 49,340 | (23,316) | 26,024 |
| M Fund Business Opportunity Value | 28,330 | (10,519) | 17,811 |
| M Fund Frontier Capital Appreciation | 18,092 | (12,934) | 5,158 |
| M Fund Turner Core Growth | 27,126 | (14,142) | 12,984 |
| MFS VIT Core Equity | 16,534 | (20,514) | (3,980) |

</Table>

<Page>

6. CHANGES IN UNITS OUTSTANDING (CONTINUED)

<Table>
<Caption>

| <S> | UNITS ISSUED | UNITS REDEEMED | NET INCREASE (DECREASE) |
|---|---|---|---|
| MFS VIT Emerging Growth | 136,098 | (201,051) | (64,953) |
| MFS VIT Total Return | 349,548 | (268,139) | 81,409 |
| MFS VIT Utilities | 441,412 | (270,329) | 171,083 |
| NB AMT Mid-Cap Growth | 276,610 | (306,830) | (30,220) |
| NB AMT Partners | 28,420 | (36,520) | (8,100) |
| NB AMT Regency | 125,634 | (230,279) | (104,645) |
| PIMCO VIT OPCAP Global Equity | 5,180 | (11,723) | (6,543) |
| PIMCO VIT OPCAP Managed | 7,157 | (17,490) | (10,333) |
| Putnam VT Growth & Income Class IB | 20,722 | (69,788) | (49,066) |
| Putnam VT Health Sciences Class IB | 28,567 | (33,015) | (4,448) |

</Table>

The change in units outstanding for the year ended December 31, 2006 is as follows:

<Table>
<Caption>

| <S> | UNITS ISSUED | UNITS REDEEMED | NET INCREASE (DECREASE) |
|---|---|---|---|
| AIM V.I. Capital Appreciation | 2,661,676 | (396,739) | 2,264,937 |
| AIM V.I. Core Equity | 2,799,221 | (388,481) | 2,410,740 |
| AIM V.I. Diversified Income | 11,530 | (5,838) | 5,692 |
| AIM V.I. International Growth | 133,897 | (98,101) | 35,796 |
| ABVPSF Global Technology Class A | 56,036 | (40,864) | 15,172 |
| ABVPSF Growth and Income Class A | 301,468 | (175,930) | 125,538 |
| ABVPSF International Value Class A | 163,749 | (30,474) | 133,275 |
| ABVPSF Large Cap Growth Class A | 68,762 | (93,059) | (24,297) |
| ABVPSF Small/Mid Cap Value Class A | 246,218 | (111,210) | 135,008 |
| American Century VP Inflation Protection | 233,966 | (76,980) | 156,986 |
| American Funds Global Growth Class 2 | 265,034 | (65,838) | 199,196 |
| American Funds Global Small Capitalization Class 2 | 496,708 | (330,236) | 166,472 |
| American Funds Growth Class 2 | 1,725,355 | (1,196,279) | 529,076 |
| American Funds Growth-Income Class 2 | 1,301,968 | (1,034,690) | 267,278 |
| American Funds International Class 2 | 831,835 | (466,016) | 365,819 |
| Lincoln VIPT Baron Growth Opportunities Service Class | 78,792 | (93,696) | (14,904) |
| Delaware VIPT Capital Reserves | 23,226 | (16,578) | 6,648 |
| Delaware VIPT Diversified Income | 325,057 | (86,033) | 239,024 |
| Delaware VIPT Emerging Markets | 322,183 | (294,336) | 27,847 |
| Delaware VIPT High Yield | 286,236 | (134,160) | 152,076 |
| Delaware VIPT REIT | 400,596 | (235,796) | 164,800 |
| Delaware VIPT Small Cap Value | 544,714 | (386,154) | 158,560 |
| Delaware VIPT Trend | 298,380 | (364,986) | (66,606) |
| Delaware VIPT U.S. Growth | 34,032 | (38,107) | (4,075) |
| Delaware VIPT Value | 444,364 | (146,354) | 298,010 |
| DWS VIP Equity 500 Index | 954,974 | (1,481,703) | (526,729) |
| DWS VIP Small Cap Index | 235,080 | (168,112) | 66,968 |
| Fidelity VIP Asset Manager | 9,126 | (11,735) | (2,609) |
| Fidelity VIP Contrafund Service Class | 1,048,442 | (518,313) | 530,129 |
| Fidelity VIP Equity-Income | 34,251 | (102,126) | (67,875) |
| Fidelity VIP Equity-Income Service Class | 114,797 | (97,222) | 17,575 |
| Fidelity VIP Growth Service Class | 161,134 | (169,462) | (8,328) |
| Fidelity VIP Growth Opportunities Service Class | 65,337 | (174,129) | (108,792) |
| Fidelity VIP High Income Service Class | 30,979 | (56,278) | (25,299) |
| Fidelity VIP Investment Grade Bond | 28,184 | (31,592) | (3,408) |
| Fidelity VIP Mid Cap Service Class | 221,773 | (46,086) | 175,687 |
| Fidelity VIP Overseas Service Class | 150,427 | (85,297) | 65,130 |
| FTVIPT Franklin Income Securities | 86,231 | (19,194) | 67,037 |
| FTVIPT Franklin Small-Mid Cap Growth Securities | 171,459 | (112,588) | 58,871 |
| FTVIPT Mutual Shares Securities | 67,579 | (2,142) | 65,437 |
| FTVIPT Templeton Foreign Securities | 32,359 | (47,111) | (14,752) |
| FTVIPT Templeton Foreign Securities Class 2 | 74,611 | (151,040) | (76,429) |
| FTVIPT Templeton Global Asset Allocation | 12,083 | (20,832) | (8,749) |
| FTVIPT Templeton Global Income Securities | 78,211 | (16,960) | 61,251 |
| FTVIPT Templeton Growth Securities | 195,078 | (110,098) | 84,980 |
| FTVIPT Templeton Growth Securities Class 2 | 27,788 | (38,893) | (11,105) |
| Janus Aspen Series Balanced | 115,837 | (250,606) | (134,769) |

</Table>



<Page>

6. CHANGES IN UNITS OUTSTANDING (CONTINUED)

<Table>
<Caption>

| <S> | UNITS ISSUED <C> | UNITS REDEEMED <C> | NET INCREASE (DECREASE) <C> |
|---|---|---|---|
| Janus Aspen Series Balanced Service Shares | 140,264 | (214,237) | (73,973) |
| Janus Aspen Series Global Technology Service Shares | 60,454 | (90,771) | (30,317) |
| Janus Aspen Series Mid Cap Growth Service Shares | 54,279 | (76,661) | (22,382) |
| Janus Aspen Series Worldwide Growth | 173,802 | (300,511) | (126,709) |
| Janus Aspen Series Worldwide Growth Service Shares | 46,291 | (57,758) | (11,467) |
| Lincoln VIPT T. Rowe Price Structured Mid-Cap Growth | 17,336 | (10,719) | 6,617 |
| Lincoln VIPT Wilshire Aggressive Profile | 94,868 | (10,240) | 84,628 |
| Lincoln VIPT Delaware Bond | 1,126,229 | (636,638) | 489,591 |
| Lincoln VIPT Janus Capital Appreciation | 95,506 | (139,040) | (43,534) |
| Lincoln VIPT Wilshire Conservative Profile | 11,091 | (800) | 10,291 |
| Lincoln VIPT Core | 12,995 | (682) | 12,313 |
| Lincoln VIPT FI Equity-Income | 76,107 | (65,631) | 10,476 |
| Lincoln VIPT UBS Global Asset Allocation | 53,501 | (24,508) | 28,993 |
| Lincoln VIPT Growth | 8,642 | (4,943) | 3,699 |
| Lincoln VIPT Delaware Growth and Income | 54,503 | (1,605) | 52,898 |
| Lincoln VIPT Growth Opportunities | 13,716 | (8,311) | 5,405 |
| Lincoln VIPT Mondrian International Value | 461,287 | (208,460) | 252,827 |
| Lincoln VIPT Wilshire Moderate Profile | 458,643 | (67,199) | 391,444 |
| Lincoln VIPT Wilshire Moderately Aggressive Profile | 485,196 | (80,075) | 405,121 |
| Lincoln VIPT Money Market | 6,382,252 | (5,967,213) | 415,039 |
| Lincoln VIPT Delaware Social Awareness | 80,471 | (64,218) | 16,253 |
| M Fund Brandes International Equity | 50,234 | (28,486) | 21,748 |
| M Fund Business Opportunity Value | 26,240 | (6,184) | 20,056 |
| M Fund Frontier Capital Appreciation | 30,269 | (3,913) | 26,356 |
| M Fund Turner Core Growth | 22,704 | (15,443) | 7,261 |
| MFS VIT Core Equity | 12,068 | (7,471) | 4,597 |
| MFS VIT Emerging Growth | 170,526 | (321,610) | (151,084) |
| MFS VIT Total Return | 414,856 | (395,087) | 19,769 |
| MFS VIT Utilities | 334,519 | (427,398) | (92,879) |
| NB AMT Mid-Cap Growth | 377,860 | (321,815) | 56,045 |
| NB AMT Partners | 47,215 | (57,751) | (10,536) |
| NB AMT Regency | 190,265 | (118,938) | 71,327 |
| PIMCO VIT OPCAP Global Equity | 9,461 | (26,291) | (16,830) |
| PIMCO VIT OPCAP Managed | 5,734 | (9,447) | (3,713) |
| Putnam VT Growth & Income Class IB | 25,923 | (16,201) | 9,722 |
| Putnam VT Health Sciences Class IB | 29,145 | (43,512) | (14,367) |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors of The Lincoln National Life Insurance Company

and

Contract Owners of Lincoln Life Flexible Premium Variable Life Account M

We have audited the accompanying statement of assets and liabilities of Lincoln Life Flexible Premium Variable Life Account M ("Variable Account"), comprised of the subaccounts described in Note 1, as of December 31, 2007, the related statement of operations for the year then ended, and the statements of changes in net assets for each of the two years in the period then ended. These financial statements are the responsibility of the Variable Account's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the 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 Variable Account'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 Variable Account'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. Our procedures included confirmation of investments owned as of December 31, 2007, by correspondence with the custodian. 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 financial position of each of the respective subaccounts constituting Lincoln Life Flexible Premium Variable Life Account M at December 31, 2007, the results of their operations for the year then ended, and the changes in their net assets for each of the two years in the period then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Fort Wayne, Indiana
March 7, 2008



<Page>

PART C -- OTHER INFORMATION

Item 26. EXHIBITS

1) Resolution of the Board of Directors of The Lincoln National Life Insurance Company and related documents authorizing establishment of the Account.(2)

2) N/A

3) (a) Selling Agreement between The Lincoln National Life Insurance Company and Lincoln Financial Advisors Corp.(5), and Amendment dated August 1, 2001. (6)

   (b) Commission Schedule for Variable Life Policies. (3)

4) (a) Policy LN698 (Filed herewith)

   (b) Accelerated Benefits Riders - Policy Form ABR 5654(15) and ABR 5650 (15)

   (c) Change of Insured Rider -- Policy Form LR496 (7)

   (d) Enhanced Surrender Value Rider - Policy Form LR541 (15)

   (e) Estate Tax Repeal Rider - Policy Form LR511 (8)

   (f) Overloan Protection Rider - Policy Form LR540 (10)

   (g) Waiver of Monthly Deduction Benefit Rider - Policy Form LR436 and LR437 (2)

5) Application -- Form LFF06399 (13)

6) (a) Articles of Incorporation of The Lincoln National Life Insurance Company (1)

   (b) Bylaws of The Lincoln National Life Insurance Company (12)

7) Form of Reinsurance Contracts (9)

8) Fund Participation Agreements, and amendments thereto, between The Lincoln National Life Insurance Company and:

   (a) AllianceBernstein Variable Products Series Fund, Inc. (9)

   (b) American Century Investments Variable Portfolios, Inc. (9)

   (c) American Funds Insurance Series (9)

   (d) Delaware VIP Trust (9)

   (e) Fidelity Variable Insurance Products (9)

   (f) Franklin Templeton Variable Insurance Products Trust (9)

   (g) Lincoln Variable Insurance Products Trust (9)

   (h) MFS Variable Insurance Trust (9)

9) Services Agreement (11), and amendments thereto (4), and additional amendment (10), between The Lincoln National Life Insurance Company (and affiliates) and Delaware Management Holdings, Inc, and Delaware Service Company, Inc.

10) Not applicable.

11) Opinion and Consent of Frederick C. Tedeschi, Esq. (Filed herewith)

12) Not Applicable.

13) Not Applicable.

14) Consent of Independent Registered Public Accounting Firm (Filed herewith)

<Page>

15) Not applicable.

16) Not applicable.

17) Procedures Memorandum pursuant to Rule 6e-3(T)(b)(12)(iii). (Filed herewith)

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(1) Incorporated by reference to Registration Statement on Form N-4 (File No. 33-27783) filed on December 5, 1996.

(2) Incorporated by reference to Registrant's Registration Statement on Form S-6 (File No. 333-42479) filed on December 17, 1997.

(3) Incorporated by reference to Registration Statement on Form S-6 (File No. 333-42479) filed on April 28, 1998.

(4) Incorporated by reference to Post-Effective Amendment No. 5 on Form N-4 (File No. 333-43373) filed on April 4, 2002.

(5) Incorporated by reference to Post-Effective Amendment No. 1 (File No. 333-82663) filed on April 13, 2000.

(6) Incorporated by reference to Registration Statement on Form S-6 (File No. 333-84360) filed on March 15, 2002.

(7) Incorporated by reference to Post-Effective Amendment No. 3 on Form S-6 (File No. 333-82663) filed on April 12, 2001.

(8) Incorporated by reference to Post-Effective Amendment No. 2 to Registration Statement on Form S-6 (File No. 333-54338) filed on September 14, 2001.

(9) Incorporated by reference to Post-Effective Amendment No. 1 to Registration Statement on Form N-6 (File No. 333-139960) filed on April 1, 2008.

(10) Incorporated by reference to Post-Effective Amendment No. 2 on Form N-6 (File No. 333-118478) filed on April 6, 2006.

(11) Incorporated by reference to Post-Effective Amendment No. 21 on Form N1-A (File No. 2-80741, 811-3211) filed on April 10, 2000.

(12) Incorporated by reference to Post-Effective Amendment No. 3 on Form N-6 (File No. 333-118478) filed on April 5, 2007.

(13) Incorporated by reference to Pre-Effective Amendment No. 1 on Form N-6 (File No. 333-139960) filed on July 31, 2007.

Item 27. DIRECTORS AND OFFICERS OF THE DEPOSITOR

<Table>

| <S> | <C> |
|---|---|
| Frederick J. Crawford** | Senior Vice President, Chief Financial Officer and Director |

</Table>

<Page>

<Table>

| <S> | <C> |
|---|---|
| Michael J. Burns***** | Senior Vice President |
| Frederick J. Crawford** | Senior Vice President |
| Christine S. Frederick*** | Vice President and Chief Compliance Officer |
| Dennis R. Glass** | President and Director |
| Mark E. Konen***** | Senior Vice President and Director |
| Keith J. Ryan* | Senior Vice President and Director |
| See Yeng Quek**** | Senior Vice President, Chief Investment Officer and Director |
| Dennis L. Schoff** | Senior Vice President and General Counsel |
| Michael S. Smith* | Senior Vice President, Chief Risk Officer |
| Rise C. M. Taylor* | Vice President and Treasurer |
| Westley V. Thompson *** | Senior Vice President and Director |
| C. Suzanne Womack** | Secretary and Second Vice President |

</Table>

- ----------

* Principal business address is 1300 South Clinton Street, Fort Wayne, Indiana 46802-3506

** Principal business address is 150 North Radnor Chester Road, Radnor, PA 19087

*** Principal business address is 350 Church Street, Hartford, CT 06103

**** Principal business address is 2005 Market Street, 39th Floor, Philadelphia, PA 19103-3682

***** Principal business address is 100 North Greene Street, Greensboro, NC 27401

Item 28. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH THE DEPOSITOR OR THE REGISTRANT

Organizational Chart of the Lincoln National Corporation Insurance Company Holding Company System. (14)

Item 29. INDEMNIFICATION

(a) Brief description of indemnification provisions:

In general, Article VII of the By-Laws of The Lincoln National Life Insurance Company (Lincoln Life) provides that Lincoln Life will indemnify certain persons against expenses, judgments and certain other specified costs incurred by any such person if he/she is made a party or is threatened to be made a party to a suit or proceeding because he/she was a director, officer, or employee of Lincoln Life, as long as he/she acted in good faith and in a manner he/she reasonably believed to be in the best interests of, or not opposed to the best interests of, Lincoln Life. Certain additional conditions apply to indemnification in criminal proceedings.

In particular, separate conditions govern indemnification of directors, officers, and employees of Lincoln Life in connection with suits by, or in the right of, Lincoln Life.

Please refer to Article VII of the By-Laws of Lincoln Life (Exhibit No. 6(b) hereto) for the full text of the indemnification provisions. Indemnification is permitted by, and is subject to the requirements of, Indiana law.

(b) Undertaking pursuant to Rule 484 of Regulation C under the Securities Act of 1933:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 28(a) above or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any such action, suit or proceeding) is asserted by such

<Page>

director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 30. PRINCIPAL UNDERWRITERS

(a) Lincoln Financial Distributors, Inc. is the principal underwriter for Lincoln National Variable Annuity Fund A (Group); Lincoln National Variable Annuity Fund A (Individual); Lincoln National Variable Annuity Account C; Lincoln Life Flexible Premium Variable Life Account D; Lincoln National Flexible Premium Variable Life Account F; Lincoln National Flexible Premium Variable Life Account G; Lincoln Life Flexible Premium Variable Life Account JF-A; Lincoln Life Flexible Premium Variable Life Account JF-C; Lincoln Life Variable Annuity Account JF-I; Lincoln Life Variable Annuity Account JF-II; Lincoln Life Variable Annuity Account JL-A; Lincoln Life Flexible Premium Variable Life Account K; Lincoln National Variable Annuity Account L; Lincoln Life Variable Annuity Account N; Lincoln Life Variable Annuity Account Q; Lincoln Life Flexible Premium Variable Life Account R; Lincoln Life Flexible Premium Variable Life Account S; Lincoln Life Variable Annuity Account T; Lincoln Life Variable Annuity Account W; Lincoln Life Flexible Premium Variable Life Account Y; and Lincoln National Variable Annuity Account 53.

(b) Following are the officers and directors of Lincoln Financial Distributors, Inc.

| NAME | POSITIONS AND OFFICES WITH UNDERWRITER |
| --- | --- |
| Terrence Mullen* | Chief Executive Officer, President and Director |
| David M. Kittredge* | Senior Vice President |
| Randall J. Freitag* | Vice President and Treasurer |
| Patrick J. Caulfield* | Vice President and Chief Compliance Officer |
| Frederick J. Crawford* | Director |
| Dennis R. Glass* | Director |
| Keith J. Ryan** | Vice President, Chief Financial Officer |
| Linda Woodward** | Secretary |

- ----------
*    Principal Business address is 150 N. Radnor Chester Road, Radnor, PA 19087

**   Principal Business address is 1300 S. Clinton Street, Ft. Wayne, IN 46802

(c) N/A

Item 31. LOCATION OF ACCOUNTS AND RECORDS

All accounts, books, and other documents, except accounting records, required to be maintained by Section 31a of the 1940 Act and the Rules promulgated thereunder are maintained by The Lincoln National Life Insurance Company, 1300 S. Clinton Street, Fort Wayne, Indiana 46802 and at One Granite Place, Concord, New Hampshire 03301. The accounting records are maintained by Bank of New York Mellon, N.A., One Mellon Bank Center, 500 Grant Street, Pittsburgh, Pennsylvania 15258.

Item 32. MANAGEMENT SERVICES

Not Applicable.

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Item 33. FEE REPRESENTATION

Lincoln Life represents that the fees and charges deducted under the policies, in the aggregate, are reasonable in relation to the services rendered, the expenses expected to be incurred, and the risks assumed by Lincoln Life.

<Page>

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant, Lincoln Life Flexible Premium Variable Life Account M, has caused this Pre-Effective Amendment to the Registration Statement on Form N-6 to be signed on its behalf by the undersigned duly authorized, in the City of Concord and State of New Hampshire on the 29th day of August, 2008.

Lincoln Life Flexible Premium Account M
(REGISTRANT)

By /s/ Mark E. Konen
------------------------------------------
Mark E. Konen
Senior Vice President &  Director
The Lincoln National Life Insurance Company

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
(DEPOSITOR)

By /s/ Mark E. Konen
------------------------------------------
Mark E. Konen
Senior Vice President & Director

<Page>

Pursuant to the requirements of the Securities Act of 1933, this Pre-Effective Amendment to the Registration Statement on Form N-6 has been signed below on August 29, 2008 by the following persons, as officers and directors of the Depositor, in the capacities indicated:

| SIGNATURE | TITLE |
| --- | --- |
| * | |
| Dennis R. Glass | President and Director (Principal Executive Officer) |
| * | |
| Frederick J. Crawford | Chief Financial Officer and Director (Principal Financial Officer) |
| * | |
| Michael J. Burns | Senior Vice President |
| * | Senior Vice President and Director |

Mark E. Konen

- -----------------------------         Vice President and Director
Keith J. Ryan

*
- -----------------------------         Senior Vice President, Chief Investment
See Yeng Quek                         Officer and Director

*
- -----------------------------         Senior Vice President and Director
Westley V. Thompson

* By /s/ Frederick C. Tedeschi
-------------------------------
Frederick C. Tedeschi
Attorney-in-Fact
August 29, 2008

<Page>

POWER OF ATTORNEY

We, the undersigned directors and/or officers of The Lincoln National Life Insurance Company, hereby constitute and appoint Kelly D. Clevenger, Christine S. Frederick, Kristen M. Phillips, Robert L. Grubka, Brian A. Kroll, Lawrence A. Samplatsky and Frederick C. Tedeschi, individually, our true and lawful attorneys-in-fact, with full power to each of them to sign for us, in our names and in the capacities indicated below, any and all amendments to Registration Statements; including exhibits, or other documents filed on Forms S-6, N-6, N-3, or N-4 or any successors or amendments to these Forms, filed with the Securities and Exchange Commission, under the Securities Act of 1933, on behalf of the Company in its own name or in the name of one of its Separate Accounts , hereby ratifying and confirming our signatures as they may be signed by any of our attorneys-in-fact to any such amendments to said Registration Statements as follows:

VARIABLE LIFE INSURANCE SEPARATE ACCOUNTS:
Lincoln Life Flexible Premium Variable Life Account D: 033-00417
Lincoln Life Flexible Premium Variable Life Account F: 033-14692; 333-40745
Lincoln Life Flexible Premium Variable Life Account G: 033-22740
Lincoln Life Flexible Premium Variable Life Account J: 033-06434; 033-76434
Lincoln Life Flexible Premium Variable Life Account K: 033-76432
Lincoln Life Flexible Premium Variable Life Account M: 333-42479; 333-54338; 333-84370; 333-84360; 333-111137; 333-111128; 333-118478; 333-118477; 333-63940; 333-82663; 333-139960; 333-145090; 333-146507
Lincoln Life Flexible Premium Variable Life Account R: 333-33782; 333-90432; 333-115882; 333-125792; 333-125991; 333-43107; 333-145235; 333-145239
Lincoln Life Flexible Premium Variable Life Account S: 333-72875; 333-104719; 333-125790
Lincoln Life Flexible Premium Variable Life Account Y: 333-118482; 333-118481; 333-115883; 333-81882; 333-81884; 333-81890; 333-90438
Lincoln Life Flexible Premium Variable Life Account JF-A: 333-144268; 333-144269; 333-144271; 333-144272; 333-144273; 333-144274; 333-144275
Lincoln Life Flexible Premium Variable Life Account JF-C: 333-144264; 333-144270

VARIABLE ANNUITY SEPARATE ACCOUNTS:
Lincoln National Variable Annuity Fund A: 002-26342; 002-25618
Lincoln National Variable Annuity Account C: 033-25990; 333-50817; 333-68842; 333-112927
Lincoln National Variable Annuity Account E: 033-26032
Lincoln National Variable Annuity Account H: 033-27783; 333-18419; 333-35780; 333-35784; 333-61592; 333-63505; 333-135219
Lincoln National Variable Annuity Account L: 333-04999
Lincoln Life Variable Annuity Account N: 333-40937; 333-36316; 333-36304; 333-61554; 333-119165; 333-135039; 333-138190; 333-149434
Lincoln Life Variable Annuity Account Q: 333-43373
Lincoln Life Variable Annuity Account T: 333-32402; 333-73532
Lincoln Life Variable Annuity Account W: 333-52572; 333-52568; 333-64208
Lincoln Life Variable Annuity Account JL-A: 333-141888
Lincoln Life Variable Annuity Account JF-I: 333-144276; 333-144277
Lincoln Life Variable Annuity Account JF-II: 333-144278

The execution of this document by the undersigned hereby revokes any and all Powers of Attorney previously executed by said individual for this specific purpose.

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<Table>
<Caption>
SIGNATURE                                                         TITLE
- ---------                                                         -----
<S>                                                               <C>
/s/ Dennis R. Glass

| | |
|---|---|
| - ----------------------------- Dennis R. Glass | President and Director (Principal Executive Officer) |
| /s/ Frederick J. Crawford - ----------------------------- Frederick J. Crawford | Senior Vice President, Chief Financial Officer and Director (Principal Financial Officer) |
| /s/ Michael J.Burns - ----------------------------- Michael J. Burns | Senior Vice President |
| /s/ Mark E. Konen - ----------------------------- Mark E. Konen | Senior Vice President and Director |
| /s/ See Yeng Quek - ----------------------------- See Yeng Quek | Senior Vice President, Chief Investment Officer and Director |
| /s/ Keith J. Ryan - ----------------------------- Keith J. Ryan | Vice President and Director |
| /s/ Westley V. Thompson - ----------------------------- Westley V. Thompson | Senior Vice President and Director |

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EX 99.B4(a)

Policy Number SPECIMEN

Insured JOHN DOE

Initial Specified Amount $100,000 Policy Date MAY 1, 2007

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

A Stock Company Home Office Location: Fort Wayne, Indiana

Administrator Mailing Address: The Lincoln National Life Insurance Company
350 Church Street
Hartford, CT 06103-1106

The Lincoln National Life Insurance Company agrees to pay the Death Benefit Proceeds to the Beneficiary after receipt of Due Proof of Death while this policy is In Force and to provide the other rights and benefits in accordance with the terms of this policy.

READ THIS POLICY CAREFULLY

This is a legal contract between you and us. This policy is issued and accepted subject to the terms set forth on the following pages, which are made a part of this policy. In consideration of the application and the payment of premiums as provided, this policy is executed by us as of the Policy Date at the Administrator Mailing Address shown above.

RIGHT TO EXAMINE THIS POLICY

You may return this policy for any reason to the insurance agent through whom it was purchased or to us at the address listed above within 10 days after its receipt (20 days after its receipt where required by law for policies issued in replacement of other insurance). During this period (the "Right to Examine Period"), any premium paid will be placed in the Money Market Sub-Account. If returned, this policy will be considered void from the Policy Date and we will refund the premium paid less any prior loans, unpaid loan interest, and partial surrenders. If this policy is not returned, the premium payment will be processed as directed by you in Writing.

ANY BENEFITS, INCLUDING DEATH BENEFITS, AND VALUES PROVIDED BY THIS POLICY BASED ON THE INVESTMENT EXPERIENCE OF THE SEPARATE ACCOUNT ARE VARIABLE, MAY INCREASE OR DECREASE DAILY, AND ARE NOT GUARANTEED AS TO DOLLAR AMOUNT.

THE DEATH BENEFIT PROCEEDS ON THE POLICY DATE EQUAL THE INITIAL SPECIFIED AMOUNT OF THIS POLICY. THEREAFTER, THE DEATH BENEFIT PROCEEDS MAY VARY UNDER THE

CONDITIONS DESCRIBED IN THIS POLICY.

/s/ C. Suzanne Womack
- ----------------------
SECRETARY

/s/ Dennis R Glass
- ----------------------
President

FLEXIBLE PREMIUM VARIABLE LIFE INSURANCE POLICY

Death Benefit Proceeds payable if the Insured dies while this policy is in Force
Investment results reflected in policy benefits
Non-participating - Not eligible for dividends

FOR INFORMATION OR ASSISTANCE REGARDING THIS POLICY CALL: 800 444-2363

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POLICY SPECIFICATIONS

| | |
|---|---|
| INSURED: | JOHN DOE |
| OWNER: | JANE DOE |
| INITIAL SPECIFIED AMOUNT: | $100,000 |
| MINIMUM SPECIFIED AMOUNT: | $100,000 |
| MONTHLY ANNIVERSARY DAY: | 01 |
| POLICY DATE: | MAY 1, 2007 |
| DATE OF ISSUE: | MAY 1, 2007 |
| ISSUE AGE AND SEX: | 35 MALE |
| PREMIUM CLASS: | STANDARD TOBACCO |
| PLAN OF INSURANCE: | FLEXIBLE PREMIUM VARIABLE LIFE INSURANCE |
| BENEFIT SELECTION OPTION: | 20%. If the Insured is still living and this policy is still in Force at Attained Age 100, the Specified Amount will automatically be reduced by 20%. |
| DEATH BENEFIT OPTION: | Death Benefit Option 1 (Level) |
| PREMIUM PAYMENTS: | Planned Premium: $860.48<br>Premiums payable until Attained Age 100. Additional premium payments may vary by frequency or amount. |
| PAYMENT MODE: | ANNUALLY |
| NO-LAPSE PROVISION: | 20 Year No-Lapse Premium: $47.91 monthly<br>10 Year No-Lapse Premium: $34.50 monthly |
| BENEFICIARY: | As named in the application for this policy, unless later changed. |
| GUARANTEED MINIMUM FIXED ACCOUNT INTEREST RATE: | 3.0% annual effective rate (0.00809863% daily) |
| NET GUARANTEED FIXED ACCOUNT INTEREST RATE: | 3.0% annual effective rate (0.00809863% daily) |
| PERSISTENCY BONUS RATE: | 0.15% annual effective rate (0.01249141% monthly) in Policy Year 21 and thereafter. |
| INTEREST CREDITED TO LOAN ACCOUNT VALUE: | 3.0% annual effective rate (0.00809863% daily) in all Policy Years. |
| POLICY LOAN INTEREST RATE CHARGED: | 4.0% annual effective rate in Policy Years 1-10; and 3.0% annual effective rate in Policy Years 11 and thereafter. |
| MINIMUM POLICY LOAN | |

AMOUNT: $500



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| | |
|---|---|
| MINIMUM TRANSFER AMOUNT: | $50 or the entire value of the Fixed Account or Sub-Account being transferred, whichever is less. |
| SEPARATE ACCOUNT: | M |
| MINIMUM SPECIFIED AMOUNT INCREASE: | $1000<br>Increases to Specified Amount not allowed after Attained Age 85. |
| MAXIMUM NUMBER OF SPECIFIED AMOUNT INCREASES PER POLICY YEAR: | Unlimited in Policy Year 1; and 1 in Policy Year 2 and thereafter. |
| MAXIMUM NUMBER OF SPECIFIED AMOUNT DECREASES PER POLICY YEAR: | Decreases not allowed in Policy Year 1; and 1 in Policy Year 2 and thereafter. |
| ACCOUNT(S) AVAILABLE FROM WHICH TO TRANSFER FUNDS FOR DOLLAR COST AVERAGING: | Money Market Sub-Account<br>Fixed Account (may be elected at policy issue only) |



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RIDERS AND RIDER CHARGES



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TABLE OF SURRENDER CHARGES

See Surrender Provisions for an example of when this table will be used.

| POLICY YEAR | SURRENDER CHARGE AS OF BEGINNING OF POLICY YEAR |
|---|---|
| 1 | $2,651.00 |
| 2 | $2,552.00 |
| 3 | $2,451.00 |
| 4 | $2,346.00 |

| | |
|---|---|
| 5 | $2,239.00 |
| 6 | $2,128.00 |
| 7 | $2,015.00 |
| 8 | $1,898.00 |
| 9 | $1,777.00 |
| 10 | $1,653.00 |
| 11 | $1,526.00 |
| 12 | $1,395.00 |
| 13 | $1,260.00 |
| 14 | $1,120.00 |
| 15 | $ 976.00 |
| 16 and thereafter | $ 0.00 |

CALCULATION OF CHARGE FOR DECREASE IN SPECIFIED AMOUNT

For decreases in Specified Amount, excluding full surrender of this policy, the charge will be calculated as [(1) divided by (2), then multiplied by (3), where:

(1) is the amount of the decrease;

(2) is the Initial Specified Amount; and

(3) is the then applicable surrender charge from the Table of Surrender Charges shown above.

However, no charge will be applied under the following circumstances:

a. where the decrease occurs after the 10th Policy Anniversary of the Initial Specified Amount; or

b. where the decrease is caused by a partial surrender.



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TABLE OF EXPENSE CHARGES AND FEES

The following expenses and fees are charged under this policy:

PREMIUM LOAD

We will deduct a Premium Load not to exceed 5.0% from each premium payment in all policy years.

COST OF INSURANCE

See the Cost of Insurance provision. The Net Amount at Risk Discount Factor used in that provision is 1.0024663.

MONTHLY ADMINISTRATIVE FEE

The Monthly Administrative Fee equals (1) plus (2) plus (3), where:

(1) is a fee of $10 per month during each Policy Year;

(2) is a monthly charge of 0.09250 per $1,000 of Initial Specified Amount for the first 120 months from the Policy Date; and

(3) is a monthly charge per $1,000 for any increase in Specified Amount for the 120 months following the date of increase. The rate used to calculate this charge will be based on the Insured's sex, Premium Class, and Attained Age on the date of the increase.

GUARANTEED MAXIMUM MORTALITY AND EXPENSE RISK ("M&E") CHARGE RATE

0.20% annually in all Policy Years.

GUARANTEED MAXIMUM FIXED ACCOUNT ASSET CHARGE RATE

0.00% annual effective rate (0.00000000% daily) in all Policy Years.

TRANSFER FEE

$25 per each transfer request in excess of 24 during any Policy Year.



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TABLE OF GUARANTEED MAXIMUM COST OF INSURANCE RATES

The monthly Cost of Insurance rates are based on the Insured's sex, Issue Age, and the Policy Year, but will not exceed the rates shown in the table below in accordance with the 2001 CSO Male/Female, Smoker Distinct, Ultimate, age nearest birthday. If the Insured is in a rated Premium Class, the Guaranteed Maximum Cost of Insurance Rates shown in the table below will be adjusted to reflect the applicable Risk Factor and/or Flat Extra Monthly Insurance Cost, if any, shown in the Policy Specifications as described in the Cost of Insurance Rates provision.

| POLICY YEAR | MONTHLY RATE | POLICY YEAR | MONTHLY RATE | POLICY YEAR | MONTHLY RATE |
|---|---|---|---|---|---|
| 1 | 0.16669 | 2 | 0.17586 | 3 | 0.18587 |
| 4 | 0.20004 | 5 | 0.21421 | 6 | 0.23089 |
| 7 | 0.25256 | 8 | 0.27758 | 9 | 0.30759 |
| 10 | 0.34345 | 11 | 0.38098 | 12 | 0.41601 |
| 13 | 0.45521 | 14 | 0.47689 | 15 | 0.50192 |
| 16 | 0.53779 | 17 | 0.58034 | 18 | 0.63874 |
| 19 | 0.70466 | 20 | 0.78729 | 21 | 0.88078 |

| | | | | | |
|---|---|---|---|---|---|
| 22 | 0.97595 | 23 | 1.07699 | 24 | 1.15634 |
| 25 | 1.24822 | 26 | 1.35935 | 27 | 1.49724 |
| 28 | 1.66360 | 29 | 1.84841 | 30 | 2.03748 |
| 31 | 2.22410 | 32 | 2.40410 | 33 | 2.57913 |
| 34 | 2.76345 | 35 | 2.94615 | 36 | 3.16750 |
| 37 | 3.40992 | 38 | 3.73977 | 39 | 4.07151 |
| 40 | 4.40683 | 41 | 4.79707 | 42 | 5.21287 |
| 43 | 5.69390 | 44 | 6.25049 | 45 | 6.88457 |
| 46 | 7.56260 | 47 | 8.32286 | 48 | 9.09107 |
| 49 | 9.89784 | 50 | 10.77656 | 51 | 11.81206 |
| 52 | 12.94801 | 53 | 14.17221 | 54 | 15.46210 |
| 55 | 16.80008 | 56 | 18.16837 | 57 | 19.40523 |
| 58 | 20.67027 | 59 | 21.98111 | 60 | 23.34419 |
| 61 | 24.85705 | 62 | 26.19622 | 63 | 27.61193 |
| 64 | 29.11098 | 65 | 30.69938 | | |



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CORRIDOR PERCENTAGES TABLE

DEATH BENEFIT QUALIFICATION TEST: Guideline Premium Test

See the Death Benefit Qualification Test and Death Benefit Proceeds provisions for an explanation of how this table will be used.

| AGE | CORRIDOR PERCENTAGE |
|---|---|
| 15-40 | 250% |
| 41 | 243 |
| 42 | 236 |
| 43 | 229 |
| 44 | 222 |
| 45 | 215 |
| 46 | 209 |
| 47 | 203 |
| 48 | 197 |
| 49 | 191 |
| 50 | 185 |
| 51 | 178 |
| 52 | 171 |
| 53 | 164 |
| 54 | 157 |

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|---|---|---|
| | 55 | 150 |
| | 56 | 146 |
| | 57 | 142 |
| | 58 | 138 |
| | 59 | 134 |
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| | 60 | 130 |
| | 61 | 128 |
| | 62 | 126 |
| | 63 | 124 |
| | 64 | 122 |
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| | 65 | 120 |
| | 66 | 119 |
| | 67 | 118 |
| | 68 | 117 |
| | 69 | 116 |
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| | 70 | 115 |
| | 71 | 113 |
| | 72 | 111 |
| | 73 | 109 |
| | 74 | 107 |
| - | ----- | ---------- |
| | 75 | 105 |
| | 76 | 105 |
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| | 80 | 105 |
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| | 82 | 105 |
| | 83 | 105 |
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| | 85 | 105 |
| | 86 | 105 |
| | 87 | 105 |
| | 88 | 105 |
| | 89 | 105 |
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| | 90 | 105 |
| | 91 | 104 |
| | 92 | 103 |
| | 93 | 102 |
| | 94 | 101 |
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| | 95 | 101 |
| | 96 | 101 |
| | 97 | 101 |
| | 98 | 101 |

| 99 | 101 |
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|---|---|---|---|
| INSURED: | JOHN DOE | | |
| OWNER: | JANE DOE | | |
| INITIAL SPECIFIED AMOUNT: | $100,000 | POLICY DATE: | MAY 1, 2007 |
| MINIMUM SPECIFIED AMOUNT: | $100,000 | DATE OF ISSUE: | MAY 1, 2007 |
| MONTHLY ANNIVERSARY DAY: | 01 | ISSUE AGE AND SEX: | 35 MALE |
| PREMIUM CLASS: | STANDARD TOBACCO | | |

| | |
|---|---|
| PLAN OF INSURANCE: | FLEXIBLE PREMIUM VARIABLE LIFE INSURANCE |
| BENEFIT SELECTION OPTION: | 20%. If the Insured is still living and this policy is still in Force at Attained Age 100, the Specified Amount will automatically be reduced by 20%. |
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| PREMIUM PAYMENTS: | Planned Premium: $860.48<br>Premiums payable until Attained Age 100. Additional premium payments may vary by frequency or amount. |
| PAYMENT MODE: | ANNUALLY |
| NO-LAPSE PROVISION: | 20 Year No-Lapse Premium: $47.91 monthly<br>10 Year No-Lapse Premium: $34.50 monthly |
| BENEFICIARY: | As named in the application for this policy, unless later changed. |
| GUARANTEED MINIMUM FIXED ACCOUNT INTEREST RATE: | 3.0% annual effective rate (0.00809863% daily) |

| | |
|---|---|
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| 13 | 0.45521 | 14 | 0.47689 | 15 | 0.50192 |
| 16 | 0.53779 | 17 | 0.58034 | 18 | 0.63874 |
| 19 | 0.70466 | 20 | 0.78729 | 21 | 0.88078 |
| 22 | 0.97595 | 23 | 1.07699 | 24 | 1.15634 |
| 25 | 1.24822 | 26 | 1.35935 | 27 | 1.49724 |
| 28 | 1.66360 | 29 | 1.84841 | 30 | 2.03748 |
| 31 | 2.22410 | 32 | 2.40410 | 33 | 2.57913 |
| 34 | 2.76345 | 35 | 2.94615 | 36 | 3.16750 |
| 37 | 3.40992 | 38 | 3.73977 | 39 | 4.07151 |
| 40 | 4.40683 | 41 | 4.79707 | 42 | 5.21287 |
| 43 | 5.69390 | 44 | 6.25049 | 45 | 6.88457 |
| 46 | 7.56260 | 47 | 8.32286 | 48 | 9.09107 |
| 49 | 9.89784 | 50 | 10.77656 | 51 | 11.81206 |
| 52 | 12.94801 | 53 | 14.17221 | 54 | 15.46210 |
| 55 | 16.80008 | 56 | 18.16837 | 57 | 19.40523 |
| 58 | 20.67027 | 59 | 21.98111 | 60 | 23.34419 |
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CORRIDOR PERCENTAGES TABLE

DEATH BENEFIT QUALIFICATION TEST: Guideline Premium Test

See the Death Benefit Qualification Test and Death Benefit Proceeds provisions for an explanation of how this table will be used.

| AGE | CORRIDOR PERCENTAGE |
|---|---|
| 15-40 | 250% |
| 41 | 243 |

| | |
|---|---|
| 42 | 236 |
| 43 | 229 |
| 44 | 222 |
| - ----- | ---------- |
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| 47 | 203 |
| 48 | 197 |
| 49 | 191 |
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| 50 | 185 |
| 51 | 178 |
| 52 | 171 |
| 53 | 164 |
| 54 | 157 |
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| 56 | 146 |
| 57 | 142 |
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| 97 | 101 |
| 98 | 101 |
| 99 | 101 |



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## DEFINITIONS

### ACCUMULATION VALUE

The sum of (1) the Fixed Account value plus (2) the Separate Account value plus (3) the Loan Account value under this policy, as described in the Policy Values Provisions.

### ADMINISTRATOR MAILING ADDRESS

The Administrator Mailing Address for this policy is shown on the front cover.

### ATTAINED AGE (AGE)

The Insured's Issue Age plus the number of completed Policy Years.

### BENEFICIARY

The person(s) or entity(ies) named in the application for this policy, unless later changed as provided for by this policy, to whom we will pay the Death Benefit Proceeds upon the death of the Insured.

### COST OF INSURANCE

The monthly cost of providing life insurance under this policy.

### DATE OF ISSUE

The date from which Suicide and Incontestability periods are measured. The Date of Issue is shown in the Policy Specifications.

DEATH BENEFIT PROCEEDS

The amount payable upon death of the Insured as described in the Death Benefit Proceeds provision.

DUE PROOF OF DEATH

A certified copy of an official death certificate, a certified copy of a decree of a court of competent jurisdiction as to the finding of death, or any other proof of death satisfactory to us.

FIXED ACCOUNT

The Fixed Account is a part of the Company's General Account, and Fixed Account assets are general assets of the Company. Fixed Account principal is guaranteed and interest is credited at a rate not less than the Guaranteed Minimum Fixed Account Interest Rate shown in the Policy Specifications. The Net Guaranteed Fixed Account Interest Rate shown in the Policy Specifications reflects the Guaranteed Maximum Fixed Account Asset Charge shown in the Table of Expense Charges and Fees in the Policy Specifications. We may charge less than the Guaranteed Maximum Fixed Account Asset Charge and may credit interest at a rate higher than the Guaranteed Minimum Fixed Account Interest Rate.

FIXED ACCOUNT ASSET CHARGE RATE

The rate used to calculate the daily Fixed Account asset charge as described in the Fixed Account Asset Charge provision. The Guaranteed Maximum Fixed Account Asset Charge Rate is shown in the Table of Expense Charges and Fees in the Policy Specifications.

FUND(S)

The funds in which the Net Premium Payments you allocate to one or more Sub-Accounts, and the amounts transferred among Sub-Accounts, will be invested by the Company.

IN FORCE

Not surrendered or terminated for any reason.



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IN WRITING (WRITTEN REQUEST, WRITTEN NOTICE)

With respect to any notice or request to us, this term means a written form satisfactory to us signed by you and received at our Administrator Mailing

Address. With respect to any notice from us to you or any other person, this term means written notice by ordinary mail to such person at the most recent address in our records.

INDEBTEDNESS

The amount of any outstanding loan against this policy, including loan interest accrued but not yet charged.

INSURED

The person whose life is insured under this policy as shown in the Policy Specifications.

ISSUE AGE

The Insured's age nearest birthday on the Policy Date.

LAPSE

Teminate without value.

LOAN ACCOUNT

The account in which amounts equal to amounts loaned under this policy, including capitalized loan interest, accrue once transferred out of the Fixed Account and/or Sub-Accounts. The Loan Account is part of our general account.

MONTHLY ANNIVERSARY DAY

The day of the month shown in the Policy Specifications when we deduct the Monthly Deduction, or the next Valuation Day if the Monthly Anniversary Day is not a Valuation Day or is nonexistent for that month.

MONTHLY DEDUCTION

The amount deducted on each Monthly Anniversary Day from the Net Accumulation Value for certain expenses and the Cost of Insurance, as described in the Monthly Deduction provision.

NET ACCUMULATION VALUE

An amount equal to the Accumulation Value less the Loan Account value.

NET PREMIUM PAYMENT

The portion of a premium payment, after deduction of the Premium Load shown in the Table of Expense Charges and Fees in the Policy Specifications, available for allocation to the Fixed Account and/or Sub-Accounts.

NO-LAPSE PREMIUM

The required premium which must be paid to guarantee that this policy will not Lapse during the specified No-Lapse Period as described in the No-Lapse Provision, if applicable.

1940 ACT

The Investment Company Act of 1940, as amended.

OWNER

The person(s) or entity(ies) shown in the Policy Specifications who may exercise rights under this policy, unless later changed as provided for by this policy. If no Owner is designated, the Insured will be the Owner.



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POLICY ANNIVERSARY

The same date (month and day) each Policy Year equal to the Policy Date, or the next Valuation Day if the Policy Annivesary is not a Valuation Day or is nonexistent for that year.

POLICY DATE

The date shown in the Policy Specifications from which Monthly Anniversary Days, Policy Anniversaries, Policy Months, Policy Years, and premium due dates are determined.

POLICY MONTH

The period from one Monthly Anniversary Day up to, but not including, the next Monthly Anniversary Day.

POLICY SPECIFICATIONS

The pages of this policy which show your benefits, premium, costs, and other policy information.

POLICY YEAR

Twelve-month periods beginning on the Policy Date up to, but not including, the next Policy Anniversary.

PREMIUM CLASS

The mortality classification for this policy as shown in the Policy Specifications.

SEC

The Securities and Exchange Commission.

SEPARATE ACCOUNT

The Company's separate account shown in the Policy Specifications consisting of all Sub-Account(s) which invest in shares of the Fund(s). Separate Account assets are not chargeable with the Company's general liabilities. The investment performance of Separate Account assets is kept separate from the Company's general assets.

SPECIFIED AMOUNT

The amount you chose at issue which is used to determine the amount of death benefit and the amount of rider benefits, if any. The minimum Specified Amount allowable under this policy and the Specified Amount at issue ("Initial Specified Amount") are shown in the Policy Specifications. The Specified Amount may be increased or decreased as described in this policy.

SUB-ACCOUNT(S)

Divisions of the Separate Account created by the Company to which you may allocate your Net Premium Payments and among which you may transfer Separate Account values.

SURRENDER VALUE

The Net Accumulation Value on the date of surrender or partial surrender less any accrued loan interest not yet charged, and less any applicable surrender charge shown in the Table of Surrender Charges in the Policy Specifications.

VALUATION DAY

Any day on which the New York Stock Exchange is open for business, except a day during which trading on the New York Stock Exchange is restricted or on which an SEC-determined emergency exists or on which the valuation or disposal of securities is not reasonably practicable, as determined under applicable law.



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VALUATION PERIOD

The period beginning immediately after the close of business on a Valuation Day and ending at the close of business on the next Valuation Day.

VARIABLE ACCUMULATION UNIT

A unit of measure used to calculate the value of a Sub-Account as described in the Variable Accumulation Unit Value provision.

"YOU" ("YOUR")
The Owner.

"WE" ("OUR", "US", THE COMPANY, LINCOLN LIFE)
The Lincoln National Life Insurance Company.

## PREMIUM AND REINSTATEMENT PROVISIONS

### PAYMENT OF PREMIUMS

The initial premium is payable at the Administrator Mailing Address or to any of our authorized agents. There is no minimum premium requirement to put this policy In Force. All subsequent premium payments are payable at the Administrator Mailing Address and may be made at any time before the Attained Age shown in the Policy Specifications. Upon your request, we will furnish receipts for premiums paid.

### PLANNED PREMIUMS

You may change the amount and frequency of premium payments. Changes in the amounts or frequency of such payments are subject to our approval. Any change in the planned premiums may impact the policy values and benefits. We will send premium reminder notices for the amounts and frequency of payments you establish. We reserve the right to stop sending reminder notices if no premium payment is made within 2 Policy Years.

### ADDITIONAL PREMIUM

You may make additional premium payments of no less than $100 at any time before the Insured reaches the Attained Age shown in the Policy Specifications. We reserve the right to limit the amount or frequency of any such additional premium payment. If a payment of any additional premium would increase the difference between the Accumulation Value and the Specified Amount, we may reject the additional premium payment unless you submit satisfactory evidence of insurability and we agree to accept the risk. If a payment of additional premium would cause this policy to cease to qualify as life insurance for Federal income tax purposes, we may reject all or such excess portion of the additional premium. Any additional premium payment we receive will be applied as premium and not to repay any outstanding loans, unless you instruct us otherwise in Writing.

### ALLOCATION OF NET PREMIUM PAYMENTS

Net Premium Payments may be allocated to the Fixed Account and/or Sub-Accounts under this policy. All allocations of Net Premium Payments must be made in whole percentages and in aggregate must total 100%. Premium payments will be allocated net of the Premium Load shown in the Table of Expense Charges and Fees in the Policy Specifications.

All Net Premium Payments received before the end of the Right to Examine Period will be allocated as described in the Right to Examine this Policy provision.

Subsequent Net Premium Payments will be allocated on the same basis as the most recent Net Premium Payment unless you instruct us otherwise in Writing.



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NO-LAPSE PROVISION

The No-Lapse Provision is applicable to this policy unless Not Applicable is shown in the Policy Specifications.

Subject to the limitations described in this provision, this policy will not enter the grace period and Lapse during the No-Lapse Period described below as long as (1) is at least equal to (2), where:

(1) is an amount equal to the sum of all premium payments less any partial surrenders (i.e. withdrawals) accumulated at 4% annual interest, less any Indebtedness; and

(2) is an amount equal to the sum of the corresponding No-Lapse Premiums shown in the Policy Specifications due since the Policy Date, accumulated at 4% annual interest.

The No-Lapse Provision will terminate on the first of the following to occur:

a. the insured reaches Attained Age 100; or

b. termination of the No-Lapse Period as described below.

The No-Lapse Periods available under this policy are as follows:

a. 20 Year No-Lapse Period: As long as you have satisfied the 20 Year No-Lapse Premium requirement, the 20 Year No-Lapse Period applies for the first 20 Policy Years only. The 20 Year No-Lapse Period terminates at the beginning of the 21st Policy Year. Continuing to pay the 20 Year No-Lapse Premium beyond the expiration of the 20 Year No-Lapse Period does not guarantee that this policy will not Lapse.

b. 10 Year No-Lapse Period: As long as you have satisfied the 10 Year No-Lapse Premium requirement, the 10 Year No-Lapse Period applies for the first 10 Policy Years only. The 10 Year No-Lapse Period terminates at the beginning of the 11th Policy Year. Continuing to pay the 10 Year No-Lapse Premium beyond the expiration of the 10 Year No-Lapse Period does not guarantee that this policy will not Lapse.

GRACE PERIOD

Except as provided under the No-Lapse Provision, if applicable, this policy will enter the grace period if on any Monthly Anniversary Day the Net Accumulation Value is less than the required Monthly Deduction, or if the amount of

Indebtedness exceeds the Accumulation Value less the surrender charge, if any, shown in the Table of Surrender Charges in the Policy Specifications. We will allow a grace period of 61 days to pay a Net Premium Payment in an amount equal to 2 Monthly Deductions plus an amount equal to the greater of:

a. the amount by which the Monthly Deduction exceeds the Net Accumulation Value; or

b. the amount by which Indebtedness exceeds the Accumulation Value less any applicable surrender charges.

We will send a Written Notice to you and to any assignee of record at least 31 days before the end of the grace period. The notice will state the amount of premium required to prevent this policy from Lapsing. All coverage under this policy will Lapse if you do not pay this billed premium on or before the later of:

a. 31 days after the date such notice is mailed; or

b. 61 days after the Monthly Anniversary Day on which this policy enters the grace period.

If the Insured dies within the grace period, we will deduct any overdue Monthly Deductions from the Death Benefit Proceeds.



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REINSTATEMENT

If this policy has Lapsed as described in the Grace Period provision, you may reinstate this policy within 5 years from the date of Lapse provided:

a. this policy has not been surrendered;

b. the Insured has not died since the date of Lapse;

c. you submit an application for reinstatement in Writing;

d. you submit satisfactory evidence of insurability to us in Writing;

e. you pay enough premium to keep this policy In Force for at least 2 months; and

f. any accrued loan interest is paid, and any remaining Indebtedness is either paid or reinstated.

The reinstated policy will be effective as of the Monthly Anniversary Day on or next following the date on which we approve the application for reinstatement. We will reinstate the surrender charges shown in the Table of Surrender Charges in the Policy Specifications as of the Policy Year in which this policy Lapsed.

## OWNERSHIP, ASSIGNMENT AND BENEFICIARY PROVISIONS

### RIGHTS OF OWNER

While the Insured is living except as provided below and subject to any applicable state law, you may exercise all rights under this policy including the right to:

a. return this policy under the Right to Examine this Policy provision;

b. surrender this policy;

c. agree with us to any change in or amendment to this policy;

d. transfer all your rights to another person or entity;

e. change the Beneficiary (unless you specifically request not to reserve this right); and

f. assign this policy.

You must have the consent of any assignee recorded with us to exercise your rights under this policy. However, you may exercise your rights without the consent of any Beneficiary, subject to any applicable law, if you have reserved the right to change the Beneficiary.

Unless provided otherwise, if you are not the Insured and you die before the Insured, all of your rights under this policy will transfer and vest in your executors, administrators or assigns.

### TRANSFER OF OWNERSHIP

You may transfer all of your rights under this policy by submitting a Written Request. You may revoke any transfer prior to its effective date. A transfer of ownership, or a revocation of transfer, will not take effect until recorded by us. Once we have recorded the transfer or revocation of transfer, it will take effect as of the date of the latest signature on the Written Request. Any payment made or any action taken or allowed by us before we record the transfer or revocation of transfer will be without prejudice to us.

On the effective date of transfer, the transferee will become the Owner and will have all the rights of the Owner under this policy. Unless you direct us otherwise, with the consent in Writing of any assignee recorded with us, a transfer will not affect the interest of any Beneficiary designated prior to the effective date of transfer.

### ASSIGNMENT

Assignment of this policy must be in Writing and will be effective when we receive the original assignment or a certified copy of the assignment at our

Administrator Mailing Address. We will not be responsible for the validity or sufficiency of any assignment.



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An assignment of this policy will remain effective only so long as the assignment remains in effect. To the extent provided under the terms of the assignment, an assignment will:

a. transfer the interest of any designated transferee; and

b. transfer the interest of any Beneficiary, if you have reserved the right to change the Beneficiary.

BENEFICIARY

You may designate more than one Beneficiary. If you make such a designation, any Death Benefit Proceeds payable will be paid in equal shares to the survivors in the appropriate Beneficiary class, unless you request otherwise in Writing. If no Beneficiary is alive when the Death Benefit Proceeds become payable or in the absence of any Beneficiary designation, the Death Benefit Proceeds will transfer and vest in you or in your executors, administrators or assigns.

CHANGE OF BENEFICIARY

You may change the Beneficiary by submitting a Written Request. We must receive your request in Writing while the Insured is living. The Written Request does not need to be signed by the Beneficiary unless you have not reserved the right to change the Beneficiary. A change of Beneficiary will not take effect until recorded by us. Once we have recorded the change of Beneficiary, the change will take effect as of the date of the latest signature on the Written Request. Any payment made or any action taken or allowed by us before we record the change of Beneficiary will be without prejudice to us.

SEPARATE ACCOUNT PROVISIONS

SEPARATE ACCOUNT

You may allocate your Net Premium Payments and Net Accumulation Value to the Sub-Account(s), which are divisions of the Separate Account shown in the Policy Specifications. The Separate Account was established by a resolution of our Board of Directors as a "separate account" under the insurance law of our state of domicile, and is registered as a unit investment trust under the 1940 Act. The assets of the Separate Account (except assets in excess of the reserves and other contract liabilities of the Separate Account) will not be chargeable with liabilities arising out of any other business conducted by us. The income, gains or losses from the Separate Account assets will be credited or charged against the Separate Account without regard to the income, gains or losses of the Company. Separate Account assets are owned and controlled exclusively by us, and we are not a trustee with respect to such assets.

SUB-ACCOUNTS

The Separate Account is divided into Sub-Accounts. The assets of each Sub-Account will be invested fully and exclusively in shares of the appropriate Fund for such Sub-Account. The investment performance of each Sub-Account will reflect the investment performance of the appropriate Fund. For each Sub-Account, we will maintain Variable Accumulation Units as a measure of the investment performance of the Fund shares held in such Sub-Account.

Subject to any vote by persons entitled to vote thereon under the 1940 Act, we may elect to operate the Separate Account as a management company instead of a unit investment trust under the 1940 Act or, if registration under the 1940 Act is no longer required, to deregister the Separate Account. In the event of such a change, we will endorse this policy to reflect this change and may take any other necessary or appropriate action required to effect this change. Any changes in the investment policies of the Separate Account will first be approved by the Insurance Commissioner of our state of domicile, and approved or filed, as required, in any other state or other jurisdiction where this policy was issued.



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INVESTMENTS OF THE SUB-ACCOUNTS

All amounts allocated or transferred to a Sub-Account will be used to purchase shares of the appropriate Fund. Each Fund will at all times be registered under the 1940 Act as an open-end management investment company. After due consideration of appropriate factors, we may add additional Funds at any time or may eliminate or substitute Funds in accordance with the Fund Withdrawal and Substituted Securities provision. Any and all distributions made by a Fund will be reinvested in additional shares of that Fund at net asset value. Deductions by us from a Sub-Account will be made by redeeming a number of Fund shares at a net asset value equal in total value to the amount to be deducted.

INVESTMENT RISK

Fund share values fluctuate, reflecting the risks of changing economic conditions and the ability of a Fund's investment adviser or sub-adviser to manage that Fund and anticipate changes in economic conditions. You bear the entire investment risk of gain or loss of the Separate Account assets under this policy.

FUND WITHDRAWAL AND SUBSTITUTED SECURITIES

If a particular Fund ceases to be available for investment, or if we determine that further investment in a particular Fund is not appropriate in view of the purposes of the Separate Account (including without limitation that it is not appropriate in light of legal, regulatory or Federal income tax considerations), we may withdraw that particular Fund as a possible investment for the Separate Account and may substitute shares of a new or different Fund for shares of the withdrawn Fund. We will obtain any necessary regulatory or other approvals prior to taking this action. We may make appropriate endorsements to this policy to the extent reasonably required to reflect any withdrawal or substitution.

POLICY VALUES PROVISIONS

ACCUMULATION VALUE

At any point in time, the Accumulation Value reflects:

a. Net Premium Payments made;

b. the amount of any partial surrenders (i.e. withdrawals);

c. any increases or decreases as a result of market performance in the Sub-Account(s);

d. interest credited under the Fixed Account;

e. interest credited under the Loan Account;

f. persistency bonuses;

g. Monthly Deductions; and

h. all other expenses and fees as shown in the Table of Expense Charges and Fees in the Policy Specifications.

PERSISTENCY BONUS

Beginning with the Policy Year shown in the Policy Specifications and on each Monthly Anniversary Day thereafter, we will credit a persistency bonus to the Fixed Account and/or Sub-Account(s) in the same proportion as the Net Accumulation Value in such account(s) bear to the total Net Accumulation Value of this policy as of the date the credit is applied. The persistency bonus for a Policy Month equals (1) multiplied by (2), where:

(1) is the Persistency Bonus Rate shown in the Policy Specifications; and

(2) is the Net Accumulation Value.



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FIXED ACCOUNT VALUE

The Fixed Account value, if any, with respect to this policy at any point in time, is equal to (1) plus (2), plus (3), minus (4), minus (5), where:

(1) is the amount of the Net Premium Payments allocated or other amounts (net of any charges) transferred to the Fixed Account;

(2) is the interest credited to the Fixed Account;

(3) is the portion of the persistency bonus applied to the Fixed Account;

(4) is the portion of the Monthly Deductions deducted from the Fixed Account; and

(5) is the amount of any partial surrenders or amounts transferred from the Fixed Account.

INTEREST CREDITED UNDER FIXED ACCOUNT

We will credit interest to the Fixed Account daily. The interest rate applied to the Fixed Account will be the greater of:

a. the Guaranteed Minimum Fixed Account Interest Rate shown in the Policy Specifications; or

b. a rate determined by us from time to time, established on a prospective basis.

Any interest rate credited will not be less than the Guaranteed Minimum Fixed Account Interest Rate shown in the Policy Specifications. We may credit interest at rates in excess of the Guaranteed Minimum Fixed Account Interest Rate at any time.

FIXED ACCOUNT ASSET CHARGE

We will deduct a daily Fixed Account asset charge. This charge is equal to (1) multiplied by (2), where:

(1) is the Fixed Account Asset Charge Rate; and

(2) is the value of the Fixed Account.

The Guaranteed Maximum Fixed Account Asset Charge Rate is shown in the Table of Expense Charges and Fees in the Policy Specifications.

LOAN ACCOUNT VALUE

The Loan Account value, if any, with respect to this policy, is the amount of any outstanding loan(s), including any interest charged on the loan(s).

INTEREST CREDITED UNDER LOAN ACCOUNT

We will credit interest to the Loan Account daily. The interest rate applied to the Loan Account is shown in the Policy Specifications. Such loan interest amount will be transferred into the Fixed Account and/or Sub-Account(s) on each Monthly Anniversary Day on the same basis as the most recent Net Premium Payment allocations, unless you and we agree otherwise in Writing.

SEPARATE ACCOUNT VALUE

The Separate Account value, if any, with respect to this policy, for any Valuation Period is equal to the sum of the then stated values of all Sub-Accounts under this policy. The stated value of each Sub-Account is determined by multiplying (1) the number of Variable Accumulation Units, if any, credited or debited to such Sub-Account with respect to this policy by (2) the Variable Accumulation Unit Value of the particular Sub-Account for such Valuation Period.

VARIABLE ACCUMULATION UNIT VALUE

Net Premium Payments, or portions thereof, allocated, or amounts transferred, to each Sub-Account are converted into Variable Accumulation Units. The Variable Accumulation Unit value for a Sub-Account for any Valuation Period after the inception of the Sub-Account is equal to (1) minus (2), divided by (3), where:



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(1) is the total value of Fund shares held in the Sub-Account, calculated as (a) the number of Fund shares owned by the Sub-Account at the beginning of the Valuation Period multiplied by (b) the net asset value per share of the Fund at the end of the Valuation Period, plus (c) any dividend or other distribution of the Fund made during the Valuation Period;

(2) is the liabilities of the Sub-Account at the end of the Valuation Period. Such liabilities include a daily charge imposed on the Sub-Account and may also include a charge or credit with respect to any taxes paid or reserved for by us that we determine result from the operations of the Separate Account; and

(3) is the number of Variable Accumulation Units for that Sub-Account outstanding at the beginning of the Valuation Period.

The daily charge imposed on a Sub-Account for any Valuation Period is equal to the M&E charge described in the Mortality and Expense Risk ("M&E") Charge provision, multiplied by the number of calendar days in the Valuation Period. The Variable Accumulation Unit value may increase or decrease from Valuation Period to Valuation Period.

MORTALITY AND EXPENSE RISK ("M&E") CHARGE

We will deduct a mortality and expense risk ("M&E") charge from each Sub-Account at the end of each Valuation Period. This charge is equal to (1) multiplied by (2), where:

(1) is the M&E charge rate; and

(2) is the value of the Sub-Account.

The rate used to calculate this charge is guaranteed not to exceed the Guaranteed Maximum M&E Charge Rate shown in the Table of Expense Charges and Fees in the Policy Specifications.

FEES ASSOCIATED WITH THE FUNDS

Fund operating expenses may be deducted by each Fund as set forth in its prospectus.

COST OF INSURANCE

The monthly Cost of Insurance under this policy will be equal to (1), multiplied by the result of (2) minus (3), where:

(1) is the Cost of Insurance rate as described in the Cost of Insurance Rates provision;

(2) is the death benefit at the beginning of the Policy Month, divided by the Net Amount at Risk Discount Factor shown in the Policy Specifications; and

(3) is the Accumulation Value at the beginning of the Policy Month after the deduction of the Monthly Administrative Fee but prior to the deduction for the monthly Cost of Insurance.

COST OF INSURANCE RATES

We reserve the right to change monthly Cost of Insurance rates based on our expectations of future mortality, investment earnings, persistency, and expenses (including taxes). Any change in Cost of Insurance Rates will apply to all individuals of the same Premium Class as the Insured. The Cost of Insurance Rates will not exceed the amounts described in the Policy Specifications.

If the Insured is in a rated Premium Class, the monthly Cost of Insurance rates will be calculated as (1) multiplied by (2), plus (3), where:

(1) is the then current Cost of Insurance rate;

(2) is the Risk Factor, if any, shown in the Policy Specifications; and

(3) is the applicable Flat Extra charge, if any, shown in the Policy Specifications.

MONTHLY DEDUCTION

Each month, beginning with the Policy Date and on each Monthly Anniversary Day thereafter, we will deduct the Monthly Deduction from the Fixed Account and/or Sub-Account(s) in the same proportion as the balances invested in such account(s) bear to the Net Accumulation Value as of the date on which the deduction is made, unless you and we agree otherwise in Writing. The Monthly Deduction for a Policy Month equals (1) plus (2), where:

(1) is the Cost of Insurance as described in the Cost of Insurance provision plus the monthly cost of any additional benefits provided by rider; and

(2) is the Monthly Administrative Fee as described in the Table of Expense Charges and Fees in the Policy Specifications.

BASIS OF COMPUTATIONS

The Cost of Insurance Rates are guaranteed to be no greater than those calculated as described in the Table of Guaranteed Maximum Cost of Insurance Rates in the Policy Specifications. All policy values are at least equal to those required by the jurisdiction in which this policy is delivered. If required, a detailed statement of the method of computing values has been filed with the insurance supervisory official of that jurisdiction.

TRANSFER PRIVILEGE PROVISIONS

TRANSFER PRIVILEGE

At any time while this policy is In Force, other than during the Right to Examine Period, you have the right to transfer amounts among the Fixed Account and Sub-Accounts then available under this policy. All such transfers are subject to the following:

a. Transfers may be made in Writing, or electronically, if internet or telephone transfers have been previously authorized in Writing, subject to our consent. Our consent is revocable upon Written Notice to you.

b. Transfer requests must be received in a form acceptable to us at the Administrator Mailing Address prior to the time of day set forth in the prospectus and on a Valuation Day in order to be processed as of the close of business on the date the request is received; otherwise, the transfer will be processed on the next Valuation Day.

c. We will not be responsible for (1) any liability for acting in good faith upon any transfer instructions given by internet or telephone, or (2) the authenticity of such instructions.

d. A single transfer request, made either in Writing or electronically, may consist of multiple transactions.

e. The amount being transferred may not exceed the maximum transfer amount limit then in effect.

f. The amount being transferred may not be less than the minimum transfer amount shown in the Policy Specifications unless the entire value of the Fixed Account or Sub-Account is being transferred.

g. Any value remaining in the Fixed Account or a Sub-Account following a transfer may not be less than $100.



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TRANSFER FEES

The maximum number of transfers allowed without charge in any Policy Year is shown in the Policy Specifications. For each transfer request in a given Policy Year in excess of the maximum, a transfer fee as shown in the Policy Specifications may be deducted on a pro-rata basis from the Fixed Account and/or Sub-Account(s) from which the transfer is being made.

TRANSFERS FROM THE FIXED ACCOUNT

Transfers from the Fixed Account will not be made prior to the first Policy Anniversary except as provided under the Dollar Cost Averaging program. The amount of all transfers in any Policy Year will not exceed the greater of:

a. 25% of the Fixed Account Value as of the immediately preceding Policy Anniversary; or

b. the total dollar amount transferred from the Fixed Account in the immediately preceding Policy Year.

TRANSFERS INVOLVING SUB-ACCOUNTS

Transfers involving Sub-Accounts will reflect the purchase or cancellation of Variable Accumulation Units having an aggregate value equal to the dollar amount being transferred to or from a particular Sub-Account. The purchase or cancellation of such units will be made using Variable Accumulation Unit values of the applicable Sub-Account for the Valuation Period during which the transfer is effective. Transfers involving Sub-Accounts will be subject to such additional terms and conditions as may be imposed by the corresponding Funds.

CHANGE OF TERMS AND CONDITIONS

We reserve the right to change the terms and conditions of the Transfer Privilege Provisions in response to changes in legal or regulatory requirements. Further, we reserve, at our sole discretion, the right to limit or modify transfers that may have an adverse effect on other policy Owners. Transfer rights may be restricted in any manner or terminated until the beginning of the next Policy Year if we determine that your use of the transfer right may disadvantage other policy Owners.

## OPTIONAL SUB-ACCOUNT ALLOCATION PROGRAMS

### PROGRAM PARTICIPATION

You may elect to participate in programs providing for Dollar Cost Averaging or Automatic Rebalancing, but may participate in only one program at any time. Transfers made in conjunction with either of these programs do not count against the free transfers available.

### DOLLAR COST AVERAGING

Dollar Cost Averaging systematically transfers specified dollar amounts from the account(s) specified by you. The account(s) available from which to transfer funds for Dollar Cost Averaging are shown in the Policy Specifications. Transfer allocations may be made to 1 or more of the other Sub-Accounts on a monthly or quarterly basis. Allocations may not be made to the same account from which funds are to be transferred.

Dollar Cost Averaging terminates automatically:

a. if the value in the account(s) specified by you is insufficient to complete the next transfer;

b. 7 calendar days after we receive your request for termination of Dollar Cost Averaging in Writing, or electronically, if adequately authenticated; or

c. after 12 or 24 months, as elected by you.



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### AUTOMATIC REBALANCING

Automatic Rebalancing periodically restores the percentage of policy value allocated to each Sub-Account to a level pre-determined by you (e.g. 20% Money Market, 30% Bond, 50% Growth). The predetermined level is the allocation initially selected at the time of application, until changed by you. The Fixed Account is not subject to rebalancing. If Automatic Rebalancing is elected, all Net Premium Payments allocated to the Sub-Accounts will be subject to Automatic Rebalancing. Automatic Rebalancing will occur on a quarterly, semi-annual or annual basis, as elected by you.

## SURRENDER PROVISIONS

### SURRENDER

You may surrender this policy for its Surrender Value while this policy is In Force and the Insured is living. Surrender of this policy is effective on the

Valuation Day we receive both this policy and your Written Request for surrender. All coverage under this policy will terminate upon surrender for its Surrender Value.

The Surrender Value will be paid in a lump sum unless you choose a settlement option we make available. Any deferment of payments will be subject to the Deferment of Payments provision.

SURRENDER CHARGES

If you request either a full surrender of this policy or a decrease in Specified Amount, a charge will be assessed based on the Table of Surrender Charges shown in the Policy Specifications, subject to the conditions described in the provisions below.

CHARGE FOR DECREASE IN SPECIFIED AMOUNT

For decreases in Specified Amount, excluding full surrender of this policy, the charge, if any, will be calculated as shown in the Table of Surrender Charges in the Policy Specifications.

The amount of any charge for a decrease in Specified Amount will be deducted from the Fixed Account and/or Sub-Account(s) in the same proportion as the balances invested in such Sub-Accounts bear to the Net Accumulation Value as of the date on which the deduction is made, unless otherwise agreed to in Writing by you and us.

We may limit requests for decreases in Specified Amount to the extent there is insufficient Net Accumulation Value to cover the necessary charges.

SURRENDER CHARGE FOR FULL SURRENDER

Upon full surrender of this policy, the surrender charge will be equal to (1) multiplied by (2), where:

(1) is the entire amount shown in the Table of Surrender Charges in the Policy Specifications; and

(2) is one minus the percentage of Initial Specified Amount for which a surrender charge was previously assessed, if any.

In no event will the charge assessed upon a full surrender exceed the then current Net Accumulation Value.

A new schedule of surrender charges will apply with respect to each increase in Specified Amount. For purposes of calculating charges for full surrenders of, or decreases in, such increased Specified Amounts, the amount of the increase will be considered a new "Initial Specified Amount".

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CONTINUATION OF COVERAGE

Unless otherwise agreed to by you and us, if the Insured is still living at Attained Age 100 and this policy is still In Force at that time, the Separate Account value, if any, will be transferred to the Fixed Account on the Policy Anniversary the Insured becomes Attained Age 100 and we will:

a. continue to credit interest to the Fixed Account as described in the Interest Credited Under Fixed Account provision;

b. no longer charge Monthly Deductions under this policy;

c. continue to charge loan interest; and

d. continue this policy In Force until it is surrendered or the Death Benefit Proceeds become payable.

This provision will not continue any rider attached to this policy beyond the date for such rider's termination, as provided in the rider.

PARTIAL SURRENDER

A partial surrender (i.e. withdrawal) may be made from this policy on any Valuation Day while this policy is In Force. You must request the partial surrender in Writing, or electronically with our consent. Our consent is revocable upon Written Notice to you. The amount of the partial surrender requested must be:

a. at least $500; but

b. not more than 90% of the Surrender Value of this policy as of the end of the Valuation Period ending on the Valuation Day on which the request is received in a form acceptable to us.

The Specified Amount remaining after the partial surrender must be greater than the Minimum Specified Amount shown in the Policy Specifications. The amount of the partial surrender will be withdrawn from the Fixed Account and/or Sub-Account(s) in the same proportion as the balances invested in such Sub-Accounts bear to the Net Accumulation Value as of the date on which the deduction is made.

Any surrender results in a withdrawal of funds from all of the Fixed Account and/or Sub-Account(s) which have balances allocated to them. Any surrender from a Sub-Account will result in the cancellation of Variable Accumulation Units which have an aggregate value on the date of the surrender equal to the total amount by which the Sub-Account is reduced. The cancellation of such units will be based on the Variable Accumulation Unit value of the Sub-Account determined at the close of the Valuation Period during which the surrender is effective.

EFFECT OF PARTIAL SURRENDERS ON ACCUMULATION VALUE AND SPECIFIED AMOUNT

As of the end of the Valuation Day on which there is a partial surrender (i.e. withdrawal), the Accumulation Value will be reduced by the amount of the partial surrender.

If Death Benefit Option 1 is in effect, the Specified Amount may also be reduced. The amount of the reduction will be equal to the greater of:

a. zero; or

b. an amount equal to the amount of the partial surrender minus the greater of i) zero or ii) the result of [(1) minus (2)] divided by (3), where:

    (1) is an amount equal to the Accumulation Value on the Valuation Day immediately prior to the partial surrender multiplied by the applicable percentage shown in the Corridor Percentages Table in the Policy Specifications;

    (2) is the Specified Amount immediately prior to the partial surrender; and

    (3) is the applicable percentage shown in the Corridor Percentages Table in the Policy Specifications.

If Death Benefit Option 3 is in effect, the Specified Amount will be reduced to the extent that the amount of the partial surrender exceeds the Accumulated Premium.



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LOAN PROVISIONS

POLICY LOANS

If this policy has Surrender Value available, we will grant a loan against the policy provided:

a. a loan agreement is properly executed; and

b. you make a satisfactory assignment of this policy to us.

The loan may be for any amount up to 100% of the then current Surrender Value; however, we reserve the right to limit the amount of such loan so that total Indebtedness will not exceed 90% of an amount equal to the then current Accumulation Value less the surrender charge(s) as set forth in the Table of Surrender Charges in the Policy Specifications. The amount borrowed will be paid within 7 calendar days of our receipt of such request, except as specified in the Deferment of Payments provision.

The minimum loan amount is shown in the Policy Specifications. We reserve the right to modify this amount in the future. We will withdraw such loan from the Fixed Account and/or Sub-Account(s) in proportion to the then current account values, unless you instruct us otherwise in Writing.

LOAN ACCOUNT

An amount equal to the amount of any loan will be transferred out of the Fixed Account and/or Sub-Account(s) as described above. Such amount will become part of the Loan Account value. The outstanding loan balance at any time includes accrued interest on the loan. Interest will be credited to the Loan Account as described in the Interest Credited Under Loan Account provision.

LOAN REPAYMENT

Indebtedness may be repaid at any time during the lifetime of the Insured. The minimum loan repayment is $100 or the amount of the outstanding Indebtedness, if less. The Loan Account will be reduced by the amount of any loan repayment. Any repayment of Indebtedness, other than loan interest, will be allocated to the Fixed Account and/or Sub-Account(s) in the same proportion in which Net Premium Payments are currently allocated, unless you and we agree otherwise in Writing.

INTEREST RATE CHARGED ON LOAN ACCOUNT

Interest charged on the Loan Account will be at an annual rate as shown in the Policy Specifications, payable in arrears. Interest charged on the Loan Account accrues daily and is payable annually on each Policy Anniversary or as otherwise agreed in Writing by you and us. Such loan interest amount, if not paid when due, will be transferred out of the Fixed Account and/or Sub-Account(s) in proportion to the then current Net Accumulation Value and into the Loan Account, unless both you and we agree otherwise in Writing.

INDEBTEDNESS

A loan against this policy, whether or not repaid, will have a permanent effect on the Net Accumulation Value. A policy loan reduces the then current Net Accumulation Value under this policy while repayment of a loan will cause an increase in the then current Net Accumulation Value. Any Indebtedness at time of settlement will reduce the Death Benefit Proceeds payable under this policy.

Except as provided under the No-Lapse Provision, if applicable, the policy will enter the grace period as described in the Grace Period provision if at any time the total Indebtedness against this policy, including interest accrued but not due, equals or exceeds the then current Accumulation Value less any applicable surrender charge.



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INSURANCE COVERAGE PROVISIONS

DATE OF COVERAGE

The dates of coverage under this policy will be as follows:

a. For all coverages provided in the original application, the effective date of coverage will be the Policy Date provided the initial premium has been paid and the policy accepted by you (1) while the Insured is living and (2) prior to any change in the Insured's health or any other factor affecting insurability of the Insured as represented in the application for this policy.

b. For any increase, decrease, or addition to coverage, the effective date of coverage will be the Monthly Anniversary Day on or next following the day (1) we approve the application for the increase, decrease, or addition to coverage, and (2) the first month's Cost of Insurance for the increase, if applicable, is deducted as described in the Increase to Specified Amount provision, provided the Insured is living on such day.

c. For any insurance that has been reinstated, the effective date of coverage will be the date as described in the Reinstatement provision.

TERMINATION OF COVERAGE

All coverage under this policy terminates on the first of the following to occur:

a. a full surrender of this policy;

b. death of the Insured; or

c. failure to pay the amount of premium necessary to avoid termination before the end of any applicable grace period.

No action by us after this policy has terminated, including any Monthly Deduction made after termination of coverage, will constitute a reinstatement of this policy or waiver of the termination. Any such deduction will be refunded.

DEATH BENEFIT PROCEEDS

If the Insured dies while this policy is In Force, we will pay Death Benefit Proceeds equal to the greater of:

a. the amount determined under the Death Benefit Option in effect at the time of the Insured's death, less any Indebtedness; or

b. an amount equal to the Accumulation Value on the date of death multiplied by the applicable percentage shown in the Corridor Percentages Table in the Policy Specifications, less any Indebtedness.

DEATH BENEFIT QUALIFICATION TEST

This policy is intended to qualify as life insurance under the Internal Revenue code. The Death Benefit Proceeds provided by this policy are intended to qualify for the tax treatment accorded to life insurance under Federal law. Two methods of qualifying as life insurance are the Cash Value Accumulation Test and the Guideline Premium Test, as defined in Internal Revenue Code Section 7702. The Death Benefit Qualification Test for this policy is shown in the Policy Specifications and cannot be changed. Unless you elect otherwise when applying for this policy, the Death Benefit Qualification Test is the Guideline Premium Test.



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DEATH BENEFIT OPTIONS

The Death Benefit Options available under this policy are as follows:

a. Death Benefit Option 1 (Level): The death benefit equals the Specified Amount on the date of death less any partial surrenders (i.e. withdrawals) after the date of death.

b. Death Benefit Option 2 (Increasing): The death benefit equals the Specified Amount on the date of death plus the Accumulation Value on the date of death, less any partial surrenders (i.e. withdrawals) after the date of death.

c. Death Benefit Option 3 (Increase by Premium or Increase by Premium Less Policy Factor): The death benefit equals the Specified Amount on the date of death plus the Accumulated Premium as described below on the date of death, less any partial surrenders (i.e. withdrawals) after the date of death. The Death Benefit Option 3 Limit shown in the Policy Specifications is the maximum death benefit under this option.

   For Death Benefit Option 3, a partial surrender will reduce the Accumulated Premium and the Death Benefit Option 3 Limit by the amount of the partial surrender. If the amount of the partial surrender exceeds the Accumulated Premium, the Specified Amount will be reduced by the excess amount.

Unless Death Benefit Option 2 or 3 is elected on the application for this policy, you will be deemed to have elected Death Benefit Option 1.

ACCUMULATED PREMIUM FOR DEATH BENEFIT OPTION 3

The Accumulated Premium equals the sum of all premiums paid less the Cumulative Policy Factor, if elected. The Accumulated Premium is determined on each Monthly Anniversary Day. Any premium paid that will cause the death benefit to exceed the Death Benefit Option 3 Limit will be applied to this policy, but will only increase the death benefit up to Death Benefit Option 3 Limit.

CUMULATIVE POLICY FACTOR FOR DEATH BENEFIT OPTION 3

The Cumulative Policy Factor, if elected by you, is an amount calculated as (1) multiplied by (2) accumulated monthly, where:

(1) is the applicable monthly rate from the table then used by the Internal Revenue Service (IRS) to determine the economic benefit attributable to life insurance coverage, or an alternative table permitted by the IRS, as selected by you; and

(2) is the then current Specified Amount divided by 1,000.

CHANGES IN SPECIFIED AMOUNT AND DEATH BENEFIT OPTION

Unless provided otherwise, you may effect a change in Specified Amount or Death Benefit Option at any time while this policy is In Force, subject to the following:

a. You must submit a supplemental application for any change in coverage. All such changes are subject to our approval. If we approve the requested change, a supplement to the Policy Specifications will be endorsed to this policy and sent to you once the change is completed.

b. The maximum number of Specified Amount changes allowed per Policy Year is shown in the Policy Specifications.

c. If we approve the request, the change will become effective as described in the Date of Coverage provision.



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DECREASE IN SPECIFIED AMOUNT

You may decrease the Specified Amount of this policy, subject to the Changes in Specified Amount and Death Benefit Option provision and the following:

a. You cannot reduce the Specified Amount below the Minimum Specified Amount shown in the Policy Specifications.

b. We will not allow a decrease in the amount of insurance below the minimum amount required to maintain this contract as a life insurance policy under the Internal Revenue Code.

c. A decrease in Specified Amount may be subject to a surrender charge as described in the Surrender Provisions and the Table of Surrender Charges in the Policy Specifications.

d. A decrease will reduce any past Specified Amount increases in the reverse order in which they occurred.

INCREASE IN SPECIFIED AMOUNT

You may increase the Specified Amount of this policy, subject to the Changes in Specified Amount and Death Benefit Option provision and the following:

a. You must submit satisfactory evidence of insurability.

b. We will deduct the monthly Cost of Insurance for the increase amount from the Fixed Account and/or Sub-Account(s) in the same proportion as the balances invested in such Sub-Account(s) bear to the Net Accumulation Value as of the date the deduction is made.

c. An increase in Specified Amount will automatically increase the Death Benefit Option 3 Limit, if Death Benefit Option 3 is elected.

CHANGES IN DEATH BENEFIT OPTION

We will not allow a change to Death Benefit Option 2 or to Death Benefit Option 3.

You may request a change to Death Benefit Option 1, subject to the Changes in Specified Amount and Death Benefit Option provision and the following:

a. Change from Death Benefit Option 2 to Death Benefit Option 1: The Specified Amount will be increased by an amount equal to the Accumulation Value as of the Monthly Anniversary Day on or next following the date we receive the request in a form acceptable to us at our Administrator Mailing Address.

b. Change from Death Benefit Option 3 to Death Benefit Option 1: The Specified Amount will be increased by an amount equal to the Accumulated Premium as of the Monthly Anniversary Day on or next following the date we receive the request in a form acceptable to us at our Administrator Mailing Address.

## GENERAL PROVISIONS

ENTIRE CONTRACT

This policy, the application for this policy, and any amendment(s), endorsement(s), rider(s), and supplemental application(s) that may be attached are the entire contract between you and us. All statements made in the application will, in the absence of fraud, be deemed representations and not warranties. No statement will be used in defense of a claim under this policy unless it is contained in the application and a copy of the application is attached to this policy when issued.

Only an authorized Officer of the Company may make or modify this policy.



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NON-PARTICIPATION

This policy is not entitled to share in surplus distribution.

NOTICE OF CLAIM

You or someone on your behalf must provide us with Due Proof of Death in Writing within 30 days or as soon as reasonably possible after the death of the Insured.

PAYMENT OF PROCEEDS

Proceeds mean the amount payable:

a. upon the surrender of this policy; or

b. upon the death of the Insured.

Upon the death of the Insured, while this policy is still In Force, the proceeds payable will be the Death Benefit Proceeds. Such Death Benefit Proceeds are payable subject to receipt of Due Proof of Death. We will pay interest on any Death Benefit Proceeds payable as required by applicable law. If the Insured dies within the grace period, we will deduct any overdue Monthly Deductions from the Death Benefit Proceeds.

If this policy is surrendered before the death of the Insured, the proceeds payable upon surrender will be the Surrender Value.

The proceeds payable under this policy are subject to the adjustments described in the following provisions:

a. Misstatement of Age or Sex;

b. Incontestability;

c. Suicide;

d. Effect of Partial Surrenders on Accumulation Value and Specified Amount;

e. Grace Period; and

f. Indebtedness.

We may require return of this policy when settlement is made. Proceeds will be paid in a lump sum unless you choose a settlement option we make available.

DEFERMENT OF PAYMENTS

Any amounts payable as a result of loans, surrender, or partial surrenders (i.e. withdrawals) will be paid within 7 calendar days after we receive your request in a form acceptable to us. However, payment of amounts from the Sub-Accounts may be postponed until the next Valuation Day. Additionally, we reserve the right to defer the payment of such amounts from the Fixed Account for a period not to exceed 6 months from the date we receive your Written Request. During any such deferred period, the amount payable will bear interest as required by law. However, we will not defer any payment used to pay premiums on policies with us.

MISSTATEMENT OF AGE OR SEX

If the date of birth or sex of the Insured is misstated, the benefits available under this policy will be those which the premiums paid would have purchased at the correct Issue Age and sex.



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SUICIDE

If the Insured commits suicide, whether sane or insane, within 2 years from the Date of Issue, the Death Benefit Proceeds will be limited to a refund of premiums paid less any Indebtedness and partial surrenders.

If the Insured commits suicide, whether sane or insane, within 2 years from the date of any increase in the Specified Amount, the Death Benefit Proceeds with respect to such increase will be limited to a refund of the monthly charges for the cost of such additional insurance and the amount of insurance will be based on the Specified Amount before such increase was made, provided that the increase became effective at least 2 years from the Date of Issue of this policy.

INCONTESTABILITY

Except for nonpayment of premium, this policy will be incontestable after it has been In Force for 2 years from the Date of Issue shown in the Policy Specifications. This means that we will not use any misstatement in the application to challenge a claim or contest liability after that time.

Any increase in the Specified Amount effective after the Date of Issue will be incontestable only after such increase has been In Force for 2 years. The basis for contesting an increase in Specified Amount will be limited to material misrepresentations made in the supplemental application for the increase.

If this policy is reinstated, the basis for contesting after reinstatement will be:

a. limited for a period of 2 years from the date of reinstatement; and

b. limited to material misrepresentations made in the reinstatement application.

ANNUAL REPORT

We will send you a report at least once a year without charge. The report will show:

a. the Accumulation Value as of the reporting date;

b. the amounts deducted from or added to the Accumulation Value since the last report;

c. the current death benefit;

d. the current policy values;

e. premiums paid and all deductions made since the last report; and

f. outstanding policy loans.

PROJECTION OF BENEFITS AND VALUES

Upon your Written Request, we will provide a projection of illustrative future Death Benefit Proceeds and policy values once a year without charge. Additional projections are available at any time upon Written Request and payment of a reasonable service fee not to exceed $25. The fee payable will be the one then in effect for this service.

CHANGE OF PLAN

This policy may be exchanged for another policy only if we consent to the exchange and all requirements for the exchange as determined by us are met.

POLICY CHANGES - APPLICABLE LAW

We reserve the right to make changes in this policy or to make distributions from this policy to the extent we deem necessary, in our sole discretion, to continue to qualify this policy as life insurance. Any such changes will apply uniformly to all policies that are affected. You will be given advance Written Notice of such changes.



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MODIFIED ENDOWMENT

This policy will be allowed to become a Modified Endowment contract under the Internal Revenue Code only with your consent. Otherwise, if at any time the premiums paid under this policy exceed the limit for avoiding Modified Endowment contract status, we will refund the excess premium to you with interest within 60 days after the end of the Policy Year in which the premium was received. If, for any reason, we do not refund the excess premium within 60 days after the end of such Policy Year, the excess premium will be held in a separate deposit fund and credited with interest until refunded to you. The interest rate used on any refund, or credited to the separate deposit fund created by this provision, will be the excess premium's pro rata rate of return on the contract until the date we notify you that the excess premium and the earnings on such excess premium have been removed from the policy. After the date of such notice, the interest rate paid on the separate deposit fund will be such rate as we may declare from time to time on advance premium deposit funds.

COMPLIANCE WITH THE INTERNAL REVENUE CODE

This policy is intended to qualify as life insurance under the Internal Revenue Code. The Death Benefit Proceeds provided by this policy are intended to qualify for the tax treatment accorded to life insurance under Federal law. If at any time the premium paid under this policy exceeds the amount allowable for such qualification, we will refund the premium to you with interest within 60 days after the end of the Policy Year in which the premium was received. If, for any reason, we do not refund the excess premium within 60 days after the end of such Policy Year, the excess premiums will be held in a separate deposit fund and credited with interest until refunded to you. The interest rate used on any refund, or credited to the separate deposit fund created by this provision, will be the excess premium's pro rata rate of return on the contract until the date we notify you that the excess premium and the earnings on such excess premium have been removed from this policy.

After the date of such notice, the interest rate paid on the separate deposit fund will be such rate as we may declare from time to time on advance premium deposit funds. We also reserve the right to refuse to make any change in the Specified Amount or the Death Benefit Option or any other change if such change would cause this policy to fail to qualify as life insurance under the Internal Revenue Code.

EFFECT OF POLICY ON RIDERS

Any reference to the following terms contained in any rider attached to this policy will be modified as follows:

a. "Variable Account" will mean "Separate Account" as defined in this policy;

b. "Date of Issue" will mean "Policy Date" as defined in this policy; and

c. "Schedule 4" will mean "Corridor Percentages Table shown in the Policy Specifications".

EFFECT OF RIDERS ON POLICY PROVISIONS

If any riders are attached to and made part of this policy, policy provisions and definitions may be impacted, including those concerning premiums and policy values. READ YOUR POLICY AND RIDERS CAREFULLY.

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
FLEXIBLE PREMIUM VARIABLE LIFE INSURANCE POLICY

Death Benefit Proceeds payable if the Insured dies while this policy is in Force
Investment results reflected in policy benefits
Non-participating - Not eligible for dividends

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[LINCOLN FINANCIAL GROUP(R) LOGO]

FREDERICK C. TEDESCHI
Vice President
Associate General Counsel

The Lincoln National Life Insurance Company
One Granite Place
Concord, New Hampshire 03301
Phone: 603-226-5105
Toll free: 800-258-3648
Fax: 603-226-5448

VIA EDGARLINK

August 29, 2008

Lincoln National Life Insurance Company
One Granite Place
Concord, New Hampshire 03301

Re: Pre-Effective Amendment No 1 to Registration Statement on Form N-6 (File No. 333-146507) and Amendment No.95 to Registration Statement under the Investment Company Act of 1940 (File No. 811-08557) Lincoln Life Flexible Premium Variable Life Account M

Ladies and Gentlemen:

This opinion is furnished in connection with the filing by The Lincoln National Life Insurance Company (the "Company") and its separate account, Lincoln Life Flexible Premium Variable Life Account M (the "Separate Account"), of Pre-Effective Amendment No. 1 to Registration Statement on Form N-6 (File No. 333-146507) and Amendment No. 95 to Registration Statement under the Investment Company Act of 1940 (File No. 811-08557) (the "Registration Statement"). The Registration Statement covers an indefinite amount of interests under the variable portion of LINCOLN ASSETEDGE SM VUL (the "Policies"), a flexible premium variable life insurance policy offered by the Company. Premiums paid under the Policies may be allocated by the Company to the Separate Account in accordance with the owners' directions.

The Policies are designed to provide life insurance protection and are to be offered in a manner described in the prospectus which is included in the Registration Statement.

The Policies will be sold only in jurisdictions authorizing such sales.

I am familiar with the terms of the Policies and the Registration Statement and Exhibits thereto. I have also examined all such corporate records of the

Company and such other documents and laws as I considered appropriate as a basis for the opinion hereinafter expressed.

Based on such review, I am of the opinion that the variable life insurance policies (and interests therein) which are the subject of the Registration Statement under the Securities Act of 1933, as amended, for the Separate Account will, when issued, be legally issued and will represent binding obligations of the Company, the depositor for the Separate Account.

I consent to the use of this opinion as an Exhibit to the Registration Statement.

Sincerely,

/s/ Frederick C. Tedeschi
Frederick C. Tedeschi

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Exhibit 14

Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Independent Registered Public Accounting Firm" in the Pre-Effective Amendment No. 1 to the Registration Statement (Form N-6 No. 333-146507) and the related Statement of Additional Information appearing therein and pertaining to Lincoln Life Flexible Premium Variable Life Account M, and to the use therein of our reports dated (a) March 27, 2008, with respect to the consolidated financial statements of The Lincoln National Life Insurance Company and (b) March 7, 2008, with respect to the financial statements of Lincoln Life Flexible Premium Variable Life Account M.

/s/ Ernst & Young LLP

Fort Wayne, Indiana
August 26, 2008

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EX 99.B17

# THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

## Administrative Procedures For

## Flexible Premium Variable Life Insurance

## AssetEdge - all versions

April 2008

This document sets forth the information called for under Rule 6e-3(T)(b)(12)(iii) under the Investment Company Act of 1940 ("1940 Act"). The Rule provides exemptions from sections 22(d), 22(e), and 27(c)(1) of the 1940 Act, and Rule 22c-l thereunder, for issuance, transfer and redemption procedures under the Flexible Premium Variable Life Insurance Policy ("Policy") to the extent necessary to comply with other provisions of Rule 6e-3(T), state insurance law or established administrative procedures of The Lincoln National Life Insurance Company ("Lincoln Life" or the "Company"). To qualify for the exemptions, procedures must be reasonable, fair and not discriminatory and must be disclosed in the registration statement filed by the Separate Account.

Lincoln Life believes its procedures meet the requirements of Rule 6e-3(T)(b)(12)(iii), as described below.

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I. PURCHASE AND RELATED TRANSACTIONS

A. APPLICATION AND UNDERWRITING STANDARDS

Upon receipt of a completed application, Lincoln Life will follow certain insurance underwriting procedures (e.g., evaluation of risks) designed to determine whether the applicant is insurable. This process may involve such verification procedures as medical examinations and may require that further information be provided by the proposed applicant before a determination can be made. A Policy will not be issued until the underwriting procedure has been completed. The Policies will be offered and sold pursuant to established underwriting standards and in accordance with state insurance laws prohibiting unfair discrimination among insureds. Lincoln Life may modify its underwriting requirements, in accordance with company practice in effect when the policy is issued, for policies issued in connection with group arrangements.

The cost of insurance rate utilized in computing the cost of insurance charge will not be the same for each insured. Insurance is based on the principle of pooling and distribution of mortality risks, the assumption that each insured incurs an insurance rate commensurate with his or her mortality risk which is actuarially determined based upon factors such as issue age, gender, rating class, and policy year. For two Policies with the same gender, rating class and attained age, the cost of insurance rate for the Policy with the younger issue age will never exceed, and in some cases will be less than, that for a Policy with an older issue age. Accordingly, while not all insureds will be subject to the same cost of insurance rate, there will be a single "rate" for all insureds in a given actuarial category.

Current cost of insurance rates will be determined by Lincoln Life based upon expectations as to future mortality experience. The cost of insurance rates are guaranteed not to exceed rates based upon the Commissioner's 2001 Standard Ordinary Mortality Table.

At time of application the policyowner may select the Waiver of Monthly Deduction Rider. Lincoln Life will maintain the death benefit by paying covered monthly deductions during periods of disability. Charges for this rider, if elected, are part of the monthly deduction.

The insurance coverage will begin on the policy date, unless otherwise required by insurance law or concepts such as "Temporary Insurance Agreement". The policyholder may request that the Policy be backdated for the purposes of saving insurance age or conforming to employment related requirements (e.g. common enrollment date). Ordinarily, if the application is approved and money has been received, the policy will be current dated (unless a specific policy date has been requested). If the initial premium is not paid prior to approval, the policy is current dated (unless a specific policy date has been requested) however, the policy will not be placed in force and coverage will not begin until the initial premium is received. Once the initial premium is received, the policy is redated with the current date, and an endorsement with the new policy date is sent to the policyowner. The contestable period starts from the policy effective date or the underwriting approval date, which ever is later. In those instances when Lincoln Life declines to issue a Policy, the full premium paid will be returned with no interest having been credited.

Under Lincoln Life's current rules, the minimum Specified Amount at issue is $100,000. Lincoln Life reserves the right to revise its rules from time to time to specify a different minimum Specified Amount at issue.

B. INITIAL PREMIUM PROCESSING & PLANNED PREMIUM STANDARDS

The initial premium must be paid for coverage to be effective. If the full initial premium is not received, the policy may enter the grace period requiring additional premium to keep the policy in force.

For policies issued in a state that requires return of premium payments during the Right to Examine period, any net premium payments received by us within 10 days (or a greater number of days if required by state) of the date the policy was issued will be held in the Money Market Sub-Account. At the end of that period, the value of the Money Market Sub-Account will be allocated among the Sub-Accounts and the Fixed Account, as directed by the policyowner.

For policies issued in a state that provides for return of value during the Right to Examine period, any net premium payments received will be allocated directly to the Sub-Accounts and the Fixed Account, as directed by the policyowner.

Planned premiums for the Policies will not be the same for all policy owners. At time of application, the registered representative will assist the policyowners in determining a Planned Periodic Premium payment schedule that provides for a level premium payable at a fixed interval for a specified period of time. Payment of premiums in accordance with this schedule is not mandatory and failure to make payments in accordance with the schedule will not in itself cause the Policy to lapse. Instead, policy owners may make additional premium payments in any amount, at any frequency, subject only to the $100 product minimum premium amount (currently being waived), and the maximum premium limitations set forth in the Internal Revenue Code (the "Code"). If at any time a premium is paid which would result in total premiums exceeding the current maximum premium limitation, Lincoln Life will accept only that portion of the premium which will make total premiums equal such maximum.

The Policy is intended to qualify as a "contract of life insurance" under the Internal Revenue Code. If at any time the policyowner pays a premium that would exceed the amount allowable for qualification under the Code (DEFRA), Lincoln Life will either refund the excess premium, offer the option to apply for an increase in Death Benefit, or if the excess premium exceeds $250, offer the alternative of instructing us to hold the excess premium in a premium deposit fund and apply it to the Policy later in accordance with the allocation instructions on file. The policyowner will be notified when premiums may be paid again. The policyowner may choose any option by returning an enclosed election form. If the election form is not returned within 60 days, Lincoln Life will refund the excess premium.

The Code provides for significant tax consequences if policies are deemed to be modified endowment contracts (MEC). Lincoln Life's procedures for monitoring whether a policy may become a modified endowment contract are set forth herein. If at any time during the



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year Lincoln Life determines the Technical and Miscellaneous Revenue Act (TAMRA) guidelines have been violated and excess premiums have been remitted which would cause the policy to be deemed a modified endowment contract, Lincoln Life will give written notice of this fact to the policyowner. If the policyowner pays a premium that would cause the Policy to be deemed a MEC and did not originally consent to the MEC status for the Policy, Lincoln Life will place the excess proceeds in a premium deposit fund. A notice will be sent to the policyowner offering the options to either refund the excess premium, apply for an increase in Death Benefit, allow the policy to become a MEC, or offer the alternative of instructing us to hold the excess premium in a premium deposit fund and apply it to the Policy later in accordance with the allocation instructions on file. The policyowner may choose any option by returning an enclosed election form. If the form is not return within 60 days, Lincoln Life will leave the excess money in the premium deposit fund and the policy will not become a modified endowment contract.

The policy will remain in force so long as the cash value, less any outstanding policy debt, is sufficient to pay certain monthly charges imposed in connection with the Policy. Thus, the amount of a premium, if any, that must be paid to keep the Policy in force depends upon the cash value of the Policy, which in turn depends on such factors as the investment experience and the cost of insurance charge.

C. REINSTATEMENT

A policy which terminates under the grace period provision of this contract may be reinstated at any time within five (5) years after the date of termination provided:

1. The policy has not been surrendered;

2. The insured has not died since the date of lapse;

3. A written application for reinstatement is submitted;

4. Evidence of insurability is sufficient to prove to the Company's satisfaction that the insured is still able to meet the underwriting standards for the "actuarial category" to which the Policy was originally assigned;

5. Enough premium is paid to keep policy In Force for at least 2 months; and

6. Any accrued loan interest is paid, and any remaining Indebtedness is paid or reinstated.

Upon request for reinstatement, Lincoln Life will determine the minimum premium amount needed to reinstate the policy based on the insured's attained age, sex, policy year, rating class, and the Specified Amount of the policy. The Policyowner will be notified of the total amount of premium required to reinstate the policy.

The reinstatement of the policy will be effective as of the monthly anniversary day following the date of the approval. Surrender charges, if any, will be reinstated as of the policy year in which the policy lapsed. The Incontestability provision starts anew as of the effective date of reinstatement application for statements contained in the reinstatement application.

D. MISSTATEMENT OF AGE OR SEX

If Lincoln Life discovers that the age or sex of the insured has been misstated, the benefits available under the policy will be those which the premiums paid would have purchased at the correct Issue Age and sex.

E. CHANGE OF PLAN

This policy may be exchanged for another policy only if we consent to the exchange and all requirements for the exchange as determined by us are met.

F. POLICYOWNER ILLUSTRATIONS

The Company utilizes field and Service Center computers in preparing illustrations for Flexible Premium Variable Life Insurance.

Registered Representatives licensed with Lincoln Financial Distributors (LFD) or Agents licensed with other broker-dealers who have entered into a selling agreement with LFD will be supplied with access to the Lincoln Sales Platform containing approved illustrations for Flexible Premium Variable Life Insurance.

In addition, the Company's field offices and Service Center in Concord, New Hampshire will be supplied such access to the Lincoln Sales Platform and will prepare illustrations at the request of duly registered representatives.

II. REDEMPTION PROCEDURES

Set out below is a summary of the principal Policy provisions and administrative procedures which might be deemed to constitute, either directly or indirectly, a "redemption" transaction. The summary shows that, because of the insurance nature of the Policies, the procedures involved necessarily differ in certain significant respects from the procedures for mutual funds and contractual plans.

Once the policy is beyond the Right to Examine Period and as long as the Policy is in force, the policyowner, with the approval of the irrevocable beneficiary and/or assignee, if any, may request a policy loan, partial surrender/withdrawal or surrender of the Policy by sending a written request to Lincoln Life. At the time the written request is received, it will be reviewed for good order requirements. Requests deemed not in good order will result in returning the request to the policyowner for completion.



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A. POLICY LOANS

A policy loan request may be made for part of the Policy's cash value at any time in which the Policy has cash value, however, Lincoln Life reserves the right to limit the amount of the loan so that total policy indebtedness will not exceed 90% the Cash Value at the end of the Valuation Period during which the loan request is received. The minimum loanable amount is $500.

The amount of the loan will be withdrawn from the Fixed Account & Sub-Account(s) in the same proportion as the balances invested in such Sub-Accounts bear to the total accumulation value of the Policy, less any policy debt, on the date of the loan, unless otherwise instructed in writing. The proceeds will be placed in the Loan Account where they will accrue interest on a daily basis at an effective annual rate of 5.0% in years 1-10 and 4.0% thereafter. The outstanding loan balance may be repaid at any time during the lifetime of the insured. Any policy indebtedness at time of claim will reduce the death benefit.

All Policy Loan requests received in Good Order before market close will be processed same day and the check will be mailed within 48 hours. Only exception is when the request is for a Max Loan and the policy has an existing loan. Due to system constraints, these requests will be processed the next business day with an effective date of the original Good Order receipt and the check will be mailed within 48 hours of the process date. A confirmation statement is automatically generated and mailed to the Owner at the address of record.

B. PARTIAL SURRENDER/WITHDRAWAL & SURRENDERS

A withdrawal request may be made for part of the Policy's cash value at any time in which the Policy has cash value. The total of all withdrawals may not exceed 90% the policy cash value, less any policy debt at the end of the valuation period during which the request is received. The minimum amount that may be withdrawn is $500. If for any reason the withdrawal request is for an amount less than $500 or would cause the Specified Amount to be reduced to less than $100,000, Lincoln Life will furnish the policyowner with a written explanation of why the request cannot be processed within twenty-four (24) hours.

The withdrawal may be allocated among the Sub-Accounts and Fixed Account. If no such allocation is made, the withdrawal will be allocated among the Fixed Account and/or Sub-Account(s) in the same proportion as the balances invested in such Sub-Accounts bear to the total accumulation value of the Policy, less any policy debt, on the date of the withdrawal.

All Partial Surrender/Withdrawal requests received in Good Order before market close will be processed same day and the check will be mailed within 48 hours. Only exception is when the request is for a Max Withdrawal. Due to system constraints, these requests will be processed the next business day with an effective date of the original Good Order receipt and the check will be mailed within 48 hours of the process date. A confirmation statement is automatically generated and mailed to the Owner at the address of record.

A surrender request may be made at anytime. The policy may be assessed a surrender charge that is deducted from the Policy's Accumulation Value if it is surrendered within its surrender charge period. The length of the surrender charge period varies based upon the age of the insured on the policy date or the date of an increase in specified amount. The surrender charge period is 15 years for ages 0 to 50, then is decreased by one year for each age to age 54, then remains 10 years for ages 55 and higher. The amount of the charge varies by age of the insured, number of years since the policy date or the date of an increase in specified amount but will never exceed $59.40 per $1,000 of specified amount. A Table of Surrender Charges is included in each Policy. The surrender charge in effect at any time is the sum of the surrender charge for the initial Specified Amount plus the surrender charge for any increase(s) in the Specified Amount minus any previously assessed surrender charges.

The policyowner may elect the Enhanced Surrender Value Rider at time of application. The rider provides an enhanced surrender value without imposition of a surrender charge if the policy is fully surrendered during the first 5 years. This rider does not provide for enhanced surrender value for partial surrenders/withdrawals, loans or in connection with the exchange of this policy. There is a monthly charge per $1,000 of initial specified amount for this rider during policy years 2-5.

The amount payable upon surrender of the Policy is the cash value at the end of valuation period during which the request is received, less any policy debt (the "Surrender Value"). Any payments received within Fifteen (15) days of the surrender of the policy will be held until sufficient time to clear banking channels. All Surrender requests received in Good Order before market close will be processed same day and the check will be mailed within 48 hours. A confirmation statement is automatically generated and mailed to the Owner at the address of record.

C. CHANGES IN SPECIFIED AMOUNT & DEATH BENEFIT

Following the first policy year, the policyowner, with the approval of the irrevocable beneficiary and/or assignee, if any, may request a change in the Specified Amount or Death Benefit subject to the following conditions.

1. Request in change of coverage must be submitted on a supplemental application.

2. Maximum of 1 request per type of change is allowed per policy year.

3. Requests for an increase in Specified Amount are subject to evidence of insurability satisfactory to Lincoln Life; no increases will be allowed over attained age 85. The minimum of specified amount increase is $1,000. A new surrender charge and surrender charge period will be applicable to each increase.

4. Requests for decrease in Specified Amount may be subject to a surrender charge. The charge will be assessed on any decrease in Specified Amount that occurs within the first 10 years of policy issuance or any increase in Specified Amount and is not caused by a partial surrender.



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If the policy has not had an increase in Specified Amount, the charge will be calculated as A) divided by B) and then multiplied by C), where:

A) is the amount of this decrease;

B) is the initial specified amount; and

C) is the then applicable surrender charge from the schedule in the policy.

If the policy has had 1 or more increases in Specified Amount, the calculation of the surrender charge for that decrease will be done on a last in first out basis. Meaning that the most recent increase in Specified Amount will be surrendered first.

We may limit requests for decreases in Specified Amount to the extent there is insufficient Net Accumulation Value to cover the necessary charges. The minimum decrease in Specified Amount is $1,000 and no decrease may reduce the Specified Amount to less than $100,000.

5. The Death Benefit Option may only be changed to Option 1 and requests are subject to evidence of insurability satisfactory to Lincoln Life. Requested changes to Option II or to Option III are not allowed. Changes from Option II to Option I will increase the Specified Amount by the accumulation value as of the effective date of change. Changes from Option III to Option I will increase the Specified Amount by the accumulated premiums paid less any withdrawals (less the cumulative policy factor if elected) as of the date of the change.

The effective date of coverage change will be the Monthly Anniversary following the approval of the request and is subject to deduction of that month's cost of insurance from the policy's accumulated value. A supplement to the Policy Specifications will be endorsed to the policy and sent to the policy owner once the change is completed.

Any request deemed Not in Good Order will be returned within twenty-four (24) hours and Lincoln Life will furnish the policyowner with a written explanation of why the request cannot be processed.

D. ACCELERATED BENEFIT RIDER

There are two versions of this rider. The availability is based upon the insured meeting Lincoln life underwriting criteria including age and state of health at time of application, which determines which, if any, form of this rider will be issued. These riders provide that a policyowner may request an advance of a portion of the policy's death benefit if it is medically determined to Lincoln Life's satisfaction that the insured meets one of the following conditions: terminal illness with a life expectancy of twelve months or less or nursing home confinement The riders pay up to 50% of the Death Benefit for terminal illness and 40% for nursing home confinement, subject to a $250,000 maximum. The second version, which can only be applied for at time of application , also provides for a portion of the death benefit payable up to 5% (not to exceed $25,000) to be paid upon critical illness in addition to the benefits above.

There is a charge for these riders of $250 (limited in certain states), which will be deducted from any benefit paid. Benefits payable under either form of the rider will be considered as a lien against the policy for the amount of the accelerated benefit paid and as such will be charged interest.

When Lincoln Life receives a notice of a claim under the rider, the Claims Department will determine if the Insured has the right to exercise the rider benefit, under the conditions stated in the rider. If the Insured meets the eligibility requirements, the Claims Department will send an Accelerated Benefit Claimant's Statement to the policyowner. Section B of the Claimant's Statements must be completed by the insured's attending physician verifying the insured's medical condition. The Claims Department will also send a Disclosure Statement to the policyowner illustrating the effect that exercising the benefit will have on the Policy. Once the completed Claimant's Statement is received by the Claims Department, it will be reviewed to determine if the appropriate criteria has been met. All benefits paid pursuant to the rider are paid in a lump sum to the policyowner, or, upon the death of the policyowner, to the estate of the policyowner.

Lincoln Life will deduct from the requested portion of the death benefit the following:

1. pro rated portion of any outstanding policy loans, determined by multiplying the loan times the benefit ratio, where the benefit ratio is the requested portion of the death benefit divided by the death benefit;

2. any premiums which are unpaid within the grace period; and

3. the $250 charge for the rider (limited in certain states).

The payment of an Accelerated Benefit will not reduce the cash value, but will limit the access to it by the amount of the benefit paid plus any accrued interest. The death benefit reduced by the Accelerated Benefits and accrued interest will be paid to the Insured's beneficiary at death if the policy is in force at that time.

E. CONTINUATION OF COVERAGE & BENEFIT CLAIMS

If the Policy is in force at the Insured's Attained Age 100, the following will occur:

- - No further premiums will be accepted;

- - No further monthly deductions will be taken;



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- - All policy values held in the Sub-Accounts will be transferred to the Fixed Account;

- - Transfers to the Sub-Accounts will not be allowed;

- - Interest will continue to be credited to the Fixed Account; and

- - If a Benefit Selection Option greater than zero has been elected, the Specified Amount will be reduced by that percentage.

Loan interest will continue to accrue. Provisions may vary in certain states.

The Benefit Selection Option must be elected at time of application. If elected, it allows the policyowner to choose to reduce the Death Benefit provided by the Continuation of Coverage provision in return for potentially greater accumulation value. This option is designed to reduce the charges for the per $1000 of specified amount administrative expense fee deducted from the policy values and thereby reducing the charges for the cost of the death benefit provided giving the policyowner the opportunity to have a larger accumulation value allocated to the Fixed Account and invested in the Sub-Accounts.

While the Policy remains In Force, Lincoln Life will usually pay a death benefit to the named beneficiary and assignee, if any, in accordance with the designated death benefit option within seven (7) days after receipt of due proof of death of the insured. The payment check will be mailed to the named beneficiary. Payment of death benefits may, however, be delayed while we obtain additional information if death occurs during the contestable period, is the result of suicide, homicide, occurs in a foreign country and/or Stock Market closing. The amount of the death benefit is determined as of the insured's date of death. The amount of the death benefit is guaranteed to be not less than the current Specified Amount of the Policy (as adjusted by an election of a Benefit Selection Option percentage greater than 0%), however, any outstanding policy debt and any due and payable charges will be deducted from the death benefit amount before the proceeds are paid. These proceeds will be increased by any additional insurance provided by rider. The death benefit may exceed the current Specified Amount of the Policy (as adjusted by an election of a Benefit Selection Option percentage greater than 0%) depending upon the death benefit option in effect, the accumulation value, and the corridor percentage in effect at the date of death.

The death benefit under Death Benefit Option I will be the greater of (i) the current Specified Amount (as adjusted by an election of a Benefit Selection Option percentage greater than 0%)or (ii) the Accumulation Value on the death of the Insured multiplied by the corridor percentage. Under Death Benefit Option II, the death benefit equals the greater of (i) the current Specified Amount (as adjusted by an election of a Benefit Selection Option percentage greater than 0%) plus the Accumulation Value on the death of the Insured or (ii) the Accumulation Value on the date of death multiplied by the corridor percentage. Under Death Benefit Option III, the Death Benefit equals the greater of (i) the current Specified Amount plus (as adjusted by an election of a Benefit Selection Option percentage greater than 0%) the total premiums paid less any withdrawals to the date of death or (ii) the Accumulation Value multiplied by the corridor percentage.

III. TRANSFERS

Following is a summary of the administrative procedures Lincoln Life will utilize in processing transfers among the Sub-Accounts and the Fixed Account. Any transfer of funds results in the purchase and/or cancellation of accumulation units. The purchase and/or cancellation of such units are based on the accumulation unit values of the applicable Sub-Accounts for the valuation period during which the transfer is effective. Transfer and financial requests received in Good Order before 4:00 P.M. Eastern time or prior to market close if earlier, will be processed on and made effective the date of receipt.

A. TRANSFERS AMONG SUB-ACCOUNTS AND FIXED ACCOUNT

At any time while the policy is in force, other than during the Right to Examine Period, and prior to the Maturity date, Policyowners may transfer funds among the Sub-Accounts and the Fixed Account subject to certain provisions. Transfer requests may be made in writing or electronically via internet or telephone if the appropriate authorization is on file with Lincoln Life.

During the first policy year, transfers from the Fixed Account may be made only as provided for in the Dollar Cost Averaging program. The amount of all transfers from the Fixed Account in any other policy year may not exceed the greater of 25% of the Fixed Account value as of the immediately preceding policy anniversary or the total dollar amount transferred from the Fixed Account in the immediately preceding policy year.

In addition, Lincoln Life reserves the right to impose the following restrictions on transfers:

- - Amount being transferred may not exceed the maximum transfer amount limit then in effect.

- - Amount being transferred may not be less than the minimum transfer amount shown in the Policy Specifications ($50) unless the entire value of the Fixed Account or Sub-Account is being transferred.

- - Any value remaining in the Fixed Account or Sub-Account following a transfer may not be less than $100.

At this time these restrictions are currently being waived.

Up to 24 transfer requests may be made in any policy year without charge. Thereafter, a $25 transfer fee will be deducted on a pro-rata basis from the Fixed Account and/or Sub-Account(s) from which the transfer is being made. Note that a single transfer request may consist of multiple transactions.

If a transfer request is deemed Not in Good Order for any reason, Lincoln Life will notify the policyowner as to why the request



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cannot be processed.

Should the Company further limit the timing, amount or number of transfers at some future date; the policyowner will be notified of such change.

B. DOLLAR COST AVERAGING

The Dollar Cost Averaging (DCA) feature systematically transfers a specific dollar amount from the Money Market Sub-Account or from the Fixed Account (only available at time of issue) to one or more Sub-Accounts on a monthly or quarterly basis. By making the transfers on a regularly scheduled basis, instead of on a lump sum basis, the policyowner is able to invest in the sub-accounts at various prices and by doing so may reduce exposure to market volatility.

This feature may be elected by the policyowner at time of application or anytime while the policy is in force. There is currently no charge for this feature and the transfers made in conjunction with this program do not count against the free transfers available. The minimum value required in the Money Market (or Fixed Account) to establish DCA is $1,000 and the minimum scheduled allocation amount is $50. Dollar Cost Averaging and Automatic Portfolio Rebalancing may not be elected at the same time.

Dollar Cost Averaging will terminate automatically upon any of the following:

The value in the Money Market Sub-Account (or Fixed Account) is depleted;

After 12 or 24 months (as elected by policyowner);

Request to terminate feature from authorized party.

If the policy is surrendered or otherwise terminates.

DCA will not automatically restart upon receipt of an additional premium payment.

The Company has the right to modify the terms and conditions of the Dollar Cost Average privileges at any time with advance notice to policyowners

C. AUTOMATIC PORTFOLIO REBALANCING

Automatic Portfolio Rebalancing periodically restores the percentage of policy value in the Sub-Accounts to a pre-determined level on a quarterly, semi-annual or annual basis. The Fixed Account is not subject to rebalancing. This feature may be elected by the policyowner at time of application or anytime while the policy is in force. If elected at time of issue, the pre-determined level is the allocation initially selected on the application, until changed by the policyowner. All allocation percentages must be made in whole percents and must total 100%. There is currently no charge for this feature and the transfers made in conjunction with this program do not count against the free transfers available. Automatic Portfolio Rebalancing and Dollar Cost Averaging may not be elected at the same time.

Rebalancing will only be terminated upon the request of an authorized party or the termination of the policy.

The Company has the right to modify the terms and conditions of the Automatic Portfolio Rebalancing privileges at any time with advance notice to policyowners.

D. ALLOCATION CHANGES

The initial designation of the allocation of net premium payments among the Sub-Accounts & the Fixed Account is made by the policyowner at time of application. Changes to the net premium allocations can be made at anytime. All allocations of net premiums must be made in whole percentages and must total 100%.

IV. REFUNDS

A. FREE LOOK PERIOD

The Policyowner, with the approval of the irrevocable beneficiary and/or assignee, if any, may cancel the Policy within ten (10) days after its receipt (or a greater number of days if required by the issue state). Upon receipt of the written request to cancel within the Free Look Period and deemed in good order, Lincoln Life will void the policy from the policy date and, depending upon the issue state of the policy, refund to the policyowner all the premium payments or the policy value plus any charges and fees. The registered representative will be required to return any commissions paid in connection with the sale.

B. SUICIDE

In the event the insured commits suicide, whether sane or insane, within two (2) years of the Date of Issue shown in the policy Specifications, Lincoln Life's liability will be limited to the return of the premiums paid, less any policy Indebtedness and partial surrenders/withdrawals. In the event of suicide within two (2) years of the effective date of any increase in Specified Amount, the Death Benefit Proceeds with respect to such an increase will be limited to a refund of the monthly charges for the cost of such additional insurance and the amount of insurance will be based on the Specified Amount prior to such increase, provided that the increase became effective at least 2 years from the Date of Issue shown in the policy Specifications.



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C. INCONTESTABILITY

Except for nonpayment of premium, the policy is incontestable after it has been In Force during the lifetime of the insured for a period of two (2) years from the Date of Issue shown in the policy Specifications. Further, any increase in the Specified Amount effective after the Date of Issue will be incontestable only after such increase has been In Force during the lifetime of the insured for two (2) years. The basis for contesting an increase in Specified Amount will be limited to the material misrepresentations made in the supplemental application for the increase.

If the policy is reinstated, the basis for contestability is limited to a period of 2 years from the date of reinstatement and limited to the material misrepresentations made in the reinstatement application.

In the event of contest of the Policy during the first two (2) policy years as to statements made in the original application, the only liability of Lincoln Life will be a refund of premiums paid less any policy debt and partial surrender/withdrawal. In the event of a contest during the two years following an increase in the Specified Amount, the only liability of Lincoln Life for such increase will be a refund of the cost of insurance for such increase. Any increase will be contestable, within the two (2) year period, only with regard to statements concerning the increase.

## V. BILLING AND COLLECTION PROCEDURES

Based on the scheduled billing requested time of application, or changes to the billing received since then, premium reminder notices are system-generated then printed and mailed by Lincoln's Print and Distribution Center. Premiums in response to the reminder notices will be sent directly to a lockbox processing center which deposits the proceeds into the appropriate Lincoln Life bank account based on the scan code on the remittance stub. Unsolicited premiums received at Lincoln Life's service center will be deposited into Lincoln Life's account at a local depository bank. If the policyowner elected to pay the premiums through pre-authorized check, a system generated report is sent to Lincoln Life's bank to withdraw the proceeds from the client's bank account and subsequently deposit them into Lincoln Life's bank account.

Premiums for the "List Bill" mode of payment, which allows the employer to deduct premiums from the policyowners' paychecks and remit one payment for a group of policies, are sent directly to a lockbox processing center which deposits the proceeds into a Lincoln Life bank account.

Based on the system-generated report, funds will be transferred from Lincoln Life's regular bank account to the Sub-Accounts as directed by the policyowner.

If a premium payment is received at the time a policy is in the grace period that is not sufficient to pay the policy current and to an active status, the payment will error during processing and remain in the suspense account. A balance due notification will be sent to the policy owner. The balance due payment is due at Lincoln Life two weeks from the date of the letter. If the balance due is not received, the money received is released from the suspense account and refunded to the customer.

## VI. INCOMPLETE / NOT IN GOOD ORDER REQUESTS

All requests are subject to Good Order requirements. Good Order refers to whether a request can be processed without additional information. The following items are reviewed to determine whether the request meets Good Order requirements.

- Acceptable format for specific request.
- Appropriate signatures, i.e., policy owner, assignee
- Transaction requests meets product requirements, i.e., funds requested are available for product, disbursement request does not exceed product maximum

If a request is received and deemed Not in Good Order, Lincoln Life will notify the policyowner and explain why the request was not processed.

## VII. TELEPHONE/INTERNET REQUESTS

At time of application (except in New York State) or anytime the policy is active, the policyowner may authorize himself/herself, their Registered Representative and/or a third party (telephone only) to request certain transactions by telephone or via the internet. Once the appropriate authorization is on file, Lincoln Life will use reasonable procedures such as individual validation during internet login, requiring identifying information from callers, recording telephone instructions and providing written confirmation of transactions in order to confirm that instructions are genuine.

VIII. RETURNED/UNPAID CHECKS

When an unpaid item is received, a suspense account will be charged for the amount of the check. The payment transaction will be reversed from the policy on the administrative system immediately effective the date of the original payment application and the Agent commissions paid; as a result of the original premium payment will be recovered automatically. A letter will be sent to the



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Policyowner as notification that the payment was returned by the bank and that payment has been reversed from the policy. The agent of record will receive a copy of this notification. If a replacement check is received at Lincoln Life, it will be applied effective the date of receipt.

IX. NOTIFICATIONS

Written policyowner notifications will be sent to the policyowner promptly when selected transactions are processed. Transactions which will be documented include, but are not limited to, the following:

- - Planned premium payments as well as additional payments and loan repayments

- - Fund Transfers, including Dollar Cost Averaging and Automatic Portfolio Rebalancing

- - Policy Loans, Partial Surrenders/Withdrawals

- - Refunds

- - Increases or Decreases in Specified Amount including Death Benefit Option Changes

- - Lapse Pending and Lapse

- - Returned/Unpaid Checks

- - Reinstatements

- - Beneficiary/Ownership Changes and Assignment/Release of Assignment

- - Address Changes

- - Surrenders

- - Benefit Claims

X. ROLE OF LINCOLN FINANCIAL DISTRIBUTORS

Lincoln Financial Distributors, Inc. ("LFD") will be responsible for overseeing the administration of the Flexible Premium Variable Life Insurance Policy under, and to the extent required by, the various state and federal laws and the rules, regulations, and requirements of the Financial Industry Regulatory Authority in accordance with procedures established from time to time by LFD.

XI. ROLE OF LINCOLN LIFE POLICY ISSUE AND UNDERWRITING DEPARTMENT

After an application has been approved for suitability requirements, the application is processed by the Underwriting Department for selection of the risk. The Policy Issue Department issues, prepares and mails the completed Policy to the registered representative for delivery to the policyowner.

XII. ROLE OF LINCOLN LIFE CUSTOMER SERVICE DEPARTMENT

The Customer Service Department will process the following, based on review for Good Order and authorization by LFD:

- - Planned premium payments, additional payments and loan repayments;

- - Billing Changes /Notices & Unpaid Checks;

- - Fund Transfers, Allocation Changes, Dollar Cost Averaging and Automatic Portfolio Rebalancing;

- - Lapse Pending/Lapse and MEC notices;

- - Policy Loans, Partial Surrenders/Withdrawals;

- - Refunds;

- - Increases / Decreases in Specified Amount, Death Benefit Option Changes and Rate/Class changes and Reinstatements;

- - Beneficiary/Ownership Changes and Assignment/Release of Assignment;

- - Address Changes;

- - Surrenders;

- - Handling correspondence and inquires.