

SECURITIES AND EXCHANGE COMMISSION

FORM 497

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Business Address
120 MADISON ST STE 1700
SYRACUSE NY 13202
3154288420

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LINCOLN LIFE & ANNUITY FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M

LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK

HOME OFFICE LOCATION:
100 MADISON STREET
SUITE 1860
SYRACUSE, NY 13202
(888) 223-1860

ADMINISTRATIVE OFFICE:
CLIENT SERVICE CENTER MVL1
350 CHURCH STREET
HARTFORD, CT 06103-1106
(800) 444-2363

A FLEXIBLE PREMIUM VARIABLE LIFE INSURANCE POLICY

This prospectus describes Lincoln Momentum VUL (ONE), a flexible premium variable life insurance contract (the "policy"), offered by Lincoln Life & Annuity Company of New York ("Lincoln Life", "the Company", "we", "us", "our"). 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.

The policy described in this prospectus is distributed exclusively by registered representatives of M Holdings Securities, Inc. and registered representatives affiliated with M Holdings Incorporated and is available only in New York.

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. The policy features funds from the ELITE SERIES of funds and M FUND, Inc. (the "funds"), offered through the following fund families. Comprehensive information on the funds offered may be found in the funds prospectus which is furnished with this prospectus.

M FUND, INC.

ELITE SERIES

- ALLIANCEBERNSTEIN VARIABLE PRODUCTS SERIES FUND, INC.
- AMERICAN CENTURY VARIABLE PORTFOLIOS, INC.
- AMERICAN FUNDS INSURANCE SERIES
- DELAWARE VIP TRUST
- FIDELITY VARIABLE INSURANCE PRODUCTS
- FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
- JANUS ASPEN SERIES
- LINCOLN VARIABLE INSURANCE PRODUCTS TRUST
- MFS(R) VARIABLE INSURANCE TRUST
- NEUBERGER BERMAN ADVISERS MANAGEMENT TRUST
- SCUDDER INVESTMENT VIT FUNDS

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.

PROSPECTUS DATED: AUGUST 12, 2004

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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.

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 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 and policy riders. You may increase or decrease the amount of death benefit. You are able to select, monitor, and change investment choices within your policy. With the wide variety of investment options available, it is possible to fine tune an investment mix to meet changing personal objectives or investment conditions. You should refer to each fund prospectus for comprehensive information on each fund. You may also use the Fixed Account to fund your policy.

RISKS OF YOUR POLICY

FLUCTUATING INVESTMENT PERFORMANCE. A Sub-Account is not guaranteed and will increase and decrease in value according to investment performance. 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 objective and risk is found in each fund's prospectus. You should review these prospectuses before making your investment decision.

UNSUITABLE FOR SHORT-TERM INVESTMENT. This policy is intended for long-term financial planning, and 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 are less favorable than anticipated. Outstanding policy loans increase the risk of lapse.

DECREASING DEATH BENEFIT. Any outstanding policy loans and any amount that you have surrendered or withdrawn will reduce your policy's death benefit.

ADVERSE CONSEQUENCES OF EARLY SURRENDER. There are surrender charges assessed if you surrender your policy in the first 10-15 years, and fees assessed for partial surrenders in all policy years. 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

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little or no surrender value available. Partial surrenders may reduce the policy value and death benefit, and may increase the risk of lapse.

ADVERSE TAX CONSEQUENCES. You should always consult a tax adviser about the application of federal and state tax rules to your individual situation. 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.

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 invested amounts between Sub-Accounts.

TABLE I: TRANSACTION FEES

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CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED
Maximum sales charge imposed on premiums (load)	When you pay a premium.	8.0% of each premium payment.(1)
Surrender Charge*	Upon full surrender of your policy (years 1-15). When you make certain specified amount decreases (years 1-10).	

Minimum and
Maximum Charge

Charge for a
Representative Insured

The surrender charge ranges from a minimum of \$0.00 to a maximum of \$49.12 per \$1000 of specified amount.

For a male, age 45, nonsmoker, in year one, the maximum surrender charge is \$33.11 per \$1000 of specified amount.

For a female, age 45, nonsmoker, in year one the maximum surrender charge is \$28.11 per \$1000 of specified amount.

Partial Surrender Fee	When you take a partial surrender of your policy.	The lesser of \$25 or 2% of the amount surrendered.
Fund Transfer Fee	Applied to any transfer request in excess of 24 made during any policy year.	\$25
Estate Tax Repeal Rider (optional)	One-time charge at issue (if elected)	\$250

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(1) 8% of each premium payment in years 1-20 and 4.0% in years 21 and later.

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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

<Table> <Caption>		
CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED
<S> Cost of Insurance* Minimum and Maximum Charge	<C> Monthly	<C> The monthly cost of insurance rates for standard issue individuals ranges from a guaranteed minimum of \$0.00 per \$1,000 per month to a guaranteed maximum of \$83.33 per \$1,000 per month of net amount at risk.
Charge for a Representative Insured		Individuals with a higher mortality risk than standard issue individuals can be charged from 125% to 800% of the standard rate.
		For a male, age 45, nonsmoker, the guaranteed maximum monthly cost of insurance rate is \$.38 per \$1000 of net amount at risk.
		For a female, age 45, nonsmoker, the guaranteed maximum monthly cost of insurance rate is \$.30 per \$1000 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 at an effective annual rate of 0.50%. (2)
Fixed Account Asset Charge	Daily	Daily charge as a percentage of the value of the Fixed Account, guaranteed at an effective annual rate of 0.50%.
Administrative Fee* Minimum and Maximum	Monthly	A flat fee of \$10 per month in all years. For the first ten policy years from issue date or increase in specified amount, there is an additional charge. The monthly charge ranges from a minimum of \$0.01 per \$1,000 of initial specified amount or increase in specified amount to a maximum of \$0.54 per \$1,000 of initial specified amount or increase in specified amount.
Charge for a Representative Insured		For a male or female age 45, the maximum additional monthly charge is \$0.05 per \$1,000 of specified amount.
Policy Loan Interest	Annually	5.5% annually of the amount held in the loan account. (3)

</Table>

(2) Guaranteed at an effective annual rate of 0.50% in policy years 1-10 and

0.20% in policy years 11 and beyond.

(3) Annual interest rate of 5.5% in years 1-10, and 4.5% in years 11 and later.

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CHARGE	WHEN CHARGE IS DEDUCTED	AMOUNT DEDUCTED
<S> Rider Charges	<C> Annually	<C> Individualized based on optional Rider(s) selected.
Waiver of Monthly Deduction Rider * Minimum and Maximum Charge	Monthly	The waiver of monthly deduction rate factor ranges from a minimum of 2% of all other covered monthly charges to a maximum of 12% of all other covered monthly charges.
Charge for a Representative Insured		For a male, age 45, nonsmoker, the maximum rate factor is 3.5% of all other covered monthly charges. For a female, age 45, nonsmoker, the maximum rate factor is 5% of all other covered monthly charges.
No-Lapse Enhancement Rider	N/A	There is no charge for this rider.
Accounting Value Rider	N/A	There is no charge for this rider.
Change of Insured Rider	N/A	There is no charge for this rider.

* 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. 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 your Sub-Account values, on a pro rata basis. The table shows the minimum and maximum total operating expenses charged by the 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)

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TOTAL ANNUAL OPERATING EXPENSE	MINIMUM	MAXIMUM
<S> Total Management fees, distribution and/or service (12b-1) fees, and other expenses.	<C> 0.30%	<C> 1.59% (4)

(4) Funds may offer waivers and reductions to lower their fees. Currently such waivers and reductions range from 0.00% to 0.79%. These waivers and reductions generally extend through April 30, 2005 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.

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LINCOLN LIFE, THE SEPARATE ACCOUNT AND THE GENERAL ACCOUNT

Lincoln Life & Annuity Company of New York (Lincoln Life) (EIN 16-1505436) is a New York-domiciled life insurance company founded on June 6, 1996. Lincoln Life is a subsidiary of The Lincoln National Life Insurance Company (LNLIC), an Indiana-domiciled insurance corporation engaged primarily in the direct issuance of life insurance contracts and annuities. LNLIC 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.

Lincoln Financial Group is the marketing name for Lincoln National Corporation (NYSE:LNC) and its affiliates. Through its wealth accumulation and protection businesses, the company provides annuities, life insurance, 401(k) and 403(b) plans, 529 college savings plans, mutual funds, managed accounts, institutional investment and financial planning and advisory services.

Lincoln Life & Annuity Flexible Premium Variable Life Account M (Separate Account) is a separate account of the Company which was established on November 24, 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 "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 New York Insurance Department.

Your policy may also be funded in whole or in part through the 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.

PRINCIPAL UNDERWRITER

Lincoln Financial Advisors (LFA) is the principal underwriter for the policies, which are offered continuously. The principal underwriter has overall responsibility for establishing a selling plan for the policies. LFA received \$839,446 in 2003, \$1,182,531 in 2002, and \$1,459,760 in 2001 for the sale of policies offered through the Separate Account. LFA retains no underwriting commissions from the sale of the policies.

FUND PARTICIPATION AGREEMENTS

In order to make the funds available, LFA has entered into agreements with the trusts or corporations and their advisers or distributors. In some of these agreements, LFA must perform certain administrative services for the fund advisers or distributors. For these administrative functions, LFA may be compensated by the fund at annual rates of between .10% and .37% of the assets attributable to the policies. 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 LFA under their distribution plans in consideration of the administrative functions LFA performs: American Funds Insurance Series, Fidelity Variable Insurance Products, and Janus Aspen Series.

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DISTRIBUTION OF THE POLICIES AND COMPENSATION

The policy may be sold by individuals who, in addition to being appointed as life insurance agents for the Company, are also registered representatives with broker-dealers who maintain selling agreements with us. Included among these broker-dealers is M Holdings Securities, Inc. and its registered representatives as well as registered representatives affiliated with M Holdings Incorporated. Registered representatives may receive commission and service fees up to 55% of first year premium, plus up to 5% of all other premiums paid. In lieu of premium-based commission, we may pay equivalent amounts over time, based on accumulation value. Registered representatives are also eligible for cash bonuses and "non cash compensation." The latter [as defined in NASD conduct Rule 2820] includes such things as office space, computers, club credit, prizes, awards, training and education meetings.

Additionally, the broker-dealer may receive compensation on the first year premium and all additional premiums and/or reimbursements for portions of policy sales expenses. In some situations, the broker-dealer may elect to share their commission or expense reimbursement allowance with the registered representative. Depending on the particular selling arrangements, there may be others whom we compensate for distribution activities. For example, we may compensate certain "wholesalers," who control access to certain selling offices, for access to those offices. 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.

FUNDS

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

A given 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 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 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 fund's prospectus carefully before making investment choices.

Additional funds may be made available as underlying investments. The right to select among funds will be limited by the terms and conditions imposed by the Company.

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The 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.

ALLIANCEBERNSTEIN VARIABLE PRODUCTS SERIES FUND, INC., advised by Alliance Capital Management, L.P.

ALLIANCEBERNSTEIN GROWTH AND INCOME PORTFOLIO (CLASS A): Growth and income.

ALLIANCEBERNSTEIN PREMIER GROWTH PORTFOLIO (CLASS A): Maximum capital appreciation.

ALLIANCEBERNSTEIN SMALL CAP VALUE PORTFOLIO (CLASS A): Long-term growth.

ALLIANCEBERNSTEIN TECHNOLOGY PORTFOLIO (CLASS A): Maximum capital appreciation.

AMERICAN CENTURY VARIABLE PORTFOLIOS, INC., advised by American Century Investment Management, Inc.

INFLATION PROTECTION FUND (CLASS I): Inflation protection.

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 International Advisers, Ltd. for the Emerging Markets Series, and Delaware Management Company for all of the other Series, with Delaware International Advisers, Ltd. subadvising the Diversified Income Series

DIVERSIFIED INCOME SERIES (STANDARD CLASS): Total return.

EMERGING MARKETS SERIES (STANDARD CLASS): Capital appreciation.

HIGH YIELD SERIES (STANDARD CLASS): Total return.

REIT 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): Long-term capital appreciation.

FIDELITY VARIABLE INSURANCE PRODUCTS, advised by Fidelity Management & Research Company

CONTRAFUND PORTFOLIO (SERVICE CLASS): Long-term capital appreciation.

EQUITY-INCOME PORTFOLIO (SERVICE CLASS): Reasonable income.

GROWTH PORTFOLIO (SERVICE CLASS): Capital appreciation.

OVERSEAS PORTFOLIO (SERVICE CLASS): Long-term growth.

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FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST, advised by Franklin Advisers, Inc. for the Franklin Small Cap Fund, and by Templeton Global Advisors Limited, with Templeton Asset Management Ltd subadvising for the Templeton Growth Securities Fund

FRANKLIN SMALL CAP FUND (CLASS 1): Long-term growth.

TEMPLETON GROWTH SECURITIES FUND (CLASS 1): Long-term growth.

JANUS ASPEN SERIES, advised by Janus Capital Management LLC

BALANCED PORTFOLIO (SERVICE SHARES): Long-term growth and current income.

MID CAP GROWTH PORTFOLIO (SERVICE SHARES): Long-term growth.

LINCOLN VARIABLE INSURANCE PRODUCTS TRUST, advised by Delaware Management Company, with Delaware International Advisers, Ltd. subadvising the International Fund, Janus Capital Management LLC subadvising the Capital Appreciation Fund, T. Rowe Price Associates, Inc. subadvising the Aggressive Growth Fund, and UBS Global Asset Management (Americas) Inc. subadvising the Global Asset Allocation Fund

AGGRESSIVE GROWTH FUND (STANDARD CLASS): Maximum capital appreciation.

BOND FUND (STANDARD CLASS): Current income.

CAPITAL APPRECIATION FUND (STANDARD CLASS): Long-term growth.

GLOBAL ASSET ALLOCATION FUND (STANDARD CLASS): Total return.

INTERNATIONAL FUND (STANDARD CLASS): Capital appreciation.

MONEY MARKET FUND (STANDARD CLASS): Preservation of capital.

SOCIAL AWARENESS FUND (STANDARD CLASS): Capital appreciation.

M FUND, INC., advised by M Financial Investment Advisers, Inc. (MFIA), with Brandes Investment Partners, L.P. subadvising the Brandes International Equity Fund, Iridian Asset Management LLC subadvising the Business Opportunity Value Fund, Frontier Capital Management Company, LLC subadvising the Frontier Capital Appreciation Fund, and Turner Investment Partners, Inc. subadvising the Turner Core Growth Fund.

BRANDES INTERNATIONAL EQUITY FUND: Long-term capital appreciation.

BUSINESS OPPORTUNITY VALUE FUND: Long-term capital appreciation.

FRONTIER CAPITAL APPRECIATION FUND: Maximum capital appreciation.

TURNER CORE GROWTH FUND: Long-term capital appreciation.

MFS(R) VARIABLE INSURANCE TRUST, advised by Massachusetts Financial Services Company

CAPITAL OPPORTUNITIES SERIES (INITIAL CLASS): Capital appreciation.

EMERGING GROWTH SERIES (INITIAL CLASS): Long-term growth.

TOTAL RETURN SERIES (INITIAL CLASS): Growth and income.

UTILITIES SERIES (INITIAL CLASS): Growth and income.

NEUBERGER BERMAN ADVISERS MANAGEMENT TRUST, advised by Neuberger Berman

MID-CAP GROWTH PORTFOLIO (I CLASS): Capital appreciation.

REGENCY PORTFOLIO (I CLASS): Long-term growth.

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SCUDDER INVESTMENT VIT FUNDS, advised by Deutsche Asset Management, Inc. and subadvised by Northern Trust Investments, Inc.

EAFE(R) EQUITY INDEX FUND (CLASS A): Capital appreciation.

EQUITY 500 INDEX FUND (CLASS A): Capital appreciation.

SMALL CAP INDEX FUND (CLASS A): Capital appreciation.

FUND WITHDRAWAL AND SUBSTITUTION

Lincoln Life may withdraw funds and substitute shares of other funds if:

- 1) the shares of any fund should no longer be available for investment by the Separate Account; or
- 2) 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. We will endorse your policy as required to reflect any withdrawal or substitutions. Substitute funds may have higher charges than the funds being replaced.

VOTING RIGHTS

The 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 of our Sub-Account invested 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.

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 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, and other expenses incurred by the funds (including 12b-1 fees for Class 2 shares and other expenses). Values in the Sub-Accounts are reduced by these charges. Future fund expenses may vary. Detailed information about charges and expenses 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 underlying investment option subject to the charge.

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The monthly deductions are made on the "monthly anniversary day," the date of issue 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.

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 deduct 8% from each premium payment in policy years 1-20 and 4% in policy years 21 and later. The premium payment, net of the premium load, is called the "net premium payment."

SURRENDER CHARGES

A surrender charge may apply if the policy is totally surrendered or has a decrease in the specified amount of 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.

The surrender charge varies by age of the insured, the number of years since the date of issue or the date of an increase in specified amount, and the specified amount. The surrender charge will never exceed \$49.12 per \$1,000 of specified amount. A personalized schedule of surrender charges is included in each policy. You may obtain more information about the surrender charges that would apply to your policy by requesting a personalized illustration from your insurance representative.

The duration of the surrender charge is 15 years for full surrenders and 10 years for decreases 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 15 years following policy issue, or any increase in specified amount.

Upon either a full surrender of the policy or a decrease in specified amount, the charge will be subject to the following conditions:

A. For decreases in specified amount, excluding full surrender of the policy, no surrender charge will be applied where the decrease:

- 1) occurs after the tenth policy anniversary following issue of the initial specified amount; or
- 2) is directly caused by a death benefit option change; or
- 3) is caused by a partial surrender; or
- 4) when added to the sum of all prior decreases, does not exceed 25% of the initial specified amount.

B. For all other decreases, the charge will be calculated as 1) minus 2), then divided by 3) and then multiplied by 4), where:

- 1) is the amount of this decrease plus any prior decreases;
- 2) is the greater of an amount equal to 25% of the initial specified amount or the sum of all prior decreases;

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- 3) is the initial specified amount; and
- 4) is the then applicable surrender charge from the schedule in the policy.

We may limit requests for decreases in specified amount, to the extent there is insufficient value to cover the necessary surrender charges.

If you increase the specified amount, a new surrender charge will be applicable to each increase. This charge is in addition to any surrender charge on the existing specified amount. Upon an increase in specified amount, we will send you supplemental policy specifications reflecting the maximum additional surrender charge.

Upon full surrender of your policy following a policy decrease, the surrender charge will be calculated as the entire amount shown in the policy specifications, multiplied by one minus the percentage of the initial specified amount for which a surrender charge was previously assessed. The charge assessed upon a full surrender will not exceed the policy's value.

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.

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

PARTIAL SURRENDER FEE

No surrender charge is imposed on a partial surrender, but an administrative fee of 2% of the amount withdrawn, not to exceed \$25, is imposed. This fee is allocated pro rata among the Sub-Accounts and the Fixed Account from which the partial surrender proceeds are taken.

FUND TRANSFER FEE

For each transfer request in excess of 24 made during any policy year, we will charge you an administrative fee of \$25. This fee is currently being waived, but we reserve the right to charge it.

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 current charge is the guaranteed effective annual rate of 0.50% in policy years 1-10 and 0.20% in policy years 11 and beyond.

FIXED ACCOUNT ASSET CHARGE

We assess a daily Fixed Account asset charge, which is calculated as a percentage of the value of the Fixed Account. The charge is guaranteed at an effective annual rate of 0.50% of the Fixed Account's value in all years. The current charge is 0.50% in years 1-10 and 0.20% in years 11 and beyond.

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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 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 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 is determined monthly by dividing the death benefit at the beginning of the policy month by 1 plus .0032737 (the monthly equivalent of an effective annual rate of 4%), 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 in all years.

For the first ten policy years from issue date or increase in specified amount, there is an additional charge that varies with the insured's age. A table of these expense charges is included in each policy. This charge will never exceed \$0.54 per \$1000 of initial specified amount or increase in specified amount. This fee 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.

POLICY LOAN INTEREST

If you borrow against your policy, interest will be charged to the Loan Account value. The annual effective interest rate is 5.5% in years 1-10 and 4.5% in years 11 and beyond. We will credit 4.5% interest on the Loan Account value in all years.

RIDER CHARGES

Waiver of Monthly Deductions. 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 rate factor. The rate factor varies by the age and gender of the insured. The maximum rate factor is 12%. If you have elected this rider, a table of rate factors appears on the rider pages in your policy.

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

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CASE EXCEPTIONS

Charges and fees may be reduced in some circumstances where policies are purchased by corporations and other groups or sponsoring organizations on a multiple-life case basis.

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 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
- combine the Separate Account with another separate account

We will notify you of any change that is made.

The policy includes policy specifications pages, with supporting schedules. These pages and schedules provide important information about your policy such as: the identity of the insured and owner; date of issue; the initial specified amount; the death benefit option selected; issue age; named beneficiary; initial premium payment; surrender charges; expense charges and fees; 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.

The date of issue is the date on which we begin life insurance coverage. This is the date from which policy years, policy anniversary 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.

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We allow telephone and other electronic transactions when you provide us authorization to do so. 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 underwriting category, age, and gender 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 18 and at most age 85. Age will be determined by the nearest birthday of the insured.

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 and death benefit option;
- 2) optional No Lapse protection and riders;
- 3) the amount and frequency of premium payments; and
- 4) the amount of net premium payment to be placed in the selected Sub-Accounts or the Fixed Account.

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, 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 you sign them.

RIGHT-TO-EXAMINE PERIOD

You may return your policy to us for cancellation within 45 days of the date the application is signed or 10 days after you receive the policy (60 days for policies issued in replacement of other insurance). This is called the right-to-examine period. If the policy is returned for cancellation within the right-to-examine period, we will refund to you all premium payments. If a premium payment was made by check, there may be a delay until the check clears.

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

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in your application. If the policy is returned for cancellation within the right-to-examine period, we will return the full amount of any premium payments made.

INITIAL SPECIFIED AMOUNT

You will select the initial specified amount of death benefit on the application. This may not be less than \$100,000. 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.

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.

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.

LIMITS ON FREQUENT TRANSFERS

Your policy is not designed to serve as a vehicle for frequent trading in response to short-term fluctuations in the market. Such frequent trading can disrupt the management of a fund; increase trading and transaction costs and raise expenses; disrupt planned investment strategies; force unplanned portfolio turnover and adversely affect fund performance through asset swings that decrease the fund's ability to provide maximum investment return to all policy owners. Accordingly, organizations and individuals that use market-timing investment strategies and make frequent transfers should not purchase this policy.

We periodically monitor the frequency and dollar amounts of trades to identify market-timing activity. If we believe we have identified market-timing activity, we will restrict transfers. We reserve the right to restrict, in our discretion and without prior notice, transfers initiated by an individual, market-timing organization or other party authorized

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to give transfer instructions on behalf of multiple policy owners. Such restrictions include, but are not limited to:

- 1) requiring that all transfer requests be made only through regular U.S. mail; and
- 2) not accepting transfer instructions from an agent acting on behalf of more than one policy owner; and
- 3) not accepting preauthorized transfer forms from market-timers or other entities acting on behalf of more than one policy owner at a time.

We further reserve the right to impose, without prior notice, restrictions on any transfers that we determine will disadvantage or potentially hurt the rights or interests of other policy owners or harm the funds. Transfer requests may be subject to additional terms and conditions imposed by the funds.

We will notify you in writing if we have restricted or refused any of your transfer requests. We apply these limitations to all policy owners in a consistent manner.

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.

DOLLAR COST AVERAGING systematically transfers specified dollar amounts from the Money Market Sub-Account or the Fixed Account. Transfer allocations may be made to one or more of the Sub-Accounts (not the Fixed Account) on a monthly basis. These transfers do not count against the free transfers available. Dollar cost averaging can only be elected at the time your policy is issued. 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.

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) one week after our Administrative Office receives a request for termination in writing or by telephone, with adequate authentication;
- (3) on the first policy anniversary; or
- (4) if your policy is surrendered.

AUTOMATIC REBALANCING periodically restores to a pre-determined level the percentage of policy value allocated to the Fixed Account and each Sub-Account. 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 and Fixed Account will be subject to automatic rebalancing.

Automatic rebalancing is available only on a quarterly basis. Automatic rebalancing may be elected, terminated or the allocation may be changed at any time, by contacting our Administrative Office.

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RIDERS

We may offer you riders to your policy from time to time. Riders may alter the benefits or charges in your policy, and their election may have tax consequences to you. Also, if you elect a particular rider, it may restrict the terms of your policy, or of other riders in force. Consult your financial and tax advisers before adding riders to, or deleting them from, your policy.

NO-LAPSE ENHANCEMENT RIDER: This rider provides you with additional protection to prevent a lapse in your policy. If you meet the requirements of this rider, your policy will not lapse, even if the net accumulation value under the policy is insufficient to cover the monthly deductions. It is a limited benefit in that it does not provide any additional death benefit amount or any increase in your cash value. Also, it does not provide any type of market performance guarantee.

Under this rider, your policy will not lapse as long as the rider no-lapse value, less any indebtedness, is greater than zero.

The rider no-lapse value is a reference value only and is not used in determining the actual cash value or death benefit provided by the policy. We calculate the rider no-lapse value in a fashion similar to the accumulation value, but use unique no-lapse interest rates, no-lapse cost of insurance rates, and no-lapse administrative fees. We fix these unique no-lapse variables at issue for the life of the policy. Refer to the No-Lapse Enhancement Rider form issued with your policy for detailed information about the actual variables applicable to your policy.

We will automatically issue this rider with your policy.

This rider requires that automatic rebalancing be maintained to remain in effect.

Under this rider, we reserve the right to restrict your allocation to certain Sub-Accounts to a maximum of 40% of the policy accumulation value. If such a restriction is put in place in the future, you will be notified in writing, and advised of the steps you will need to take, if any, in order to keep the rider in effect.

The duration of the lapse protection provided by this rider may be reduced if:

- 1) premiums or other deposits are not received on or before their due date; or
- 2) you initiate any policy change that decreases the no-lapse value under the policy. These include, but are not limited to, partial surrenders, loans, increases in specified amount, changes in death benefit option, electing to cancel automatic rebalancing, and changes in asset allocation.

This rider and all rights provided under it will terminate automatically upon the earliest of the following:

- 1) the insured reaches age 100; or
- 2) surrender or termination of the policy; or
- 3) automatic rebalancing is discontinued; or
- 4) an allocation restriction requirement is not met within 61 days of notification to you of such a requirement.

If your policy is reinstated, this rider cannot be reinstated. If this rider terminates, it cannot be reinstated.

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

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covered monthly deductions during periods of disability. Charges for this rider, if elected, are part of the monthly deductions.

ACCOUNTING VALUE RIDER: If desired, you must select this rider when you initially apply for insurance. You must meet the underwriting and minimum premium requirements for this rider. If your policy is fully surrendered in the first five policy years, this rider provides enhanced cash surrender values by using a table of alternate surrender charges. The rider does not provide for enhanced cash surrender value for partial surrenders and loans. There is no charge for this rider.

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.

ESTATE TAX REPEAL RIDER: If desired, you must select this rider when you initially apply for insurance. In the event of federal estate tax repeal as set forth in the Economic Growth and Tax Relief Reconciliation Act of 2001 (H.R. 1836) being extended, this rider allows you to cancel your policy for an amount equal to the surrender value of the policy plus the applicable surrender charge. There is a one-time \$250 charge at issue for this rider.

For purposes of this rider, estate tax repeal will be deemed to have occurred if federal legislation is enacted into law that extends the estate tax repeal provisions set forth in the Economic Growth and Tax Reconciliation Act of 2001 (H.R. 1836) at least two years beyond January 1, 2011. This new legislation must be in effect on January 1, 2010. The start date for this rider (the date that begins the 12-month "window" for you to exercise the rider) is the later of January 1, 2010, or the date in 2010 upon which legislation is enacted that triggers estate tax repeal, but no later than December 31, 2010.

This rider terminates on the earliest of:

- 1) one year from the start date;
- 2) December 31, 2010, provided no Estate Tax Repeal, as defined above, has been enacted;
- 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) or 2) above.

CONTINUATION OF COVERAGE

If the insured is still living at age 100, and the policy has not been surrendered, the policy will remain in force until surrender or death of the insured. There are certain changes that will take place:

- 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; and
- 4) we will no longer transfer amounts to the Sub-Accounts.

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TERMINATION OF COVERAGE

All policy coverage terminates on the earliest of:

- 1) 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.

STATE REGULATION

New York regulations will govern whether or not certain features, riders, charges and fees will be allowed in your policy.

PREMIUMS

You may select and vary the frequency and the amount of premium payments and the allocation of net premium payments. After the initial premium payment is made there is no minimum premium required, except to keep the policy in force. Premiums may be paid anytime before the insured reaches age 100.

The initial premium must be paid for policy coverage to be effective. This payment must be equal to or exceed the amount necessary to provide for two monthly deductions.

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.

You first designate the allocation of net premium payments among the Sub-Accounts and Fixed Account on the application. 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 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. 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.

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 death benefit 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. The excess amount of premium will be returned to you.

POLICY VALUES

Policy value in a 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; and

5) 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. This is also referred to as the variable accumulation value.

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.

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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.

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 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 0.012217% (equivalent to a compounded annual rate of 4.5%) or a higher rate determined by the Company.

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 4.5%.

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.

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.

DEATH BENEFIT OPTIONS

Two different death benefit options are available. Regardless of which death benefit option you choose, the death benefit proceeds payable will be the greater of:

- 1) the amount determined by the death benefit option in effect on the date of the death of the insured, less any indebtedness; or
- 2) a percentage of the accumulation value equal to that required by the Internal Revenue Code to maintain the policy as a life insurance policy. A schedule of these percentages is in your policy.

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

<Table>	<Caption>	DEATH BENEFIT PROCEEDS EQUAL TO THE	VARIABILITY
OPTION	<S>	<C>	<C>
1	Specified amount (a minimum of \$100,000)	Specified amount (a minimum of \$100,000)	None; level death benefit
2		Sum of the specified amount plus the net accumulation value as of the date of the insured's death.	May increase or decrease over time, depending on the amount of premium paid and the investment performance of the underlying Sub-Accounts or the Fixed Account.

</Table>

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If for any reason the owner does not elect a particular death benefit option, Option 1 will apply until changed by the owner.

CHANGES TO THE INITIAL SPECIFIED AMOUNT AND DEATH BENEFIT OPTIONS

Within certain limits, you may decrease 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 by the owner, subject to our consent, as long as the policy is in force.

You must submit all requests for changes among death benefit options 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>	IMPACT
OPTION CHANGE	<S>	<C>
1 to 2		The specified amount will be reduced by the accumulation value as of the effective date of change.
2 to 1		The specified amount will be increased by the accumulation value as of the effective date of change.

</Table>

Any reductions 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 change of the death benefit option or reduction of the 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 guideline premium test.

The guideline premium test provides for a maximum amount of premium paid in relation to the death benefit and a minimum amount of death benefit in relation to policy value. As a result, we may increase the policy's death benefit above the specified amount in order to satisfy the guideline premium test. If the increase in the policy's death benefit causes an increase in the net amount at risk, charges for the cost of insurance 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. 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 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.

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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.

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 less any applicable surrender charge, less any accrued loan interest not yet charged.

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 days of our receipt of your request.

At any time, you may transfer all of the Separate Account value to the Fixed Account and then surrender the policy for reduced guaranteed nonparticipating paid-up insurance. No monthly administrative fees will apply to such paid-up insurance. The amount of paid-up insurance will be that which the surrender value will purchase as a net single premium at the insured's then attained age, using the guaranteed interest and mortality basis of the original policy. The paid-up insurance will not include any additional benefits provided by rider under the original policy.

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, if previously authorized. 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.

Partial surrenders may reduce the accumulation value and the specified amount. The amount of the partial surrender and our administrative fee 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>	
<Caption>	
DEATH BENEFIT	
OPTION IN EFFECT	IMPACT OF PARTIAL SURRENDER
-----	-----
<S>	<C>
1	Will reduce the accumulation value and the specified amount.
2	Will reduce the accumulation value, but not the specified amount.

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

We may at our discretion decline any request for a partial surrender.

POLICY LOANS

You may 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.

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 (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 at an effective annual rate of 5.5% in policy years 1-10 and 4.5% 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 4.5% in all years, so the net cost of your policy loan is 1% in policy years 1-10 and 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.

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 Enhancement Rider are preventing policy termination. If your policy lapses while a loan is outstanding, there may be adverse tax consequences.

LAPSE AND REINSTATEMENT

If at any time the net accumulation value is insufficient to pay the monthly deduction, unless the provisions of the No-Lapse Enhancement Rider are preventing policy termination, 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;

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- 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 payable under the terms of the policy.

NO LAPSE PROVISION

Your policy includes the No-Lapse Enhancement Rider. This means that your policy will not lapse as long as the rider no-lapse value, less any indebtedness, is greater than zero.

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

There is no charge for this feature.

REINSTATEMENT OF A LAPSED POLICY

If your policy has lapsed, 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;
- 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.

The reinstated policy will be effective as of the monthly anniversary day after 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

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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 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 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, 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 do not apply this test to 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 not issued 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 a "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.

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).

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 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 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 any withdrawal from the policy will generally be treated first as a non-taxable recovery of premium

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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 used to measure charges the policy, which ends at age 100, 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, and, if the premium payments during a policy year exceed those permitted by the tax law, we will refund the excess premiums within 60 days of the end of the policy year and will pay interest and other earnings (which will be includible in income subject to tax) as required by law on the amount refunded. We also reserve the right to increase the death benefit (which may result in larger charges under a policy) or to take any other action deemed necessary to maintain compliance of the policy with the federal tax definition of life insurance.

DISALLOWANCE OF INTEREST DEDUCTIONS. 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-percent 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.

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.

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. 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.

LEGAL PROCEEDINGS

Lincoln Life is involved in various pending or threatened legal proceedings 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 ultimately will be resolved without materially affecting the financial position of Lincoln Life, the Separate Account or the Principal Underwriter.

FINANCIAL STATEMENTS

Financial statements of the Separate Account and financial statements of the Company are located in the SAI.

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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).

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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) 942-8090 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, 450 Fifth Street, NW, Washington, D.C. 20549-0102.

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

Lincoln Life & Annuity Flexible Premium Variable Life Account M
1933 Act Registration No. 333-115839
1940 Act Registration No. 811-08559

END OF PROSPECTUS

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STATEMENT OF ADDITIONAL INFORMATION (SAI)

DATED AUGUST 12, 2004
RELATING TO PROSPECTUS DATED AUGUST 12, 2004 FOR

LINCOLN MOMENTUM VUL(ONE) PRODUCT

LINCOLN LIFE & ANNUITY FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M, REGISTRANT

LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK, 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.

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

Client Service Center, MVL-1
350 Church Street
Hartford, CT 06103-1106;

or by telephoning 1-800-444-2363, and requesting a copy of the Lincoln NY Momentum VUL(ONE) product prospectus.

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GENERAL INFORMATION

LINCOLN LIFE

Lincoln Life & Annuity Company of New York ("Lincoln Life", "the Company", "we", "us", "our") (EIN 16-1505436) is a New York-domiciled life insurance company founded on June 6, 1996. Lincoln Life is a subsidiary of The Lincoln National Life Insurance Company (LNLIC), an Indiana-domiciled insurance corporation engaged primarily in the direct issuance of life insurance contracts and annuities. LNLIC 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.

Lincoln Financial Group is the marketing name for Lincoln National Corporation (NYSE:LNC) and its affiliates. Through its wealth accumulation and protection businesses, the company provides annuities, life insurance, 401(k) and 403(b) plans, 529 college savings plans, mutual funds, managed accounts, institutional investment and financial planning and advisory services.

Lincoln Life is subject to the laws of New York governing insurance companies and to regulation by the New York Insurance Department ("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 \$25 million and an annual policy aggregate limit of \$50 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 Insurance Department. The Insurance Department 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.

In the event of a material change in the investment strategy of any Sub-Account, you may transfer the amount in that Sub-Account to any other Sub-Account or the Fixed Account, without a transfer charge, even if the 24 free transfers have already been used.

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You must exercise this option to transfer within 60 days after the effective date of such a change in the investment strategy of the Sub-Account.

PRINCIPAL UNDERWRITER

Lincoln Financial Advisors Corporation ("LFA"), 1300 S. Clinton Street, Fort Wayne, IN 46802, an affiliate of Lincoln Life, is the principal underwriter for the policies, which are offered continuously. LFA 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 National Association of Securities Dealers ("NASD"). The principal underwriter has overall responsibility for establishing a selling plan for the policies.

DISASTER PLAN

We have assigned full-time staff devoted to the development of business continuity plans in conjunction with a national vendor. In addition, we have a site available in which to recover our critical business functions in the event of a disaster. We also conduct tests of our capabilities and plans in the event of a disaster.

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.

SERVICES

ADMINISTRATIVE SERVICES

Lincoln Life & Annuity Company of New York is an affiliate of The Lincoln National Life Insurance Company, 1300 South Clinton Street, Fort Wayne, Indiana 46802, which provides administrative services for the policies. The Lincoln National Life Insurance Company receives no direct compensation for these services.

INDEPENDENT AUDITORS

The financial statements of the Separate Account and the financial statements of Lincoln Life appearing in this SAI and Registration Statement have been audited by Ernst & Young LLP, independent auditors, 2300 National City Center, 110 West Berry Street, Fort Wayne, Indiana 46802, as set forth in their reports, also appearing elsewhere 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.

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ACCOUNTING SERVICES

We have entered into an agreement with the Delaware Service Company, Inc., 2005 Market Street, Philadelphia, PA, 19203, 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 \$500,000 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

CASE EXCEPTIONS

This policy is available for purchase by corporations and other groups or

sponsoring organizations on a multiple-life case basis. 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 recorded at our Administrative Office. We will not be responsible for any assignment that is not submitted for recording, 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 recorded and any interest accrued on such indebtedness after we have recorded any assignment.

Once recorded, the assignment remains effective until released by the assignee in writing. As long as an effective assignment remains outstanding, the owner will not be

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permitted to take any action with respect to the policy without the consent of the assignee in writing.

CHANGE OF OWNERSHIP

As long as the insured is living, you may name a new owner by recording a change in ownership in writing at our Administrative Office. The change will be effective the later of the date of execution of the document of transfer and subject to receipt by the Company. We may require that the policy be submitted to us for endorsement before making a change.

BENEFICIARY

The beneficiary is initially designated on the application 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 recorded 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 not reserved the right to change the beneficiary, such a request requires the consent of the beneficiary. The change will be effective as of the date of signature and subject to receipt by the Company.

If any beneficiary dies before the insured, the beneficiary's potential interest shall pass to any surviving beneficiaries, 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.

CHANGE OF PLAN

Within 18 months of the date we issue your policy, you may exchange your policy without any evidence of insurability, for any one of the permanent life insurance policies then being issued by the Company which belong to the same class as this policy. Your request for exchange must be in writing. Unless agreed otherwise, the new policy will have the same initial amount of insurance, date of issue and age of the insured as the original policy.

SETTLEMENT OPTIONS

You may elect or change a settlement option while the insured is alive. If you have not irrevocably selected a settlement option, the beneficiary may elect to change the settlement option within 90 days after the insured dies. If no settlement option is selected, the death benefit proceeds will be paid in a lump sum.

If you assign your policy as collateral security, we will pay any amount due the assignee in one lump sum. We will pay any remaining death benefit proceeds as elected.

Your written request to elect, change, or revoke a settlement option must be received in our Administrative Office before payment of the lump sum or any settlement option is initiated. The first payment of the settlement option selected will become payable on the date proceeds are settled. Payments after the first payment will be made on the first day

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of each month. Once payments have begun, the policy cannot be surrendered and neither the payee nor the settlement option may be changed.

You have at least four settlement options:

- 1) an annuity for the lifetime of the payee;
- 2) an annuity for the lifetime of the payee, with monthly payments guaranteed for 60, 120, 180, or 240 months;
- 3) monthly payments for a stated number of years, at least five but no more than thirty.
- 4) payment of a maximum of 3% interest annually on the sum left on deposit.

We may offer you or your beneficiary additional settlement options in the future.

DEFERRAL OF PAYMENTS

Amounts payable as a result of loans, surrenders or partial surrenders will generally be made within seven days of our receipt of such a request. In the event of a deferral of a surrender, loan or payment of the death benefit proceeds beyond ten days from receipt of the request, interest will accrue and be paid as required by law. 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.

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.

MISSTATEMENT OF AGE OR GENDER

If the age or gender of the insured has been misstated, benefits will be adjusted based on the following values:

- 1) the net amount at risk at the time of the insured's death;
- 2) the ratio of the monthly cost of insurance applied in the policy month of death to the monthly cost of insurance that should have been applied at the true age and gender in the policy month of death; and
- 3) the accumulation value at the time of the insured's death.

The amount of death benefit proceeds will be 1. multiplied by 2. and then the result added to 3.

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 an application is accepted for an 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.

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ADDITIONAL INFORMATION ABOUT CHARGES

SURRENDER CHARGES

The initial maximum surrender charge is calculated as (a) plus (b), with that result not to exceed (c), minus (d), where

- (a) is 1.25 times the curtate net level premium for the specified amount of insurance, calculated using the 1980 Commissioners Standard Ordinary mortality table and 4% interest;
- (b) is \$10 per \$1000 of specified amount;

- (c) is \$50 per \$1000 of specified amount; and
- (d) is the total of the per thousand charges assessed in the first two years.

Algebraically, this formula is equivalent to $\text{Min}\{a+b,c\} - d$.

The maximum surrender charge decreases from its initial amount during the first 15 years. In general terms, the initial maximum surrender charge is amortized in proportion to a 15 year life contingent annuity due. In formulas, the maximum surrender charge at a point in time "t" years after issue is (a) times (b), where

- (a) is the initial maximum surrender charge; and
- (b) is the ratio of a life contingent annuity due beginning at time t and ending 15 years after issue, divided by a life contingent annuity due beginning at issue and ending 15 years after issue, both calculated using the 1980 Commissioners Standard Ordinary mortality table and 4% interest.

The actual surrender charge may be less than the maximum surrender charge, and is included in each policy. No surrender charge is applied in the 16th policy year or beyond.

FINANCIAL STATEMENTS

The December 31, 2003 financial statements of the Separate Account and financial statements of the Company follow.

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LINCOLN LIFE & ANNUITY FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M

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LINCOLN LIFE & ANNUITY FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M

STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 2003

<Table>

<Caption>

SUBACCOUNT	INVESTMENTS	CONTRACT PURCHASES DUE FROM LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK	TOTAL ASSETS
<S>	<C>	<C>	<C>
AIM V.I. Capital Appreciation	\$ 282,891	\$ --	\$ 282,891
AIM V.I. Diversified Income	213,777	--	213,777
AIM V.I. Growth	828,289	--	828,289
AIM V.I. International Growth	42,408	--	42,408
AIM V.I. Premier Equity	1,431,325	--	1,431,325
ABVPSF Growth and Income	107,161	--	107,161
ABVPSF Premier Growth	48,254	--	48,254
ABVPSF Small Cap Value	94,794	1	94,795
ABVPSF Technology	3,188	--	3,188
American Funds Global Small Capitalization Class 2	79,068	--	79,068
American Funds Growth Class 2	1,100,624	3	1,100,627
American Funds Growth -- Income Class 2	789,595	2	789,597
American Funds International Class 2	90,474	2	90,476
Baron Capital Asset	96,828	--	96,828
Delaware VIPT Emerging Markets	42,714	--	42,714
Delaware VIPT High Yield	183,090	--	183,090
Delaware VIPT Large Cap Value	86,374	2	86,376
Delaware VIPT REIT	250,158	1	250,159
Delaware VIPT Small Cap Value	662,232	A --	662,232
Delaware VIPT Trend	445,193	--	445,193
Delaware VIPT U.S. Growth	9,969	--	9,969
Fidelity VIP Asset Manager	186,626	--	186,626
Fidelity VIP Contrafund Service Class	586,996	2	586,998
Fidelity VIP Equity-Income	302,153	--	302,153
Fidelity VIP Equity-Income Service Class	217,895	--	217,895
Fidelity VIP Growth Service Class	246,729	2	246,731
Fidelity VIP Growth Opportunities Service Class	39,580	--	39,580
Fidelity VIP High Income Service Class	60,780	--	60,780
Fidelity VIP Investment Grade Bond	299,871	--	299,871
Fidelity VIP Overseas Service Class	41,507	--	41,507

<Caption>

SUBACCOUNT	CONTRACT REDEMPTIONS DUE TO LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK	MORTALITY & EXPENSE GUARANTEE CHARGES PAYABLE TO LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK	NET ASSETS
------------	---	---	------------

<S>	<C>	<C>	<C>
AIM V.I. Capital Appreciation	\$ 77	\$ 6	\$ 282,808
AIM V.I. Diversified Income	--	5	213,772
AIM V.I. Growth	58	18	828,213
AIM V.I. International Growth	--	1	42,407
AIM V.I. Premier Equity	--	31	1,431,294
ABVPSF Growth and Income	--	2	107,159
ABVPSF Premier Growth	--	1	48,253
ABVPSF Small Cap Value	--	2	94,793
ABVPSF Technology	--	--	3,188
American Funds Global Small Capitalization Class 2	--	2	79,066
American Funds Growth Class 2	--	24	1,100,603
American Funds Growth -- Income Class 2	--	17	789,580
American Funds International Class 2	--	2	90,474
Baron Capital Asset	--	2	96,826
Delaware VIPT Emerging Markets	--	1	42,713
Delaware VIPT High Yield	--	4	183,086
Delaware VIPT Large Cap Value	--	2	86,374
Delaware VIPT REIT	--	5	250,154
Delaware VIPT Small Cap Value	--	14	662,218
Delaware VIPT Trend	94	10	445,089
Delaware VIPT U.S. Growth	--	--	9,969
Fidelity VIP Asset Manager	--	4	186,622
Fidelity VIP Contrafund Service Class	--	12	586,986
Fidelity VIP Equity-Income	--	7	302,146
Fidelity VIP Equity-Income Service Class	--	5	217,890
Fidelity VIP Growth Service Class	--	5	246,726
Fidelity VIP Growth Opportunities Service Class	--	1	39,579
Fidelity VIP High Income Service Class	--	1	60,779
Fidelity VIP Investment Grade Bond	--	7	299,864
Fidelity VIP Overseas Service Class	--	1	41,506

See accompanying notes

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<Table>

<Caption>

SUBACCOUNT	CONTRACT PURCHASES DUE FROM LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK			TOTAL ASSETS
	INVESTMENTS			
<S>	<C>	<C>	<C>	
FTVIPT Franklin Small Cap	\$ 75,774	\$ --	\$ 75,774	
FTVIPT Templeton Foreign Securities	222,769	--	222,769	
FTVIPT Templeton Foreign Securities Class 2	77,165	--	77,165	
FTVIPT Templeton Global Asset Allocation	31,551	--	31,551	
FTVIPT Templeton Growth Securities	131,102	--	131,102	
FTVIPT Templeton Growth Securities Class 2	37,777	--	37,777	
Janus Aspen Series Balanced	323,491	--	323,491	
Janus Aspen Series Balanced Service Shares	166,653	--	166,653	
Janus Aspen Series Global Technology Service Shares	27,325	--	27,325	
Janus Aspen Series Mid Cap Growth Service Shares	36,756	--	36,756	
Janus Aspen Series Worldwide Growth	286,852	--	286,852	
Janus Aspen Series Worldwide Growth Service Shares	70,895	--	70,895	
Lincoln VIPT Bond	1,126,993	--	1,126,993	
Lincoln VIPT Capital Appreciation	21,209	--	21,209	
Lincoln VIPT Equity-Income	17,376	--	17,376	
Lincoln VIPT Global Asset Allocation	39,653	--	39,653	
Lincoln VIPT International	17,396	--	17,396	
Lincoln VIPT Money Market	5,540,562	--	5,540,562	
Lincoln VIPT Social Awareness	9,544	--	9,544	
MFS VIT Capital Opportunities	774	--	774	
MFS VIT Emerging Growth	427,305	--	427,305	
MFS VIT Total Return	653,253	--	653,253	
MFS VIT Utilities	405,348	--	405,348	
NB AMT Mid-Cap Growth	377,625	1	377,626	
NB AMT Partners	89,788	--	89,788	
NB AMT Regency	16,610	--	16,610	
OCC Accumulation Global Equity	89,555	--	89,555	
OCC Accumulation Managed	56,382	--	56,382	
Putnam VT Growth & Income Class IB	49,449	--	49,449	
Putnam VT Health Sciences Class IB	33,329	--	33,329	
Scudder VIT EAFE Equity Index	89,911	--	89,911	
Scudder VIT Equity 500 Index	1,434,042	--	1,434,042	
Scudder VIT Small Cap Index	250,584	--	250,584	

<Caption>

MORTALITY & EXPENSE
CONTRACT REDEMPTIONS GUARANTEE CHARGES

SUBACCOUNT	DUE TO LINCOLN LIFE	PAYABLE TO LINCOLN LIFE	NET ASSETS
	& ANNUITY COMPANY OF NEW YORK	& ANNUITY COMPANY OF NEW YORK	
<S>	<C>	<C>	<C>
FTVIPT Franklin Small Cap	\$ --	\$ 2	\$ 75,772
FTVIPT Templeton Foreign Securities	--	5	222,764
FTVIPT Templeton Foreign Securities Class 2	--	2	77,163
FTVIPT Templeton Global Asset Allocation	--	1	31,550
FTVIPT Templeton Growth Securities	125	3	130,974
FTVIPT Templeton Growth Securities Class 2	--	1	37,776
Janus Aspen Series Balanced	--	7	323,484
Janus Aspen Series Balanced Service Shares	--	4	166,649
Janus Aspen Series Global Technology Service Shares	--	1	27,324
Janus Aspen Series Mid Cap Growth Service Shares	--	1	36,755
Janus Aspen Series Worldwide Growth	--	6	286,846
Janus Aspen Series Worldwide Growth Service Shares	--	2	70,893
Lincoln VIPT Bond	--	24	1,126,969
Lincoln VIPT Capital Appreciation	--	--	21,209
Lincoln VIPT Equity-Income	--	--	17,376
Lincoln VIPT Global Asset Allocation	--	1	39,652
Lincoln VIPT International	--	--	17,396
Lincoln VIPT Money Market	--	119	5,540,443
Lincoln VIPT Social Awareness	--	--	9,544
MFS VIT Capital Opportunities	--	--	774
MFS VIT Emerging Growth	61	9	427,235
MFS VIT Total Return	--	14	653,239
MFS VIT Utilities	--	9	405,339
NB AMT Mid-Cap Growth	--	8	377,618
NB AMT Partners	--	2	89,786
NB AMT Regency	--	--	16,610
OCC Accumulation Global Equity	--	2	89,553
OCC Accumulation Managed	--	1	56,381
Putnam VT Growth & Income Class IB	--	1	49,448
Putnam VT Health Sciences Class IB	--	1	33,328
Scudder VIT EAFE Equity Index	--	2	89,909
Scudder VIT Equity 500 Index	--	31	1,434,011
Scudder VIT Small Cap Index	--	5	250,579

See accompanying notes.

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LINCOLN LIFE & ANNUITY FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2003

SUBACCOUNT	DIVIDENDS	MORTALITY AND	NET	NET REALIZED
	FROM	EXPENSE	INVESTMENT	GAIN (LOSS)
	INVESTMENT	GUARANTEE	INCOME	ON INVESTMENTS
	INCOME	CHARGES	(LOSS)	
<S>	<C>	<C>	<C>	<C>
AIM V.I. Capital Appreciation	\$ --	\$ (1,831)	\$ (1,831)	\$ (15,686)
AIM V.I. Diversified Income	12,836	(1,561)	11,275	(4,243)
AIM V.I. Growth	--	(5,355)	(5,355)	(79,909)
AIM V.I. International Growth	192	(311)	(119)	6,365
AIM V.I. Premier Equity	3,890	(9,643)	(5,753)	(78,841)
ABVPSF Growth and Income	667	(519)	148	377
ABVPSF Premier Growth	--	(303)	(303)	254
ABVPSF Small Cap Value	387	(494)	(107)	1,116
ABVPSF Technology	--	(64)	(64)	3,799
American Funds Global Small Capitalization Class 2	358	(468)	(110)	(138)
American Funds Growth Class 2	969	(6,277)	(5,308)	(7,332)
American Funds Growth -- Income Class 2	6,683	(4,521)	2,162	(5,241)
American Funds International Class 2	714	(249)	465	404
Baron Capital Asset	--	(604)	(604)	(1,636)
Delaware VIPT Emerging Markets	1,147	(322)	825	5,138
Delaware VIPT High Yield	9,692	(1,143)	8,549	1,078
Delaware VIPT Large Cap Value	192	(344)	(152)	205
Delaware VIPT REIT	5,438	(1,616)	3,822	6,196
Delaware VIPT Small Cap Value	1,696	(3,884)	(2,188)	3,442
Delaware VIPT Trend	--	(2,901)	(2,901)	(12,925)
Delaware VIPT U.S. Growth	8	(32)	(24)	57
Fidelity VIP Asset Manager	4,909	(1,256)	3,653	(2,120)
Fidelity VIP Contrafund Service Class	1,821	(3,842)	(2,021)	1,136
Fidelity VIP Equity-Income	4,617	(2,031)	2,586	(11,277)
Fidelity VIP Equity-Income Service Class	1,760	(1,051)	709	628
Fidelity VIP Growth Service Class	282	(1,386)	(1,104)	(2,913)

Fidelity VIP Growth Opportunities Service Class	171	(218)	(47)	(453)
Fidelity VIP High Income Service Class	3,781	(407)	3,374	391
Fidelity VIP Investment Grade Bond	10,968	(2,311)	8,657	5,807
Fidelity VIP Overseas Service Class	198	(220)	(22)	(39)
FTVIPT Franklin Small Cap	--	(392)	(392)	357
FTVIPT Templeton Foreign Securities	3,209	(1,378)	1,831	(18,009)
FTVIPT Templeton Foreign Securities Class 2	1,182	(528)	654	(8,134)
FTVIPT Templeton Global Asset Allocation	882	(236)	646	(472)
FTVIPT Templeton Growth Securities	1,549	(749)	800	(1,219)
FTVIPT Templeton Growth Securities Class 2	478	(253)	225	(6,530)

<Caption>

SUBACCOUNT	DIVIDENDS		NET CHANGE		NET INCREASE	
	FROM	NET REALIZED	IN UNREALIZED	NET REALIZED	(DECREASE)	IN NET ASSETS
	NET REALIZED	GAIN ON	APPRECIATION	GAIN (LOSS)	RESULTING	FROM OPERATIONS
	INVESTMENTS	INVESTMENTS	ON INVESTMENTS	ON INVESTMENTS	FROM OPERATIONS	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
AIM V.I. Capital Appreciation	\$ --	--	\$ (15,686)	\$ 76,788	\$ 59,271	
AIM V.I. Diversified Income	--	--	(4,243)	6,406	13,438	
AIM V.I. Growth	--	--	(79,909)	271,206	185,942	
AIM V.I. International Growth	--	--	6,365	10,794	17,040	
AIM V.I. Premier Equity	--	--	(78,841)	355,810	271,216	
ABVPSF Growth and Income	--	--	377	18,737	19,262	
ABVPSF Premier Growth	--	--	254	8,245	8,196	
ABVPSF Small Cap Value	923	--	2,039	23,286	25,218	
ABVPSF Technology	--	--	3,799	197	3,932	
American Funds Global Small Capitalization Class 2	--	--	(138)	26,865	26,617	
American Funds Growth Class 2	--	--	(7,332)	262,741	250,101	
American Funds Growth -- Income Class 2	--	--	(5,241)	168,874	165,795	
American Funds International Class 2	--	--	404	10,995	11,864	
Baron Capital Asset	--	--	(1,636)	21,675	19,435	
Delaware VIPT Emerging Markets	--	--	5,138	16,613	22,576	
Delaware VIPT High Yield	--	--	1,078	23,348	32,975	
Delaware VIPT Large Cap Value	--	--	205	11,232	11,285	
Delaware VIPT REIT	1,669	--	7,865	49,248	60,935	
Delaware VIPT Small Cap Value	--	--	3,442	174,475	175,729	
Delaware VIPT Trend	--	--	(12,925)	127,504	111,678	
Delaware VIPT U.S. Growth	--	--	57	921	954	
Fidelity VIP Asset Manager	--	--	(2,120)	21,653	23,186	
Fidelity VIP Contrafund Service Class	--	--	1,136	126,956	126,071	
Fidelity VIP Equity-Income	--	--	(11,277)	76,116	67,425	
Fidelity VIP Equity-Income Service Class	--	--	628	42,698	44,035	
Fidelity VIP Growth Service Class	--	--	(2,913)	54,049	50,032	
Fidelity VIP Growth Opportunities Service Class	--	--	(453)	8,079	7,579	
Fidelity VIP High Income Service Class	--	--	391	8,537	12,302	
Fidelity VIP Investment Grade Bond	3,859	--	9,666	(6,599)	11,724	
Fidelity VIP Overseas Service Class	--	--	(39)	11,218	11,157	
FTVIPT Franklin Small Cap	--	--	357	18,280	18,245	
FTVIPT Templeton Foreign Securities	--	--	(18,009)	65,415	49,237	
FTVIPT Templeton Foreign Securities Class 2	--	--	(8,134)	28,471	20,991	
FTVIPT Templeton Global Asset Allocation	--	--	(472)	7,991	8,165	
FTVIPT Templeton Growth Securities	--	--	(1,219)	28,875	28,456	
FTVIPT Templeton Growth Securities Class 2	--	--	(6,530)	15,091	8,786	

See accompanying notes.

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SUBACCOUNT	DIVIDENDS		MORTALITY AND		NET	
	FROM	INVESTMENT	EXPENSE	GUARANTEE	INVESTMENT	NET REALIZED
	INCOME	INCOME	CHARGES	CHARGES	INCOME	GAIN (LOSS)
					(LOSS)	ON INVESTMENTS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Janus Aspen Series Balanced	\$ 6,795	--	\$ (2,364)	--	\$ 4,431	\$ (3,353)
Janus Aspen Series Balanced Service Shares	2,162	--	(868)	--	1,294	(386)
Janus Aspen Series Global Technology Service Shares	--	--	(162)	--	(162)	(1,939)
Janus Aspen Series Mid Cap Growth Service Shares	--	--	(203)	--	(203)	39
Janus Aspen Series Worldwide Growth	2,705	--	(1,790)	--	915	(7,277)
Janus Aspen Series Worldwide Growth Service Shares	498	--	(475)	--	23	(1,613)
Lincoln VIPT Bond	44,369	--	(8,196)	--	36,173	11,464
Lincoln VIPT Capital Appreciation	--	--	(103)	--	(103)	(283)
Lincoln VIPT Equity-Income	144	--	(99)	--	45	(68)
Lincoln VIPT Global Asset Allocation	999	--	(241)	--	758	(43)
Lincoln VIPT International	247	--	(91)	--	156	92
Lincoln VIPT Money Market	36,044	--	(42,246)	--	(6,202)	--
Lincoln VIPT Social Awareness	74	--	(58)	--	16	6
MFS VIT Capital Opportunities	1	--	(4)	--	(3)	(5)
MFS VIT Emerging Growth	--	--	(2,860)	--	(2,860)	(53,038)

MFS VIT Total Return	7,870	(3,793)	4,077	(118)
MFS VIT Utilities	7,249	(2,567)	4,682	(14,241)
NB AMT Mid-Cap Growth	--	(2,467)	(2,467)	(9,267)
NB AMT Partners	--	(544)	(544)	(542)
NB AMT Regency	--	(54)	(54)	113
OCC Accumulation Global Equity	534	(644)	(110)	(9,193)
OCC Accumulation Managed	823	(364)	459	(1,021)
Putnam VT Growth & Income Class IB	479	(307)	172	146
Putnam VT Health Sciences Class IB	134	(202)	(68)	202
Scudder VIT EAFE Equity Index	2,524	(480)	2,044	4,076
Scudder VIT Equity 500 Index	12,094	(8,481)	3,613	(27,943)
Scudder VIT Small Cap Index	1,963	(1,555)	408	(260)

<Caption>

SUBACCOUNT	DIVIDENDS FROM NET REALIZED GAIN ON INVESTMENTS		NET REALIZED GAIN (LOSS) ON INVESTMENTS	NET CHANGE IN UNREALIZED APPRECIATION OR DEPRECIATION ON INVESTMENTS	NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS
	<C>	<C>	<C>	<C>	<C>
<S>	<C>	<C>	<C>	<C>	<C>
Janus Aspen Series Balanced	\$ --	\$ (3,353)	\$ 37,785	\$ 38,863	
Janus Aspen Series Balanced Service Shares	--	(386)	13,267	14,175	
Janus Aspen Series Global Technology Service Shares	--	(1,939)	10,142	8,041	
Janus Aspen Series Mid Cap Growth Service Shares	--	39	7,752	7,588	
Janus Aspen Series Worldwide Growth	--	(7,277)	58,533	52,171	
Janus Aspen Series Worldwide Growth Service Shares	--	(1,613)	13,605	12,015	
Lincoln VIPT Bond	9,407	20,871	6,064	63,108	
Lincoln VIPT Capital Appreciation	--	(283)	4,203	3,817	
Lincoln VIPT Equity-Income	--	(68)	3,885	3,862	
Lincoln VIPT Global Asset Allocation	--	(43)	5,174	5,889	
Lincoln VIPT International	--	92	3,592	3,840	
Lincoln VIPT Money Market	--	--	--	(6,202)	
Lincoln VIPT Social Awareness	--	6	2,138	2,160	
MFS VIT Capital Opportunities	--	(5)	111	103	
MFS VIT Emerging Growth	--	(53,038)	148,049	92,151	
MFS VIT Total Return	--	(118)	69,529	73,488	
MFS VIT Utilities	--	(14,241)	108,343	98,784	
NB AMT Mid-Cap Growth	--	(9,267)	88,881	77,147	
NB AMT Partners	--	(542)	22,571	21,485	
NB AMT Regency	--	113	2,765	2,824	
OCC Accumulation Global Equity	--	(9,193)	30,687	21,384	
OCC Accumulation Managed	--	(1,021)	9,366	8,804	
Putnam VT Growth & Income Class IB	--	146	8,956	9,274	
Putnam VT Health Sciences Class IB	--	202	4,145	4,279	
Scudder VIT EAFE Equity Index	--	4,076	13,451	19,571	
Scudder VIT Equity 500 Index	--	(27,943)	292,066	267,736	
Scudder VIT Small Cap Index	--	(260)	79,967	80,115	

See accompanying notes.

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LINCOLN LIFE & ANNUITY FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2002 AND 2003

<Table>

<Caption>

	AIM V.I. CAPITAL APPRECIATION SUBACCOUNT	AIM V.I. DIVERSIFIED INCOME SUBACCOUNT	AIM V.I. GROWTH SUBACCOUNT	AIM V.I. INTERNATIONAL GROWTH SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 225,282	\$ 156,579	\$ 650,296	\$ 15,377
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(1,644)	12,997	(4,417)	(10)
- Net realized gain (loss) on investments	(30,170)	(2,384)	(105,503)	(1,194)
- Net change in unrealized appreciation or depreciation on investments	(26,725)	(7,379)	(104,112)	(3,468)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(58,539)	3,234	(214,032)	(4,672)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	100,432	66,317	442,623	25,147
- Participant withdrawals	(67,167)	(40,310)	(193,788)	(8,290)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	33,265	26,007	248,835	16,857

TOTAL INCREASE (DECREASE) IN NET ASSETS	(25,274)	29,241	34,803	12,185
NET ASSETS AT DECEMBER 31, 2002	200,008	185,820	685,099	27,562
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(1,831)	11,275	(5,355)	(119)
- Net realized gain (loss) on investments	(15,686)	(4,243)	(79,909)	6,365
- Net change in unrealized appreciation or depreciation on investments	76,788	6,406	271,206	10,794
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	59,271	13,438	185,942	17,040
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	61,833	65,386	244,244	13,584
- Participant withdrawals	(38,304)	(50,872)	(287,072)	(15,779)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	23,529	14,514	(42,828)	(2,195)
TOTAL INCREASE (DECREASE) IN NET ASSETS	82,800	27,952	143,114	14,845
NET ASSETS AT DECEMBER 31, 2003	\$ 282,808	\$ 213,772	\$ 828,213	\$ 42,407

<Caption>

	AIM V. I. PREMIER EQUITY SUBACCOUNT	ABVPSF GROWTH AND INCOME SUBACCOUNT	ABVPSF PREMIER GROWTH SUBACCOUNT	ABVPSF SMALL CAP VALUE SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 1,190,744	\$ 887	\$ 3,013	\$ 965
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(4,962)	(114)	(94)	(49)
- Net realized gain (loss) on investments	(111,168)	(768)	(52)	(58)
- Net change in unrealized appreciation or depreciation on investments	(331,398)	(2,635)	(397)	1,114
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(447,528)	(3,517)	(543)	1,007
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	747,617	54,651	34,604	28,409
- Participant withdrawals	(372,204)	(6,045)	(3,609)	(4,296)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	375,413	48,606	30,995	24,113
TOTAL INCREASE (DECREASE) IN NET ASSETS	(72,115)	45,089	30,452	25,120
NET ASSETS AT DECEMBER 31, 2002	1,118,629	45,976	33,465	26,085
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(5,753)	148	(303)	(107)
- Net realized gain (loss) on investments	(78,841)	377	254	2,039
- Net change in unrealized appreciation or depreciation on investments	355,810	18,737	8,245	23,286
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	271,216	19,262	8,196	25,218
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	352,749	51,216	10,044	52,279
- Participant withdrawals	(311,300)	(9,295)	(3,452)	(8,789)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	41,449	41,921	6,592	43,490
TOTAL INCREASE (DECREASE) IN NET ASSETS	312,665	61,183	14,788	68,708
NET ASSETS AT DECEMBER 31, 2003	\$ 1,431,294	\$ 107,159	\$ 48,253	\$ 94,793

</Table>

See accompanying notes.

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<Caption>

	AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION CLASS 2 SUBACCOUNT	AMERICAN FUNDS GROWTH CLASS 2 SUBACCOUNT	AMERICAN FUNDS GROWTH- INCOME CLASS 2 SUBACCOUNT
ABVPSF TECHNOLOGY SUBACCOUNT			

<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 981	\$ 36,092	\$ 319,827	\$ 304,088
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(7)	(16)	(3,347)	1,051
- Net realized gain (loss) on investments	(505)	(1,111)	(10,257)	(17,496)
- Net change in unrealized appreciation or depreciation on investments	(138)	(9,033)	(115,888)	(70,008)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(650)	(10,160)	(129,492)	(86,453)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	990	27,873	446,871	264,981
- Participant withdrawals	(1,321)	(10,132)	(99,324)	(89,224)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	(331)	17,741	347,547	175,757
TOTAL INCREASE (DECREASE) IN NET ASSETS	(981)	7,581	218,055	89,304
NET ASSETS AT DECEMBER 31, 2002	--	43,673	537,882	393,392
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(64)	(110)	(5,308)	2,162
- Net realized gain (loss) on investments	3,799	(138)	(7,332)	(5,241)
- Net change in unrealized appreciation or depreciation on investments	197	26,865	262,741	168,874
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	3,932	26,617	250,101	165,795
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	2,899	18,281	438,960	310,360
- Participant withdrawals	(3,643)	(9,505)	(126,340)	(79,967)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	(744)	8,776	312,620	230,393
TOTAL INCREASE (DECREASE) IN NET ASSETS	3,188	35,393	562,721	396,188
NET ASSETS AT DECEMBER 31, 2003	\$ 3,188	\$ 79,066	\$ 1,100,603	\$ 789,580

<Caption>

	AMERICAN FUNDS INTERNATIONAL CLASS 2 SUBACCOUNT	BARON CAPITAL ASSET SUBACCOUNT	DELAWARE VIPT DEVON SUBACCOUNT	DELAWARE VIPT EMERGING MARKETS SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 925	\$ 55,506	\$ 1,352	\$ 28,870
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	79	(514)	4	725
- Net realized gain (loss) on investments	(199)	(75)	(499)	(643)
- Net change in unrealized appreciation or depreciation on investments	(81)	(10,109)	228	769
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(201)	(10,698)	(267)	851
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	14,226	46,769	--	25,235
- Participant withdrawals	(3,118)	(14,376)	(1,085)	(16,329)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	11,108	32,393	(1,085)	8,906
TOTAL INCREASE (DECREASE) IN NET ASSETS	10,907	21,695	(1,352)	9,757
NET ASSETS AT DECEMBER 31, 2002	11,832	77,201	--	38,627
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	465	(604)	--	825
- Net realized gain (loss) on investments	404	(1,636)	--	5,138
- Net change in unrealized appreciation or depreciation on investments	10,995	21,675	--	16,613
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	11,864	19,435	--	22,576
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	73,726	31,211	--	11,544
- Participant withdrawals	(6,948)	(31,021)	--	(30,034)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	66,778	190	--	(18,490)
TOTAL INCREASE (DECREASE) IN NET ASSETS	78,642	19,625	--	4,086

NET ASSETS AT DECEMBER 31, 2003

\$ 90,474

\$ 96,826

\$ --

\$ 42,713

</Table>

See accompanying notes.

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	DELAWARE VIPT HIGH YIELD SUBACCOUNT	DELAWARE VIPT LARGE CAP VALUE SUBACCOUNT	DELAWARE VIPT REIT SUBACCOUNT	DELAWARE VIPT SMALL CAP VALUE SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 45,910	\$ 906	\$ 72,049	\$ 153,584
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	4,484	9	1,403	(1,129)
- Net realized gain (loss) on investments	(1,207)	(203)	2,183	2,974
- Net change in unrealized appreciation or depreciation on investments	(1,218)	259	(1,434)	(39,345)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	2,059	65	2,152	(37,500)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	41,953	8,242	122,657	330,302
- Participant withdrawals	(9,390)	(1,913)	(30,152)	(58,531)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	32,563	6,329	92,505	271,771
TOTAL INCREASE (DECREASE) IN NET ASSETS	34,622	6,394	94,657	234,271
NET ASSETS AT DECEMBER 31, 2002	80,532	7,300	166,706	387,855
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	8,549	(152)	3,822	(2,188)
- Net realized gain (loss) on investments	1,078	205	7,865	3,442
- Net change in unrealized appreciation or depreciation on investments	23,348	11,232	49,248	174,475
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	32,975	11,285	60,935	175,729
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	89,257	72,344	50,485	163,412
- Participant withdrawals	(19,678)	(4,555)	(27,972)	(64,778)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	69,579	67,789	22,513	98,634
TOTAL INCREASE (DECREASE) IN NET ASSETS	102,554	79,074	83,448	274,363
NET ASSETS AT DECEMBER 31, 2003	\$ 183,086	\$ 86,374	\$ 250,154	\$ 662,218

<Caption>

	DELAWARE VIPT TREND SUBACCOUNT	DELAWARE VIPT U.S. GROWTH SUBACCOUNT	FIDELITY VIP ASSET MANAGER SUBACCOUNT	FIDELITY VIP CONTRAFUND SERVICE CLASS SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 274,747	\$ 913	\$ 119,131	\$ 240,586
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(2,603)	(2)	3,236	(286)
- Net realized gain (loss) on investments	(14,729)	(384)	(3,718)	(2,278)
- Net change in unrealized appreciation or depreciation on investments	(62,310)	(171)	(12,313)	(38,079)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(79,642)	(557)	(12,795)	(40,643)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	221,229	3,058	46,810	330,938
- Participant withdrawals	(82,892)	(1,577)	(21,808)	(104,518)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	138,337	1,481	25,002	226,420
TOTAL INCREASE (DECREASE) IN NET ASSETS	58,695	924	12,207	185,777
NET ASSETS AT DECEMBER 31, 2002	333,442	1,837	131,338	426,363
CHANGES FROM OPERATIONS:				

- Net investment income (loss)	(2,901)	(24)	3,653	(2,021)
- Net realized gain (loss) on investments	(12,925)	57	(2,120)	1,136
- Net change in unrealized appreciation or depreciation on investments	127,504	921	21,653	126,956
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	111,678	954	23,186	126,071
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	102,986	8,081	49,184	151,638
- Participant withdrawals	(103,017)	(903)	(17,086)	(117,086)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	(31)	7,178	32,098	34,552
TOTAL INCREASE (DECREASE) IN NET ASSETS	111,647	8,132	55,284	160,623
NET ASSETS AT DECEMBER 31, 2003	\$ 445,089	\$ 9,969	\$ 186,622	\$ 586,986

</Table>

See accompanying notes.

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	FIDELITY VIP EQUITY- INCOME SERVICE CLASS SUBACCOUNT	FIDELITY VIP EQUITY- INCOME SERVICE CLASS SUBACCOUNT	FIDELITY VIP GROWTH SERVICE CLASS SUBACCOUNT	FIDELITY VIP OPPORTUNITIES SERVICE CLASS SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 301,861	\$ 908	\$ 54,859	\$ 23,770
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	2,828	(88)	(599)	23
- Net realized gain (loss) on investments	(3,828)	(437)	(3,325)	(1,182)
- Net change in unrealized appreciation or depreciation on investments	(43,148)	(52)	(30,938)	(4,828)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(44,148)	(577)	(34,862)	(5,987)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	89,945	55,018	131,596	14,257
- Participant withdrawals	(110,950)	(4,291)	(25,276)	(7,246)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	(21,005)	50,727	106,320	7,011
TOTAL INCREASE (DECREASE) IN NET ASSETS	(65,153)	50,150	71,458	1,024
NET ASSETS AT DECEMBER 31, 2002	236,708	51,058	126,317	24,794
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	2,586	709	(1,104)	(47)
- Net realized gain (loss) on investments	(11,277)	628	(2,913)	(453)
- Net change in unrealized appreciation or depreciation on investments	76,116	42,698	54,049	8,079
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	67,425	44,035	50,032	7,579
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	71,492	134,804	96,600	13,445
- Participant withdrawals	(73,479)	(12,007)	(26,223)	(6,239)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	(1,987)	122,797	70,377	7,206
TOTAL INCREASE (DECREASE) IN NET ASSETS	65,438	166,832	120,409	14,785
NET ASSETS AT DECEMBER 31, 2003	\$ 302,146	\$ 217,890	\$ 246,726	\$ 39,579

<Caption>

	FIDELITY VIP HIGH INCOME SERVICE CLASS SUBACCOUNT	FIDELITY VIP INVESTMENT GRADE BOND SUBACCOUNT	FIDELITY VIP OVERSEAS SERVICE CLASS SUBACCOUNT	FTVIPT FRANKLIN SMALL CAP SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 34,352	\$ 231,915	\$ 910	\$ 958
CHANGES FROM OPERATIONS:				

- Net investment income (loss)	3,708	7,371	(38)	(41)
- Net realized gain (loss) on investments	(815)	4,534	(135)	(667)
- Net change in unrealized appreciation or depreciation on investments	(1,798)	12,633	258	(3,292)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	1,095	24,538	85	(4,000)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	21,014	87,296	24,864	21,578
- Participant withdrawals	(10,746)	(63,480)	(3,701)	(3,194)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	10,268	23,816	21,163	18,384
TOTAL INCREASE (DECREASE) IN NET ASSETS	11,363	48,354	21,248	14,384
NET ASSETS AT DECEMBER 31, 2002	45,715	280,269	22,158	15,342
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	3,374	8,657	(22)	(392)
- Net realized gain (loss) on investments	391	9,666	(39)	357
- Net change in unrealized appreciation or depreciation on investments	8,537	(6,599)	11,218	18,280
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	12,302	11,724	11,157	18,245
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	13,195	117,704	10,672	48,994
- Participant withdrawals	(10,433)	(109,833)	(2,481)	(6,809)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	2,762	7,871	8,191	42,185
TOTAL INCREASE (DECREASE) IN NET ASSETS	15,064	19,595	19,348	60,430
NET ASSETS AT DECEMBER 31, 2003	\$ 60,779	\$ 299,864	\$ 41,506	\$ 75,772

</Table>

See accompanying notes.

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	FTVIPT TEMPLETON FOREIGN SECURITIES SUBACCOUNT	FTVIPT TEMPLETON FOREIGN SECURITIES CLASS 2 SUBACCOUNT	FTVIPT TEMPLETON GLOBAL ASSET ALLOCATION SUBACCOUNT	FTVIPT TEMPLETON GROWTH SECURITIES SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 183,459	\$ 55,786	\$ 24,816	\$ 53,996
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	1,544	473	341	967
- Net realized gain (loss) on investments	(19,733)	(2,770)	(1,702)	(1,441)
- Net change in unrealized appreciation or depreciation on investments	(15,055)	(10,110)	(313)	(11,073)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(33,244)	(12,407)	(1,674)	(11,547)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	61,293	26,281	9,883	45,846
- Participant withdrawals	(52,497)	(13,933)	(6,287)	(13,474)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	8,796	12,348	3,596	32,372
TOTAL INCREASE (DECREASE) IN NET ASSETS	(24,448)	(59)	1,922	20,825
NET ASSETS AT DECEMBER 31, 2002	159,011	55,727	26,738	74,821
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	1,831	654	646	800
- Net realized gain (loss) on investments	(18,009)	(8,134)	(472)	(1,219)
- Net change in unrealized appreciation or depreciation on investments	65,415	28,471	7,991	28,875
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	49,237	20,991	8,165	28,456
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	48,802	20,112	6,479	41,099
- Participant withdrawals	(34,286)	(19,667)	(9,832)	(13,402)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM				

UNIT TRANSACTIONS	14,516	445	(3,353)	27,697
TOTAL INCREASE (DECREASE) IN NET ASSETS	63,753	21,436	4,812	56,153
NET ASSETS AT DECEMBER 31, 2003	\$ 222,764	\$ 77,163	\$ 31,550	\$ 130,974

<Caption>

	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>
NET ASSETS AT JANUARY 31, 2002	\$ 46,948	\$ 237,540	\$ 2,958	\$ 59,639
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	664	5,567	292	(248)
- Net realized gain (loss) on investments	111	(3,765)	(315)	(28,267)
- Net change in unrealized appreciation or depreciation on investments	(10,024)	(27,183)	(1,281)	8,084
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(9,249)	(25,381)	(1,304)	(20,431)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	7,441	159,335	31,439	8,490
- Participant withdrawals	(4,742)	(70,894)	(6,932)	(31,410)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	2,699	88,441	24,507	(22,920)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(6,550)	63,060	23,203	(43,351)
NET ASSETS AT DECEMBER 31, 2002	40,398	300,600	26,161	16,288
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	225	4,431	1,294	(162)
- Net realized gain (loss) on investments	(6,530)	(3,353)	(386)	(1,939)
- Net change in unrealized appreciation or depreciation on investments	15,091	37,785	13,267	10,142
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	8,786	38,863	14,175	8,041
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	7,125	51,154	141,545	9,476
- Participant withdrawals	(18,533)	(67,133)	(15,232)	(6,481)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	(11,408)	(15,979)	126,313	2,995
TOTAL INCREASE (DECREASE) IN NET ASSETS	(2,622)	22,884	140,488	11,036
NET ASSETS AT DECEMBER 31, 2003	\$ 37,776	\$ 323,484	\$ 166,649	\$ 27,324

</Table>

See accompanying notes.

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	JANUS ASPEN SERIES MID CAP GROWTH SERVICE SHARES SUBACCOUNT	JANUS ASPEN SERIES WORLDWIDE GROWTH SUBACCOUNT	JANUS ASPEN SERIES WORLDWIDE SERVICE SHARES SUBACCOUNT	LINCOLN VIPT AGGRESSIVE GROWTH SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 2,994	\$ 254,425	\$ 2,069	\$ 956
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(73)	449	(21)	(7)
- Net realized gain (loss) on investments	(527)	(13,742)	(725)	(336)
- Net change in unrealized appreciation or depreciation on investments	(2,532)	(59,738)	(8,370)	(112)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(3,132)	(73,031)	(9,116)	(455)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	18,871	109,044	58,077	990
- Participant withdrawals	(3,619)	(68,664)	(6,741)	(1,491)

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	15,252	40,380	51,336	(501)
TOTAL INCREASE (DECREASE) IN NET ASSETS	12,120	(32,651)	42,220	(956)
NET ASSETS AT DECEMBER 31, 2002	15,114	221,774	44,289	--
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(203)	915	23	--
- Net realized gain (loss) on investments	39	(7,277)	(1,613)	--
- Net change in unrealized appreciation or depreciation on investments	7,752	58,533	13,605	--
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	7,588	52,171	12,015	--
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	18,655	62,280	27,962	--
- Participant withdrawals	(4,602)	(49,379)	(13,373)	--
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	14,053	12,901	14,589	--
TOTAL INCREASE (DECREASE) IN NET ASSETS	21,641	65,072	26,604	--
NET ASSETS AT DECEMBER 31, 2003	\$ 36,755	\$ 286,846	\$ 70,893	\$ --

<Caption>

	LINCOLN VIPT BOND SUBACCOUNT	LINCOLN VIPT CAPITAL APPRECIATION SUBACCOUNT	LINCOLN VIPT EQUITY-INCOME SUBACCOUNT	LINCOLN VIPT GLOBAL ASSET ALLOCATION SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 332,995	\$ 5,689	\$ 9,801	\$ 25,569
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	29,790	(70)	37	185
- Net realized gain (loss) on investments	3,398	(744)	(390)	(211)
- Net change in unrealized appreciation or depreciation on investments	29,754	(2,372)	(1,539)	(3,491)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	62,942	(3,186)	(1,892)	(3,517)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	657,831	10,521	5,095	10,610
- Participant withdrawals	(140,613)	(2,435)	(3,092)	(3,375)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	517,218	8,086	2,003	7,235
TOTAL INCREASE (DECREASE) IN NET ASSETS	580,160	4,900	111	3,718
NET ASSETS AT DECEMBER 31, 2002	913,155	10,589	9,912	29,287
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	36,173	(103)	45	758
- Net realized gain (loss) on investments	20,871	(283)	(68)	(43)
- Net change in unrealized appreciation or depreciation on investments	6,064	4,203	3,885	5,174
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	63,108	3,817	3,862	5,889
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	353,454	8,026	6,003	5,863
- Participant withdrawals	(202,748)	(1,223)	(2,401)	(1,387)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	150,706	6,803	3,602	4,476
TOTAL INCREASE (DECREASE) IN NET ASSETS	213,814	10,620	7,464	10,365
NET ASSETS AT DECEMBER 31, 2003	\$ 1,126,969	\$ 21,209	\$ 17,376	\$ 39,652

</Table>

See accompanying notes.

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<Caption>

LINCOLN	LINCOLN VIPT	LINCOLN VIPT	MFS VIPT
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	VIPT INTERNATIONAL SUBACCOUNT	MONEY MARKET SUBACCOUNT	SOCIAL AWARENESS SUBACCOUNT	CAPITAL OPPORTUNITIES SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 887	\$ 2,478,824	\$ 5,590	\$ 929
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	87	19,119	6	(7)
- Net realized gain (loss) on investments	(217)	--	(1,745)	(358)
- Net change in unrealized appreciation or depreciation on investments	(740)	--	(47)	(114)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(870)	19,119	(1,786)	(479)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	11,285	4,099,682	8,305	1,166
- Participant withdrawals	(3,325)	(2,771,378)	(8,030)	(1,508)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	7,960	1,328,304	275	(342)
TOTAL INCREASE (DECREASE) IN NET ASSETS	7,090	1,347,423	(1,511)	(821)
NET ASSETS AT DECEMBER 31, 2002	7,977	3,826,247	4,079	108
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	156	(6,202)	16	(3)
- Net realized gain (loss) on investments	92	--	6	(5)
- Net change in unrealized appreciation or depreciation on investments	3,592	--	2,138	111
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	3,840	(6,202)	2,160	103
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	8,695	3,943,058	5,436	716
- Participant withdrawals	(3,116)	(2,222,660)	(2,131)	(153)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	5,579	1,720,398	3,305	563
TOTAL INCREASE (DECREASE) IN NET ASSETS	9,419	1,714,196	5,465	666
NET ASSETS AT DECEMBER 31, 2003	\$ 17,396	\$ 5,540,443	\$ 9,544	\$ 774

<Caption>

	MFS VIT EMERGING GROWTH SUBACCOUNT	MFS VIT TOTAL RETURN SUBACCOUNT	MFS VIT UTILITIES SUBACCOUNT	NB AMT MID-CAP GROWTH SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 491,748	\$ 205,545	\$ 354,842	\$ 207,308
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(2,878)	1,756	4,811	(2,256)
- Net realized gain (loss) on investments	(109,118)	675	(80,284)	(13,861)
- Net change in unrealized appreciation or depreciation on investments	(44,880)	(18,029)	(4,486)	(85,253)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(156,876)	(15,598)	(79,959)	(101,370)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	162,803	293,254	148,557	238,314
- Participant withdrawals	(174,825)	(83,000)	(155,830)	(76,184)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	(12,022)	210,254	(7,273)	162,130
TOTAL INCREASE (DECREASE) IN NET ASSETS	(168,898)	194,656	(87,232)	60,760
NET ASSETS AT DECEMBER 31, 2002	322,850	400,201	267,610	268,068
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(2,860)	4,077	4,682	(2,467)
- Net realized gain (loss) on investments	(53,038)	(118)	(14,241)	(9,267)
- Net change in unrealized appreciation or depreciation on investments	148,049	69,529	108,343	88,881
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	92,151	73,488	98,784	77,147
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	109,997	264,695	106,194	105,638
- Participant withdrawals	(97,763)	(85,145)	(67,249)	(73,235)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	12,234	179,550	38,945	32,403

TOTAL INCREASE (DECREASE) IN NET ASSETS	104,385	253,038	137,729	109,550
NET ASSETS AT DECEMBER 31, 2003	\$ 427,235	\$ 653,239	\$ 405,339	\$ 377,618

</Table>

See accompanying notes.

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<Page>

<Table>

<Caption>

	NB AMT PARTNERS SUBACCOUNT	NB AMT REGENCY SUBACCOUNT	OCC ACCUMULATION GLOBAL EQUITY SUBACCOUNT	OCC ACCUMULATION MANAGED SUBACCOUNT	PUTNAM VT GROWTH & INCOME CLASS IB SUBACCOUNT
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 52,982	\$ 933	\$ 82,309	\$ 41,917	\$ 1,022
CHANGES FROM OPERATIONS:					
- Net investment income (loss)	(159)	(4)	(305)	405	(16)
- Net realized gain (loss) on investments	(1,071)	(61)	(4,214)	(668)	(42)
- Net change in unrealized appreciation or depreciation on investments	(13,797)	(88)	(13,785)	(6,920)	(290)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(15,027)	(153)	(18,304)	(7,183)	(348)
CHANGE FROM UNIT TRANSACTIONS:					
- Participant purchases	35,103	1,035	32,954	15,354	24,832
- Participant withdrawals	(11,064)	(1,797)	(16,223)	(6,267)	(2,173)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	24,039	(762)	16,731	9,087	22,659
TOTAL INCREASE (DECREASE) IN NET ASSETS	9,012	(915)	(1,573)	1,904	22,311
NET ASSETS AT DECEMBER 31, 2002	61,994	18	80,736	43,821	23,333
CHANGES FROM OPERATIONS:					
- Net investment income (loss)	(544)	(54)	(110)	459	172
- Net realized gain (loss) on investments	(542)	113	(9,193)	(1,021)	146
- Net change in unrealized appreciation or depreciation on investments	22,571	2,765	30,687	9,366	8,956
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	21,485	2,824	21,384	8,804	9,274
CHANGE FROM UNIT TRANSACTIONS:					
- Participant purchases	14,937	14,885	26,262	11,968	20,279
- Participant withdrawals	(8,630)	(1,117)	(38,829)	(8,212)	(3,438)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	6,307	13,768	(12,567)	3,756	16,841
TOTAL INCREASE (DECREASE) IN NET ASSETS	27,792	16,592	8,817	12,560	26,115
NET ASSETS AT DECEMBER 31, 2003	\$ 89,786	\$ 16,610	\$ 89,553	\$ 56,381	\$ 49,448

<Caption>

	PUTNAM VT HEALTH SCIENCES CLASS IB SUBACCOUNT	SCUDDER VIT EAFE EQUITY INDEX SUBACCOUNT	SCUDDER VIT EQUITY 500 INDEX SUBACCOUNT	SCUDDER VIT SMALL CAP INDEX SUBACCOUNT
<S>	<C>	<C>	<C>	<C>
NET ASSETS AT JANUARY 31, 2002	\$ 851	\$ 12,548	\$ 903,269	\$ 133,661
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(50)	67	3,636	(28)
- Net realized gain (loss) on investments	(488)	19,600	(102,402)	(3,178)
- Net change in unrealized appreciation or depreciation on investments	199	344	(116,884)	(38,019)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(339)	20,011	(215,650)	(41,225)
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	25,771	16,226	507,409	114,549
- Participant withdrawals	(4,291)	(25,588)	(286,357)	(39,280)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	21,480	(9,362)	221,052	75,269
TOTAL INCREASE (DECREASE) IN NET ASSETS	21,141	10,649	5,402	34,044

NET ASSETS AT DECEMBER 31, 2002	21,992	23,197	908,671	167,705
CHANGES FROM OPERATIONS:				
- Net investment income (loss)	(68)	2,044	3,613	408
- Net realized gain (loss) on investments	202	4,076	(27,943)	(260)
- Net change in unrealized appreciation or depreciation on investments	4,145	13,451	292,066	79,967
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	4,279	19,571	267,736	80,115
CHANGE FROM UNIT TRANSACTIONS:				
- Participant purchases	10,816	57,199	441,458	43,058
- Participant withdrawals	(3,759)	(10,058)	(183,854)	(40,299)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM UNIT TRANSACTIONS	7,057	47,141	257,604	2,759
TOTAL INCREASE (DECREASE) IN NET ASSETS	11,336	66,712	525,340	82,874
NET ASSETS AT DECEMBER 31, 2003	\$ 33,328	\$ 89,909	\$ 1,434,011	\$ 250,579

</Table>

See accompanying notes.

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LINCOLN LIFE & ANNUITY FLEXIBLE PREMIUM VARIABLE LIFE ACCOUNT M

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

1. ACCOUNTING POLICIES AND VARIABLE ACCOUNT INFORMATION

THE VARIABLE ACCOUNT: Lincoln Life & Annuity Flexible Premium Variable Life Account M (the Variable Account) is a segregated investment account of Lincoln Life & Annuity Company of New York (LNY) 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 May 18, 1999, are part of the operations of LNY. The Variable Account consists of eight products that are listed below:

- VUL I
- VUL-CV
- VUL-CV II
- VUL-CV III
- VUL-Flex
- VUL-DB
- VUL-DB Elite
- VUL-DB II

The assets of the Variable Account are owned by LNY. 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 LNY.

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.

INVESTMENTS: The assets of the Variable Account are divided into variable subaccounts each of which is invested in shares of one of sixty eight 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 Fund (Series 1)
- AIM V.I. Diversified Income Fund (Series 1)
- AIM V.I. Growth Fund (Series 1)
- AIM V.I. International Growth Fund (Series 1)
- AIM V.I. Premier Equity Fund (Series 1)

AllianceBernstein Variable Products Series Fund (ABVPSF):

- ABVPSF Growth and Income Portfolio (Class A)
- ABVPSF Premier Growth Portfolio (Class A)
- ABVPSF Small Cap Value Portfolio (Class A)
- ABVPSF Technology Portfolio (Class A)

American Funds Insurance Series (American Funds):

- 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)

Baron Capital Funds Trust (Baron Capital):

Delaware VIP Trust (Delaware VIPT)*:

- Delaware VIPT Emerging Markets Series (Standard Class)
- Delaware VIPT High Yield Series (Standard Class)
- Delaware VIPT Large Cap Value 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)

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 Overseas Portfolio (Service Class)

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 Overseas Portfolio (Service Class)

Franklin Templeton Variable Insurance Products Trust (FTVIPT):

- FTVIPT Franklin Small Cap 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 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 Aggressive Growth Fund
- Lincoln VIPT Bond Fund
- Lincoln VIPT Capital Appreciation Fund
- Lincoln VIPT Equity-Income Fund
- Lincoln VIPT Global Asset Allocation Fund
- Lincoln VIPT International Fund
- Lincoln VIPT Money Market Fund
- Lincoln VIPT Social Awareness Fund

MFS Variable Insurance Trust (MFS VIT):

- MFS VIT Capital Opportunities Series (Initial Class)
- MFS VIT Emerging Growth Series (Initial Class)
- MFS VIT Total Return Series (Initial Class)
- MFS VIT Utilities Series (Initial Class)

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

Neuberger Berman Advisers Management Trust (NB AMT):

- NB AMT Mid-Cap Growth Portfolio
- NB AMT Partners Portfolio
- NB AMT Regency Portfolio

OCC Accumulation Trust (OCC Accumulation):

- OCC Accumulation Global Equity Portfolio
- OCC Accumulation Managed Portfolio

Putnam Variable Trust (Putnam VT):

- Putnam VT Growth & Income Fund (Class IB)
- Putnam VT Health Sciences Fund (Class IB)

Scudder VIT Funds (Scudder VIT):

* Denotes an affiliate of the Lincoln Life & Annuity Company of New York.

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Investments in the Funds are stated at the closing net asset value per share on December 31, 2003, 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 LNY, which is taxed as a "life insurance company" under the Internal Revenue Code. The Variable Account will not be taxed as a regulated investment 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.

2. MORTALITY AND EXPENSE GUARANTEES AND OTHER TRANSACTIONS WITH AFFILIATES

Amounts are paid to LNY 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 statements of operations. The rates are as follows for the eight policy types within the Variable Account:

- VUL I -- annual rate of .80% for policy years one through twelve and .55% thereafter.
- VUL-CV -- annual rate of .75% for policy years one through ten, .35% for policy years eleven through twenty and .20% thereafter.
- VUL-CV II -- annual rate of .75% for policy years one through ten, 35% for policy years eleven through twenty and 20% thereafter.
- VUL-CV III -- annual rate of .75% for policy years one through ten, 35% for policy years eleven through twenty and 20% thereafter.
- VUL-Flex -- annual rate of .75% for policy years one through ten, 35% for policy years eleven through twenty and 20% thereafter.
- VUL-DB -- annual rate of .90% for policy years one through nineteen and .20% thereafter.
- VUL-DB Elite -- annual rate of .90% for policy years one through nineteen and .20% thereafter.
- VUL-DB II -- annual rate of .90% for policy years one through nineteen and 20% thereafter.

Prior to the allocation of premiums to the Variable Account, LNY deducts a premium load of 5% of each premium payment to cover state taxes and federal income tax liabilities. The premium loads for the years ended December 31, 2003 and 2002 amounted to \$389,248 and \$439,075, respectively.

LNY charges a monthly administrative fee which varies by product and policy year, refer to the product prospectus for applicable fees. This charge is for items such as premium billing and collection, policy value calculation, confirmations and periodic reports. Administrative fees for the years ended December 31, 2003 and 2002 totaled \$214,458 and \$182,966, respectively.

LNY assumes responsibility for providing the insurance benefits included in the policy. LNY charges a monthly deduction of the cost of insurance and any charges for supplemental riders. 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. On a monthly basis, the administrative fee and the cost of insurance charge are 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 LNY and is not included in these financial statements. The cost of insurance charges for the years ended December 31, 2003 and 2002 amounted to \$2,464,407 and \$2,322,244, respectively.

Under certain circumstances, LNY reserves the right to charge a transfer fee of up to \$25 for transfers between variable subaccounts. For the years ended December 31, 2003 and 2002, no transfer fees were deducted from the variable subaccounts.

LNY, upon full surrender of a policy, may assess 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 partial surrenders, a 2% charge on the amount withdrawn is imposed, the charge is not to exceed \$25 per partial surrender. For the years ended December 31, 2003 and 2002, surrender charges or partial surrender administrative charges totaled \$219,660 and \$46,388, respectively.

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3. CONDENSED FINANCIAL INFORMATION

A summary of the unit values, units outstanding, net assets and total return and investment income ratios for variable life contracts as of and for the year or period ended December 31, 2003 follows. The fee rates below represent annualized contract expenses of the separate account, consisting primarily of mortality and expense guarantee charges.

<Table>

<Caption>

SUBACCOUNT	COMMENCEMENT DATE (1)	UNIT VALUE BEGINNING OF PERIOD	UNIT VALUE END OF PERIOD	UNITS OUTSTANDING	NET ASSETS	TOTAL RETURN (2)	INVESTMENT INCOME RATIO (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
AIM V.I. CAPITAL APPRECIATION							--
VUL I (0.80% Fee Rate)		\$ 6.99	\$ 8.98	31,490	\$ 282,808	28.48%	
AIM V.I. DIVERSIFIED INCOME							6.58%
VUL I (0.80% Fee Rate)		10.23	11.09	19,278	213,772	8.37%	
AIM V.I. GROWTH							--
VUL I (0.80% Fee Rate)		4.42	5.75	89,196	513,295	30.19%	
VUL-CV (0.75% Fee Rate)		3.13	4.08	48,306	197,107	30.26%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		7.57	9.86	3,237	31,922	30.26%	
VUL-CV III (0.75% Fee Rate)	05/01/03	10.26	12.68	387	4,904	23.60%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		5.95	7.74	6,761	52,344	30.06%	
VUL-DB II (0.90% Fee Rate)		9.15	11.90	2,406	28,641	30.08%	
AIM V.I. INTERNATIONAL GROWTH							0.47%
VUL-CV (0.75% Fee Rate)		5.05	6.47	3,201	20,713	28.10%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.76	11.22	628	7,043	28.10%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		7.21	9.22	1,092	10,072	27.91%	
VUL-DB II (0.90% Fee Rate)		9.13	11.68	392	4,579	27.93%	
AIM V.I. PREMIER EQUITY							0.32%
VUL I (0.80% Fee Rate)		6.02	7.47	81,629	609,782	24.08%	
VUL-CV (0.75% Fee Rate)		4.93	6.12	104,730	640,479	24.15%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		7.66	9.51	6,912	65,709	24.15%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		6.21	7.70	12,563	96,688	23.96%	
VUL-DB II (0.90% Fee Rate)	09/26/03	10.29	11.32	1,646	18,636	10.06%	
ABVPSF GROWTH AND INCOME							1.02%
VUL-CV (0.75% Fee Rate)		8.09	10.63	841	8,948	31.52%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.27	10.88	5,761	62,672	31.52%	
VUL-CV III (0.75% Fee Rate)	02/28/03	9.60	13.06	789	10,305	35.93%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		8.06	10.59	1,857	19,662	31.32%	
VUL-DB II (0.90% Fee Rate)	03/28/03	9.24	12.17	458	5,572	31.72%	
ABVPSF PREMIER GROWTH							--
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		7.79	9.57	4,152	39,735	22.74%	
VUL-CV III (0.75% Fee Rate)	05/01/03	9.75	11.29	286	3,231	15.75%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		7.47	9.15	452	4,133	22.56%	
VUL-DB II (0.90% Fee Rate)	01/15/03	9.42	10.91	106	1,154	15.73%	
ABVPSF SMALL CAP VALUE							0.60%
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		9.23	12.94	3,145	40,708	40.22%	
VUL-CV III (0.75% Fee Rate)	01/15/03	11.29	15.08	2,579	38,907	33.62%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		10.56	14.78	146	2,156	40.02%	
VUL-DB II (0.90% Fee Rate)		9.73	13.62	956	13,022	40.00%	
ABVPSF TECHNOLOGY							--
VUL-CV II and VUL-FLEX (0.75% Fee Rate)	10/13/03	9.29	9.39	61	572	1.02%	
VUL-CV III (0.75% Fee Rate)	11/13/03	14.45	14.41	2	32	-0.31%	
VUL-DB II (0.90% Fee Rate)	03/28/03	8.90	12.47	207	2,584	40.16%	
AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION CLASS 2							0.60%
VUL-CV (0.75% Fee Rate)		5.47	8.34	6,353	52,972	52.38%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.25	12.57	464	5,832	52.39%	
VUL-CV III (0.75% Fee Rate)	01/03/03	10.13	15.19	161	2,452	49.97%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		7.34	11.17	1,562	17,453	52.16%	
VUL-DB II (0.90% Fee Rate)		9.57	14.57	24	357	52.15%	
AMERICAN FUNDS GROWTH CLASS 2							0.12%
VUL-CV (0.75% Fee Rate)		5.12	6.95	70,766	491,920	35.79%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.00	10.87	18,628	202,433	35.79%	
VUL-CV III (0.75% Fee Rate)	01/15/03	10.37	13.31	9,199	122,470	28.38%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		6.52	8.84	25,911	228,940	35.58%	
VUL-DB II (0.90% Fee Rate)		9.59	13.00	4,218	54,840	35.58%	
AMERICAN FUNDS GROWTH-INCOME CLASS 2							1.17%
VUL-CV (0.75% Fee Rate)		8.32	10.94	39,675	433,958	31.44%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.56	11.25	10,105	113,654	31.44%	

VUL-CV III (0.75% Fee Rate)	01/03/03	10.56	13.45	4,027	54,178	27.41%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		7.89	10.36	15,420	159,760	31.24%	
VUL-DB II (0.90% Fee Rate)		9.39	12.32	2,274	28,030	31.24%	
AMERICAN FUNDS INTERNATIONAL CLASS 2							2.27%
VUL-CV (0.75% Fee Rate)		8.21	10.98	169	1,861	33.84%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.82	11.81	2,880	34,005	33.85%	
VUL-CV III (0.75% Fee Rate)	02/14/03	9.73	13.79	1,945	26,826	41.73%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		8.79	11.74	307	3,607	33.62%	
VUL-DB II (0.90% Fee Rate)		9.64	12.88	1,877	24,175	33.65%	
BARON CAPITAL ASSET							--
VUL-CV (0.75% Fee Rate)		8.59	11.08	7,615	84,365	29.04%	
VUL-DB (0.90% Fee Rate)		9.01	11.62	1,073	12,461	28.85%	

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SUBACCOUNT	COMMENCEMENT DATE (1)	UNIT VALUE		UNITS OUTSTANDING	NET ASSETS	TOTAL RETURN (2)	INVESTMENT INCOME RATIO (3)
		BEGINNING OF PERIOD	END OF PERIOD				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
DELAWARE VIPT EMERGING MARKETS							2.79%
VUL I (0.80% Fee Rate)		\$ 9.99	\$ 16.90	1,679	\$ 28,380	69.19%	
VUL-CV (0.75% Fee Rate)		8.98	15.20	823	12,518	69.28%	
VUL-DB (0.90% Fee Rate)		10.12	17.11	106	1,815	69.04%	
DELAWARE VIPT HIGH YIELD							6.89%
VUL-CV (0.75% Fee Rate)		8.74	11.16	3,770	42,093	27.78%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		10.21	13.05	2,635	34,398	27.78%	
VUL-CV III (0.75% Fee Rate)	01/15/03	11.24	13.99	1,934	27,046	24.44%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		10.02	12.78	3,502	44,764	27.59%	
VUL-DB II (0.90% Fee Rate)		10.95	13.97	2,490	34,785	27.59%	
DELAWARE VIPT LARGE CAP VALUE							0.47%
VUL-CV (0.75% Fee Rate)	01/16/03	8.45	10.37	2,971	30,799	22.66%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.43	10.73	772	8,285	27.35%	
VUL-CV III (0.75% Fee Rate)	01/03/03	10.43	12.91	224	2,893	23.74%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)	06/16/03	9.98	10.93	562	6,147	9.51%	
VUL-DB II (0.90% Fee Rate)		9.14	11.63	3,289	38,250	27.15%	
DELAWARE VIPT REIT							2.65%
VUL-CV (0.75% Fee Rate)		12.23	16.27	4,946	80,457	33.02%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		10.26	13.65	3,980	54,331	33.02%	
VUL-CV III (0.75% Fee Rate)	01/15/03	10.32	14.03	3,621	50,790	35.96%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		11.35	15.07	3,634	54,769	32.82%	
VUL-DB II (0.90% Fee Rate)		9.87	13.10	748	9,807	32.82%	
DELAWARE VIPT SMALL CAP VALUE							0.34%
VUL I (0.80% Fee Rate)		11.52	16.23	9,269	150,412	40.85%	
VUL-CV (0.75% Fee Rate)		11.21	15.80	19,406	306,634	40.92%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		9.33	13.15	6,464	84,996	40.92%	
VUL-CV III (0.75% Fee Rate)	02/28/03	9.82	14.48	831	12,040	47.52%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		9.86	13.88	4,778	66,306	40.71%	
VUL-DB II (0.90% Fee Rate)		9.62	13.54	3,090	41,830	40.71%	
DELAWARE VIPT TREND							--
VUL I (0.80% Fee Rate)		9.60	12.87	12,359	159,012	34.02%	
VUL-CV (0.75% Fee Rate)		4.85	6.51	29,381	191,167	34.09%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.68	11.63	3,658	42,558	34.09%	
VUL-CV III (0.75% Fee Rate)	05/01/03	10.83	13.78	668	9,208	27.24%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		7.74	10.37	2,936	30,442	33.89%	
VUL-DB II (0.90% Fee Rate)		9.83	13.16	965	12,702	33.87%	
DELAWARE VIPT U.S. GROWTH							0.19%
VUL-CV (0.75% Fee Rate)	01/28/03	7.41	9.21	416	3,835	24.28%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		7.36	9.04	237	2,146	22.83%	
VUL-CV III (0.75% Fee Rate)	12/03/03	11.78	12.04	217	2,611	2.26%	
VUL-DB II (0.90% Fee Rate)	10/06/03	10.56	11.20	123	1,377	6.04%	
FIDELITY VIP ASSET MANAGER							3.12%
VUL I (0.80% Fee Rate)		8.84	10.34	18,041	186,622	17.04%	
FIDELITY VIP CONTRAFUND SERVICE CLASS							0.37%
VUL-CV (0.75% Fee Rate)		7.10	9.04	40,978	370,564	27.39%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		9.23	11.76	6,717	79,017	27.39%	
VUL-CV III (0.75% Fee Rate)	01/15/03	9.81	12.47	4,162	51,915	27.15%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		8.61	10.95	6,378	69,831	27.20%	
VUL-DB II (0.90% Fee Rate)		9.49	12.07	1,297	15,659	27.20%	
FIDELITY VIP EQUITY-INCOME							1.82%
VUL I (0.80% Fee Rate)		8.03	10.39	29,091	302,146	29.29%	
FIDELITY VIP EQUITY-INCOME SERVICE CLASS							1.28%
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.60	11.12	7,807	86,780	29.25%	
VUL-CV III (0.75% Fee Rate)	01/15/03	10.53	13.13	8,414	110,514	24.74%	
VUL-DB Elite (0.90% Fee Rate)		8.79	11.34	463	5,248	29.05%	
VUL-DB II (0.90% Fee Rate)		9.34	12.06	1,273	15,348	29.06%	
FIDELITY VIP GROWTH SERVICE CLASS							0.16%
VUL-CV (0.75% Fee Rate)		4.53	5.97	15,836	94,597	31.79%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		7.44	9.81	8,692	85,246	31.79%	
VUL-CV III (0.75% Fee Rate)	12/30/03	12.95	12.95	0	2	0.03%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		6.10	8.03	2,509	20,153	31.60%	

VUL-DB II (0.90% Fee Rate)	05/08/03	9.67	11.96	3,906	46,728	23.71%	
FIDELITY VIP GROWTH OPPORTUNITIES SERVICE CLASS							0.59%
VUL-CV (0.75% Fee Rate)		5.42	6.97	5,576	38,870	28.69%	
VUL-DB (0.90% Fee Rate)		7.15	9.19	77	709	28.50%	
FIDELITY VIP HIGH INCOME SERVICE CLASS							7.04%
VUL-CV (0.75% Fee Rate)		7.44	9.38	6,158	57,773	26.02%	
VUL-DB (0.90% Fee Rate)		9.14	11.50	261	3,006	25.83%	
FIDELITY VIP INVESTMENT GRADE BOND							3.80%
VUL I (0.80% Fee Rate)		12.93	13.50	22,218	299,864	4.37%	
FIDELITY VIP OVERSEAS SERVICE CLASS							0.68%
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.42	11.97	3,104	37,160	42.14%	
VUL-CV III (0.75% Fee Rate)	12/05/03	13.30	13.98	70	978	5.09%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		8.13	11.54	233	2,693	41.90%	
VUL-DB II (0.90% Fee Rate)	01/15/03	9.14	12.59	54	675	37.82%	

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SUBACCOUNT	COMMENCEMENT DATE (1)	UNIT VALUE		UNITS OUTSTANDING	NET ASSETS	TOTAL RETURN (2)	INVESTMENT INCOME RATIO (3)
		BEGINNING OF PERIOD	END OF PERIOD				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
FTVIPT FRANKLIN SMALL CAP							--
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		\$ 7.76	\$ 10.60	1,374	\$ 14,558	36.58%	
VUL-CV III (0.75% Fee Rate)	01/15/03	10.99	14.31	3,221	46,096	30.21%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		7.98	10.89	959	10,446	36.38%	
VUL-DB II (0.90% Fee Rate)		9.61	13.11	356	4,672	36.38%	
FTVIPT TEMPLETON FOREIGN SECURITIES							1.86%
VUL I (0.80% Fee Rate)		7.41	9.74	22,867	222,764	31.50%	
FTVIPT TEMPLETON FOREIGN SECURITIES CLASS 2							1.70%
VUL-CV (0.75% Fee Rate)		6.51	8.55	8,491	72,570	31.22%	
VUL-DB (0.90% Fee Rate)		7.15	9.36	490	4,593	31.03%	
FTVIPT TEMPLETON GLOBAL ASSET ALLOCATION							2.99%
VUL I (0.80% Fee Rate)		9.36	12.29	2,567	31,550	31.26%	
FTVIPT TEMPLETON GROWTH SECURITIES							1.66%
VUL I (0.80% Fee Rate)		9.80	12.89	5,424	69,932	31.57%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.45	11.12	2,284	25,403	31.63%	
VUL-CV III (0.75% Fee Rate)	02/14/03	9.42	13.16	1,445	19,017	39.65%	
VUL-DB Elite (0.90% Fee Rate)		8.61	11.32	652	7,381	31.43%	
VUL-DB II (0.90% Fee Rate)		9.08	11.93	775	9,241	31.44%	
FTVIPT TEMPLETON GROWTH SECURITIES CLASS 2							1.42%
VUL-CV (0.75% Fee Rate)		8.04	10.55	3,490	36,801	31.15%	
VUL-DB (0.90% Fee Rate)		7.89	10.33	94	975	30.99%	
JANUS ASPEN SERIES BALANCED							2.19%
VUL-CV (0.75% Fee Rate)		8.29	9.38	31,057	291,348	13.20%	
VUL-DB (0.90% Fee Rate)		8.96	10.13	3,173	32,136	13.03%	
JANUS ASPEN SERIES BALANCED SERVICE SHARES							2.07%
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		9.44	10.65	9,218	98,213	12.87%	
VUL-CV III (0.75% Fee Rate)	05/01/03	10.26	11.26	338	3,801	9.76%	
VUL-DB Elite (0.90% Fee Rate)		9.42	10.62	5,697	60,477	12.71%	
VUL-DB II (0.90% Fee Rate)		9.74	10.98	379	4,158	12.70%	
JANUS ASPEN SERIES GLOBAL TECHNOLOGY SERVICE SHARES							--
VUL-CV (0.75% Fee Rate)		2.29	3.33	7,820	26,027	45.38%	
VUL-DB (0.90% Fee Rate)		4.46	6.47	200	1,297	45.20%	
JANUS ASPEN SERIES MID CAP GROWTH SERVICE SHARES							--
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.25	11.04	1,579	17,433	33.76%	
VUL-CV III (0.75% Fee Rate)	11/13/03	12.97	13.28	3	35	2.43%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		7.54	10.07	464	4,677	33.56%	
VUL-DB II (0.90% Fee Rate)		9.45	12.63	1,157	14,610	33.56%	
JANUS ASPEN SERIES WORLDWIDE GROWTH							1.14%
VUL-CV (0.75% Fee Rate)		4.49	5.53	48,866	270,260	23.07%	
VUL-DB (0.90% Fee Rate)		6.25	7.68	2,159	16,586	22.88%	
JANUS ASPEN SERIES WORLDWIDE GROWTH SERVICE SHARES							0.89%
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		7.97	9.79	2,107	20,619	22.76%	
VUL-CV III (0.75% Fee Rate)	07/18/03	10.62	12.11	133	1,605	14.01%	
VUL-DB Elite (0.90% Fee Rate)		7.90	9.68	3,635	35,189	22.58%	
VUL-DB II (0.90% Fee Rate)		9.01	11.04	1,221	13,480	22.58%	
LINCOLN VIPT BOND							4.22%
VUL-CV (0.75% Fee Rate)		12.40	13.20	43,854	578,843	6.48%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		10.82	11.52	16,752	193,007	6.48%	
VUL-CV III (0.75% Fee Rate)	01/03/03	10.32	11.08	10,165	112,627	7.41%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		11.44	12.16	14,251	173,317	6.32%	
VUL-DB II (0.90% Fee Rate)		10.51	11.17	6,192	69,175	6.32%	
LINCOLN VIPT CAPITAL APPRECIATION							--
VUL-CV (0.75% Fee Rate)		4.08	5.37	2,219	11,916	31.47%	
VUL-CV III (0.75% Fee Rate)	12/09/03	11.99	12.48	2	25	4.08%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		5.74	7.53	193	1,454	31.33%	
VUL-DB II (0.90% Fee Rate)	06/19/03	10.29	11.91	656	7,814	15.74%	
LINCOLN VIPT EQUITY-INCOME							1.09%
VUL-CV (0.75% Fee Rate)		8.19	10.75	1,616	17,376	31.36%	

LINCOLN VIPT GLOBAL ASSET ALLOCATION							3.11%
VUL-CV (0.75% Fee Rate)		7.45	8.91	3,206	28,558	19.51%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		9.03	10.79	1,028	11,094	19.51%	
LINCOLN VIPT INTERNATIONAL							2.36%
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		9.07	12.74	187	2,377	40.56%	
VUL-CV III (0.75% Fee Rate)	04/02/03	9.70	14.23	229	3,264	46.65%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		9.23	12.96	510	6,607	40.35%	
VUL-DB II (0.90% Fee Rate)		9.30	13.06	394	5,148	40.38%	
LINCOLN VIPT MONEY MARKET							0.67%
VUL I (0.80% Fee Rate)		11.19	11.18	151,555	1,694,217	-0.12%	
VUL-CV (0.75% Fee Rate)		10.60	10.59	124,928	1,322,849	-0.07%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		10.06	10.05	149,934	1,506,507	-0.07%	
VUL-CV III (0.75% Fee Rate)	01/21/03	10.01	10.00	30,844	308,414	-0.08%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		10.20	10.18	46,960	478,014	-0.22%	
VUL-DB II (0.90% Fee Rate)		10.01	9.99	23,068	230,442	-0.22%	

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SUBACCOUNT	COMMENCEMENT DATE (1)	UNIT VALUE		UNITS OUTSTANDING	NET ASSETS	TOTAL RETURN (2)	INVESTMENT INCOME RATIO (3)
		BEGINNING OF PERIOD	UNIT VALUE END OF PERIOD				
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LINCOLN VIPT SOCIAL AWARENESS							1.02%
VUL-CV (0.75% Fee Rate)		\$ 5.96	\$ 7.80	831	\$ 6,489	30.88%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		7.15	9.34	253	2,361	30.69%	
VUL-DB II (0.90% Fee Rate)	03/28/03	9.24	12.24	57	694	32.41%	
MFS VIT CAPITAL OPPORTUNITIES							0.19%
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		7.69	9.73	27	266	26.57%	
VUL-CV III (0.75% Fee Rate)	01/03/03	10.36	12.67	40	508	22.22%	
MFS VIT EMERGING GROWTH							--
VUL I (0.80% Fee Rate)		5.70	7.37	29,237	215,465	29.19%	
VUL-CV (0.75% Fee Rate)		3.26	4.22	42,461	179,141	29.25%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		7.49	9.68	35	336	29.25%	
VUL-CV III (0.75% Fee Rate)	09/23/03	12.08	12.55	27	342	3.88%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		5.47	7.06	4,011	28,333	29.06%	
VUL-DB II (0.90% Fee Rate)	06/19/03	10.72	11.76	308	3,618	9.71%	
MFS VIT TOTAL RETURN							1.63%
VUL I (0.80% Fee Rate)		10.59	12.22	6,030	73,691	15.40%	
VUL-CV (0.75% Fee Rate)		9.94	11.48	26,079	299,310	15.45%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		9.58	11.06	15,125	167,229	15.45%	
VUL-CV III (0.75% Fee Rate)	04/23/03	10.35	11.73	387	4,537	13.32%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		9.27	10.69	8,693	92,897	15.28%	
VUL-DB II (0.90% Fee Rate)		9.88	11.39	1,367	15,575	15.28%	
MFS VIT UTILITIES							2.24%
VUL I (0.80% Fee Rate)		7.45	10.04	21,973	220,572	34.81%	
VUL-CV (0.75% Fee Rate)		5.55	7.48	16,391	122,604	34.88%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.79	11.85	969	11,480	34.88%	
VUL-CV III (0.75% Fee Rate)	05/19/03	11.96	14.37	344	4,944	20.09%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		5.91	7.96	3,408	27,112	34.68%	
VUL-DB II (0.90% Fee Rate)	05/08/03	11.23	13.78	1,352	18,627	22.73%	
NB AMT MID-CAP GROWTH							--
VUL-CV (0.75% Fee Rate)		3.88	4.93	37,738	185,952	27.12%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		7.76	9.86	5,096	50,257	27.12%	
VUL-CV III (0.75% Fee Rate)	01/03/03	9.86	12.17	1,248	15,183	23.41%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		6.11	7.76	12,025	93,324	26.93%	
VUL-DB II (0.90% Fee Rate)		9.21	11.68	2,816	32,902	26.93%	
NB AMT PARTNERS							--
VUL-CV (0.75% Fee Rate)		6.95	9.32	9,635	89,786	34.08%	
NB AMT REGENCY							--
VUL-CV (0.75% Fee Rate)	01/17/03	8.65	11.48	523	6,012	32.79%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)	03/10/03	8.44	12.17	181	2,198	44.11%	
VUL-CV III (0.75% Fee Rate)	12/03/03	13.31	13.66	245	3,354	2.66%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		9.73	13.10	9	114	34.63%	
VUL-DB II (0.90% Fee Rate)	06/30/03	10.38	12.54	393	4,932	20.83%	
OCC ACCUMULATION GLOBAL EQUITY							0.66%
VUL I (0.80% Fee Rate)		8.28	10.81	8,283	89,553	30.50%	
OCC ACCUMULATION MANAGED							1.81%
VUL I (0.80% Fee Rate)		8.25	9.96	5,658	56,381	20.78%	
PUTNAM VT GROWTH & INCOME CLASS IB							1.32%
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.48	10.72	1,494	16,009	26.43%	
VUL-CV III (0.75% Fee Rate)	08/28/03	11.36	12.83	77	992	12.95%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		8.45	10.67	1,374	14,652	26.24%	
VUL-DB II (0.90% Fee Rate)	05/22/03	9.83	11.79	1,509	17,795	19.86%	
PUTNAM VT HEALTH SCIENCES CLASS IB							0.52%
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.22	9.66	2,482	23,986	17.51%	
VUL-CV III (0.75% Fee Rate)	08/28/03	10.46	11.48	42	476	9.75%	
VUL-DB Elite and VUL-DB (0.90% Fee Rate)		7.91	9.28	242	2,241	17.32%	
VUL-DB II (0.90% Fee Rate)		9.53	11.18	593	6,625	17.33%	
SCUDDER VIT EAFE EQUITY INDEX							3.91%
VUL-CV (0.75% Fee Rate)		5.21	6.89	3,730	25,697	32.36%	

VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.47	11.21	1,541	17,281	32.36%
VUL-CV III (0.75% Fee Rate)	01/15/03	10.18	13.17	3,069	40,435	29.40%
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		6.45	8.52	283	2,410	32.17%
VUL-DB II (0.90% Fee Rate)		8.96	11.85	345	4,086	32.18%
SCUDDER VIT EQUITY 500 INDEX						1.12%
VUL I (0.80% Fee Rate)		6.66	8.47	85,866	727,134	27.14%
VUL-CV (0.75% Fee Rate)		5.84	7.43	47,856	355,380	27.20%
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.17	10.39	23,555	244,735	27.20%
VUL-CV III (0.75% Fee Rate)	04/02/03	9.93	12.59	726	9,145	26.79%
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		7.05	8.95	6,328	56,667	27.01%
VUL-DB II (0.90% Fee Rate)		9.28	11.78	3,476	40,950	27.00%

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SUBACCOUNT	COMMENCEMENT DATE (1)	UNIT VALUE BEGINNING OF PERIOD	UNIT VALUE END OF PERIOD	UNITS OUTSTANDING	NET ASSETS	TOTAL RETURN (2)	INVESTMENT INCOME RATIO (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SCUDDER VIT SMALL CAP INDEX							0.96%
VUL-CV (0.75% Fee Rate)		\$ 7.13	\$ 10.37	15,677	\$ 162,524	45.34%	
VUL-CV II and VUL-FLEX (0.75% Fee Rate)		8.37	12.17	5,480	66,702	45.34%	
VUL-CV III (0.75% Fee Rate)	09/23/03	14.10	15.12	86	1,302	7.24%	
VUL-DB and VUL-DB Elite (0.90% Fee Rate)		7.87	11.42	1,490	17,015	45.12%	
VUL-DB II (0.90% Fee Rate)		9.58	13.90	218	3,036	45.13%	

</Table>

- Reflects less than a full year of activity. Funds were first received in this option on the commencement date noted.
- These amounts represent the total return, including changes in the value of the underlying subaccount, 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.
- 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. The investment income ratios are not annualized.

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A summary of the unit values, units outstanding, net assets and total return and investment income ratios for variable life contracts as of and for the year or period ended December 31, 2002 follows. The fee rates below represent annualized contract expenses of the separate account, consisting primarily of mortality and expense guarantee charges.

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SUBACCOUNT	COMMENCEMENT DATE (1)	UNIT VALUE BEGINNING OF PERIOD	UNIT VALUE END OF PERIOD	UNITS OUTSTANDING	NET ASSETS	TOTAL RETURN (13)	INVESTMENT INCOME RATIO (14)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
AIM V.I. CAPITAL APPRECIATION							--
VUL I (.80% Fee Rate)		\$ 9.31	\$ 6.99	28,614	\$ 200,008	-24.96%	
AIM V.I. DIVERSIFIED INCOME							8.32%
VUL I (.80% Fee Rate)		10.08	10.23	18,159	185,820	1.48%	
AIM V.I. GROWTH							--
VUL I (.80% Fee Rate)		6.45	4.42	77,505	342,569	-31.52%	
VUL-CV (.75% Fee Rate)		4.57	3.13	50,626	158,585	-31.49%	
VUL-CV II (.75% Fee Rate) (1)		10.00	7.57	2,572	19,472	-24.29%	
VUL-CV III (.75% Fee Rate) (11)		10.11	9.74	13,789	134,260	-3.69%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)		8.70	5.95	5,074	30,206	-31.59%	
VUL-DB II (.90% Fee Rate) (9)		9.74	9.15	1	7	-6.02%	
AIM V.I. INTERNATIONAL GROWTH							0.74%
VUL-CV (.75% Fee Rate)		6.03	5.05	3,013	15,219	-16.31%	
VUL-CV II (.75% Fee Rate) (1)		10.00	8.76	600	5,259	-12.40%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)		8.63	7.21	659	4,752	-16.43%	
VUL-DB II (.90% Fee Rate) (12)		9.03	9.13	255	2,332	1.12%	
AIM V.I. PREMIER EQUITY							0.37%
VUL I (.80% Fee Rate)		8.70	6.02	72,270	435,090	-30.82%	
VUL-CV (.75% Fee Rate)		7.12	4.93	110,321	543,428	-30.78%	
VUL-CV II (.75% Fee Rate) (1)		10.00	7.66	5,232	40,063	-23.43%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)		8.98	6.21	16,114	100,048	-30.88%	
AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION CLASS 2							0.73%

VUL-CV (.75% Fee Rate)	6.81	5.47	6,016	32,921	-19.66%	
VUL-CV II (.75% Fee Rate) (1)	10.00	8.25	149	1,226	-17.50%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	9.15	7.34	1,284	9,427	-19.78%	
VUL-DB II (.90% Fee Rate) (10)	10.03	9.57	10	99	-4.54%	
AMERICAN FUNDS GROWTH CLASS 2						0.04%
VUL-CV (.75% Fee Rate)	6.83	5.12	63,919	327,210	-25.02%	
VUL-CV II (.75% Fee Rate) (1)	10.00	8.00	9,285	74,307	-19.97%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	8.70	6.52	18,116	118,059	-25.13%	
VUL-DB II (.90% Fee Rate) (5)	9.52	9.59	1,909	18,306	0.76%	
AMERICAN FUNDS GROWTH-INCOME CLASS 2						1.05%
VUL-CV (.75% Fee Rate)	10.27	8.32	34,057	283,403	-18.95%	
VUL-CV II (.75% Fee Rate) (1)	10.00	8.56	4,063	34,773	-14.42%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	9.76	7.89	8,165	64,455	-19.08%	
VUL-DB II (.90% Fee Rate) (4)	9.73	9.39	1,146	10,761	-3.47%	
AMERICAN FUNDS INTERNATIONAL CLASS 2						3.44%
VUL-CV (.75% Fee Rate) (8)	8.00	8.21	174	1,432	2.59%	
VUL-CV II (.75% Fee Rate) (1)	10.00	8.82	739	6,516	-11.79%	
VUL-DB Elite (.90% Fee Rate)	10.41	8.79	168	1,473	-15.59%	
VUL-DB II (.90% Fee Rate) (9)	9.56	9.64	250	2,411	0.79%	
ABVPSF SMALL CAP VALUE						0.16%
VUL-CV II (.75% Fee Rate) (1)	10.00	9.23	1,999	18,455	-7.71%	
VUL-DB Elite (.90% Fee Rate)	11.36	10.56	93	985	-7.03%	
VUL-DB II (.90% Fee Rate) (5)	9.68	9.73	683	6,645	0.50%	
ABVPSF GROWTH AND INCOME						0.35%
VUL-CV (.75% Fee Rate) (2)	8.64	8.09	416	3,367	-6.41%	
VUL-CV II (.75% Fee Rate) (1)	10.00	8.27	3,060	25,310	-17.29%	
VUL-DB Elite (.90% Fee Rate)	10.44	8.06	2,146	17,299	-22.75%	
ABVPSF PREMIER GROWTH						--
VUL-CV II (.75% Fee Rate) (1)	10.00	7.79	3,928	30,623	-22.05%	
VUL-DB Elite (.90% Fee Rate)	10.87	7.47	381	2,842	-31.27%	
ABVPSF TECHNOLOGY						--
BARON CAPITAL ASSET						--
VUL-CV (.75% Fee Rate)	10.08	8.59	8,536	73,287	-14.84%	
VUL-DB (.90% Fee Rate)	10.60	9.01	434	3,914	-14.96%	
DELAWARE VIPT DEVON						1.40%
DELAWARE VIPT EMERGING MARKETS						2.65%
VUL I (.80% Fee Rate)	9.58	9.99	2,156	21,538	4.34%	
VUL-CV (.75% Fee Rate)	8.60	8.98	1,796	16,131	4.39%	
VUL-DB (.90% Fee Rate)	9.71	10.12	95	958	4.25%	
DELAWARE VIPT HIGH YIELD						8.81%
VUL-CV (.75% Fee Rate)	8.64	8.74	4,156	36,314	1.08%	
VUL-CV II (.75% Fee Rate) (1)	10.00	10.21	1,946	19,877	2.15%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	9.93	10.02	1,506	15,084	0.93%	
VUL-DB II (.90% Fee Rate) (12)	10.93	10.95	845	9,257	0.20%	
DELAWARE VIPT LARGE CAP VALUE						1.36%
VUL-CV II (.75% Fee Rate) (1)	10.00	8.43	138	1,162	-15.71%	
VUL-DB II (.90% Fee Rate) (5)	9.31	9.14	671	6,138	-1.78%	

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SUBACCOUNT	UNIT VALUE BEGINNING OF PERIOD	UNIT VALUE END OF PERIOD	UNITS OUTSTANDING	NET ASSETS	TOTAL RETURN (13)	INVESTMENT INCOME RATIO (14)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
DELAWARE VIPT REIT						1.97%
VUL-CV (.75% Fee Rate)	\$ 11.79	\$ 12.23	7,732	\$ 94,543	3.74%	
VUL-CV II (.75% Fee Rate) (1)	10.00	10.26	2,755	28,270	2.62%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	10.95	11.35	3,697	41,953	3.59%	
VUL-DB II (.90% Fee Rate) (6)	9.55	9.87	197	1,940	3.31%	
DELAWARE VIPT SMALL CAP VALUE						0.40%
VUL I (.80% Fee Rate)	12.30	11.52	8,803	101,429	-6.35%	
VUL-CV (.75% Fee Rate)	11.97	11.21	17,789	199,464	-6.31%	
VUL-CV II (.75% Fee Rate) (1)	10.00	9.33	4,037	37,669	-6.69%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	10.54	9.86	4,656	45,922	-6.45%	
VUL-DB II (.90% Fee Rate) (4)	9.87	9.62	350	3,371	-2.53%	
DELAWARE VIPT TREND						--
VUL I (.80% Fee Rate)	12.09	9.60	14,437	138,597	-20.58%	
VUL-CV (.75% Fee Rate)	6.11	4.85	30,190	146,476	-20.54%	
VUL-CV II (.75% Fee Rate) (1)	10.00	8.68	2,813	24,405	-13.23%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	9.76	7.74	2,934	22,719	-20.66%	
VUL-DB II (.90% Fee Rate) (10)	10.23	9.83	127	1,245	-3.94%	
DELAWARE VIPT U.S. GROWTH						0.62%
VUL-CV II (.75% Fee Rate) (1)	10.00	7.36	250	1,837	-26.41%	
FIDELITY VIP ASSET MANAGER						3.38%
VUL I (.80% Fee Rate)	9.76	8.84	14,860	131,338	-9.46%	
FIDELITY VIP CONTRAFUND SERVICE CLASS						0.69%
VUL-CV (.75% Fee Rate)	7.90	7.10	48,018	340,832	-10.10%	
VUL-CV II (.75% Fee Rate) (1)	10.00	9.23	5,528	51,047	-7.65%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	9.59	8.61	3,659	31,492	-10.24%	
VUL-DB II (.90% Fee Rate) (6)	9.25	9.49	315	2,992	2.63%	

FIDELITY VIP EQUITY-INCOME							1.93%
VUL I (.80% Fee Rate)	9.75	8.03	29,466	236,708	-17.61%		
FIDELITY VIP EQUITY-INCOME SERVICE CLASS							0.10%
VUL-CV II (.75% Fee Rate) (1)	10.00	8.60	4,980	42,834	-14.00%		
VUL-DB Elite (.90% Fee Rate)	10.68	8.79	142	1,245	-17.74%		
VUL-DB II (.90% Fee Rate) (12)	9.26	9.34	747	6,979	0.88%		
FIDELITY VIP GROWTH SERVICE CLASS							0.09%
VUL-CV (.75% Fee Rate)	6.54	4.53	15,215	68,953	-30.72%		
VUL-CV II (.75% Fee Rate) (1)	10.00	7.44	5,836	43,432	-25.58%		
VUL-DB and VUL-DB Elite (.90% Fee Rate)	8.82	6.10	2,283	13,932	-30.83%		
FIDELITY VIP GROWTH OPPORTUNITIES SERVICE CLASS							0.86%
VUL-CV (.75% Fee Rate)	6.99	5.42	4,520	24,483	-22.50%		
VUL-DB (.90% Fee Rate)	9.24	7.15	43	311	-22.60%		
FIDELITY VIP HIGH INCOME SERVICE CLASS							9.47%
VUL-CV (.75% Fee Rate)	7.24	7.44	5,813	43,274	2.84%		
VUL-DB (.90% Fee Rate)	8.90	9.14	267	2,441	2.69%		
FIDELITY VIP INVESTMENT GRADE BOND							3.60%
VUL I (.80% Fee Rate)	11.81	12.93	21,673	280,269	9.46%		
FIDELITY VIP OVERSEAS SERVICE CLASS							0.12%
VUL-CV II (.75% Fee Rate) (1)	10.00	8.42	2,587	21,786	-15.79%		
VUL-DB Elite (.90% Fee Rate)	10.30	8.13	46	372	-21.05%		
JANUS ASPEN SERIES MID CAP GROWTH SERVICE SHARES							--
VUL-CV II (.75% Fee Rate) (1)	10.00	8.25	1,203	9,933	-17.46%		
VUL-DB Elite (.90% Fee Rate)	10.58	7.54	379	2,855	-28.77%		
VUL-DB II (.90% Fee Rate) (12)	9.41	9.45	246	2,326	0.44%		
JANUS ASPEN SERIES BALANCED							2.47%
VUL-CV (.75% Fee Rate)	8.92	8.29	34,286	284,133	-7.14%		
VUL-DB (.90% Fee Rate)	9.67	8.96	1,837	16,467	-7.28%		
JANUS ASPEN SERIES BALANCED SERVICE SHARES							2.90%
VUL-CV II (.75% Fee Rate) (1)	10.00	9.44	1,641	15,491	-5.61%		
VUL-DB Elite (.90% Fee Rate)	10.18	9.42	1,097	10,335	-7.51%		
VUL-DB II (.90% Fee Rate) (4)	9.87	9.74	34	335	-1.28%		
JANUS ASPEN SERIES GLOBAL TECHNOLOGY SERVICE SHARES							--
VUL-CV (.75% Fee Rate)	3.90	2.29	6,825	15,625	-41.37%		
VUL-DB (.90% Fee Rate)	7.62	4.46	149	663	-41.46%		
JANUS ASPEN SERIES WORLDWIDE GROWTH							0.95%
VUL-CV (.75% Fee Rate)	6.08	4.49	46,626	209,534	-26.06%		
VUL-DB (.90% Fee Rate)	8.47	6.25	1,958	12,240	-26.17%		
JANUS ASPEN SERIES WORLDWIDE GROWTH SERVICE SHARES							0.79%
VUL-CV II (.75% Fee Rate) (1)	10.00	7.97	1,672	13,329	-20.29%		
VUL-DB Elite (.90% Fee Rate)	10.73	7.90	3,625	28,626	-26.38%		
VUL-DB II (.90% Fee Rate) (12)	8.93	9.01	259	2,334	0.92%		
LINCOLN VIPT AGGRESSIVE GROWTH							--
LINCOLN VIPT BOND							5.46%
VUL-CV (.75% Fee Rate)	11.34	12.40	45,331	561,899	9.33%		
VUL-CV II (.75% Fee Rate) (1)	10.00	10.82	20,292	219,565	8.20%		
VUL-DB and VUL-DB Elite (.90% Fee Rate)	10.48	11.44	10,998	125,797	9.17%		
VUL-DB II (.90% Fee Rate) (4)	10.17	10.51	561	5,894	3.28%		

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SUBACCOUNT	UNIT VALUE		UNITS	NET ASSETS	TOTAL RETURN (13)	INVESTMENT INCOME RATIO (14)
	BEGINNING OF PERIOD	UNIT VALUE END OF PERIOD				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
LINCOLN VIPT CAPITAL APPRECIATION						--
VUL-CV (.75% Fee Rate)	\$ 5.63	\$ 4.08	2,560	\$ 10,455	-27.51%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	7.92	5.74	23	134	-27.62%	
LINCOLN VIPT EQUITY-INCOME						1.13%
VUL-CV (.75% Fee Rate)	9.78	8.19	1,211	9,912	-16.30%	
LINCOLN VIPT GLOBAL ASSET ALLOCATION						1.52%
VUL-CV (.75% Fee Rate)	8.53	7.45	2,829	21,084	-12.65%	
VUL-CV II (.75% Fee Rate) (1)	10.00	9.03	908	8,203	-9.68%	
LINCOLN VIPT INTERNATIONAL						2.81%
VUL-CV II (.75% Fee Rate) (1)	10.00	9.07	79	715	-9.35%	
VUL-DB Elite (.90% Fee Rate)	10.44	9.23	686	6,337	-11.56%	
VUL-DB II (.90% Fee Rate) (5)	9.46	9.30	99	925	-1.69%	
LINCOLN VIPT MONEY MARKET						1.38%
VUL I (.80% Fee Rate)	11.13	11.19	153,209	1,714,766	0.60%	
VUL-CV (.75% Fee Rate)	10.53	10.60	107,243	1,136,397	0.65%	
VUL-CV II (.75% Fee Rate) (1)	10.00	10.06	32,043	322,193	0.55%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	10.15	10.20	55,395	565,120	0.50%	
VUL-DB II (.90% Fee Rate) (3)	10.00	10.01	8,767	87,771	0.10%	
LINCOLN VIPT SOCIAL AWARENESS						0.92%
VUL-CV (.75% Fee Rate)	7.71	5.96	538	3,208	-22.70%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	9.26	7.15	122	871	-22.83%	
MFS VIT CAPITAL OPPORTUNITIES						0.11%
VUL-CV II (.75% Fee Rate) (1)	10.00	7.69	14	108	-23.11%	
MFS VIT EMERGING GROWTH						--
VUL I (.80% Fee Rate)	8.68	5.70	29,980	171,011	-34.29%	

VUL-CV (.75% Fee Rate)	4.96	3.26	39,962	130,438	-34.26%	
VUL-CV II (.75% Fee Rate) (1)	10.00	7.49	12	88	-25.11%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	8.34	5.47	3,894	21,313	-34.36%	
MFS VIT TOTAL RETURN						1.37%
VUL I (.80% Fee Rate)	11.26	10.59	5,438	57,590	-5.92%	
VUL-CV (.75% Fee Rate)	10.56	9.94	20,275	201,546	-5.88%	
VUL-CV II (.75% Fee Rate) (1)	10.00	9.58	7,318	70,079	-4.24%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	9.86	9.27	7,114	65,942	-6.02%	
VUL-DB II (.90% Fee Rate) (4)	9.89	9.88	510	5,044	-0.10%	
MFS VIT UTILITIES						2.42%
VUL I (.80% Fee Rate)	9.72	7.45	19,046	141,813	-23.37%	
VUL-CV (.75% Fee Rate)	7.23	5.55	17,491	96,998	-23.33%	
VUL-CV II (.75% Fee Rate) (1)	10.00	8.79	890	7,817	-12.13%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	7.72	5.91	3,552	20,982	-23.45%	
NB AMT MID-CAP GROWTH						--
VUL-CV (.75% Fee Rate)	5.53	3.88	43,893	170,139	-29.87%	
VUL-CV II (.75% Fee Rate) (1)	10.00	7.76	2,135	16,559	-22.42%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	8.73	6.11	11,874	72,605	-29.97%	
VUL-DB II (.90% Fee Rate) (5)	9.67	9.21	952	8,765	-4.81%	
NB AMT PARTNERS						0.46%
VUL-CV (.75% Fee Rate)	9.23	6.95	8,920	61,994	-24.71%	
NB AMT REGENCY						0.43%
VUL-DB Elite (.90% Fee Rate)	10.98	9.73	2	18	-11.35%	
OCC ACCUMULATION GLOBAL EQUITY						0.44%
VUL I (.80% Fee Rate)	10.11	8.28	9,745	80,736	-18.07%	
OCC ACCUMULATION MANAGED						1.82%
VUL I (.80% Fee Rate)	10.01	8.25	5,311	43,821	-17.55%	
PUTNAM VT GROWTH & INCOME CLASS IB						0.68%
VUL-CV II (.75% Fee Rate) (1)	10.00	8.48	1,451	12,298	-15.24%	
VUL-DB Elite (.90% Fee Rate)	10.52	8.45	1,306	11,035	-19.72%	
PUTNAM VT HEALTH SCIENCES CLASS IB						--
VUL-CV II (.75% Fee Rate) (1)	10.00	8.22	2,279	18,744	-17.77%	
VUL-DB Elite (.90% Fee Rate)	10.02	7.91	116	917	-21.06%	
VUL-DB II (.90% Fee Rate) (12)	9.39	9.53	245	2,331	1.52%	
SCUDDER VIT EAFE EQUITY INDEX						0.89%
VUL-CV (.75% Fee Rate)	6.67	5.21	2,748	14,306	-21.93%	
VUL-CV II (.75% Fee Rate) (1)	10.00	8.47	644	5,456	-15.28%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	8.27	6.45	258	1,662	-22.05%	
VUL-DB II (.90% Fee Rate) (6)	8.52	8.96	198	1,773	5.20%	
SCUDDER VIT EQUITY 500 INDEX						1.22%
VUL I (.80% Fee Rate)	8.64	6.66	71,931	479,106	-22.93%	
VUL-CV (.75% Fee Rate)	7.57	5.84	51,957	303,329	-22.90%	
VUL-CV II (.75% Fee Rate) (1)	10.00	8.17	8,730	71,307	-18.32%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	9.16	7.05	7,417	52,295	-23.01%	
VUL-DB II (.90% Fee Rate) (6)	8.43	9.28	284	2,634	10.03%	
SCUDDER VIT SMALL CAP INDEX						0.75%
VUL-CV (.75% Fee Rate)	9.05	7.13	18,181	129,676	-21.18%	
VUL-CV II (.75% Fee Rate) (1)	10.00	8.37	2,909	24,361	-16.25%	
VUL-DB and VUL-DB Elite (.90% Fee Rate)	10.00	7.87	1,718	13,518	-21.30%	
VUL-DB II (.90% Fee Rate) (7)	8.98	9.58	16	150	6.58%	

</Table>

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<Caption>

SUBACCOUNT	UNIT VALUE		UNITS	TOTAL	INVESTMENT
	BEGINNING OF PERIOD	END OF PERIOD			
<S>	<C>	<C>	<C>	<C>	<C>
FTVIPT FRANKLIN SMALL CAP					0.51%
VUL-CV II (.75% Fee Rate) (1)	\$ 10.00	\$ 7.76	754	\$ 5,848	-22.42%
VUL-DB Elite (.90% Fee Rate)	11.27	7.98	930	7,425	-29.16%
VUL-DB II (.90% Fee Rate) (5)	9.30	9.61	215	2,069	3.37%
FTVIPT TEMPLETON FOREIGN SECURITIES					1.75%
VUL I (.80% Fee Rate)	9.15	7.41	21,464	159,011	-19.06%
FTVIPT TEMPLETON FOREIGN SECURITIES CLASS 2					1.58%
VUL-CV (.75% Fee Rate)	8.06	6.51	8,390	54,646	-19.17%
VUL-DB (.90% Fee Rate)	8.86	7.15	151	1,081	-19.30%
FTVIPT TEMPLETON GLOBAL ASSET ALLOCATION					2.05%
VUL I (.80% Fee Rate)	9.85	9.36	2,855	26,738	-4.93%
FTVIPT TEMPLETON GROWTH SECURITIES					2.30%
VUL I (.80% Fee Rate)	12.09	9.80	5,374	52,658	-18.97%
VUL-CV II (.75% Fee Rate) (1)	10.00	8.45	1,704	14,398	-15.49%
VUL-DB Elite (.90% Fee Rate)	10.64	8.61	501	4,317	-19.05%
VUL-DB II (.90% Fee Rate) (12)	9.00	9.08	380	3,448	0.80%
FTVIPT TEMPLETON GROWTH SECURITIES CLASS 2					2.26%
VUL-CV (.75% Fee Rate)	9.94	8.04	4,896	39,373	-19.10%
VUL-DB (.90% Fee Rate)	9.77	7.89	130	1,025	-19.23%

</Table>

(1) Reflects less than a full year of activity. Funds were first received in this option on 2/19/2002.

- (2) Reflects less than a full year of activity. Funds were first received in this option on 8/23/2002.
- (3) Reflects less than a full year of activity. Funds were first received in this option on 9/4/2002.
- (4) Reflects less than a full year of activity. Funds were first received in this option on 9/11/2002.
- (5) Reflects less than a full year of activity. Funds were first received in this option on 9/13/2002.
- (6) Reflects less than a full year of activity. Funds were first received in this option on 10/4/2002.
- (7) Reflects less than a full year of activity. Funds were first received in this option on 10/15/2002.
- (8) Reflects less than a full year of activity. Funds were first received in this option on 10/21/2002.
- (9) Reflects less than a full year of activity. Funds were first received in this option on 11/15/2002.
- (10) Reflects less than a full year of activity. Funds were first received in this option on 11/25/2002.
- (11) Reflects less than a full year of activity. Funds were first received in this option on 12/17/2002.
- (12) Reflects less than a full year of activity. Funds were first received in this option on 12/27/2002.
- (13) These amounts represent the total return, including changes in the value of the underlying subaccount, 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.
- (14) 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. The investment income ratios are not annualized.

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A summary of the unit values, units outstanding, net assets and total return and investment income ratios for variable life contracts as of and for the year or period ended December 31, 2001 follows. The fee rates below represent annualized contract expenses of the separate account, consisting primarily of mortality and expense guarantee charges.

<Table>

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SUBACCOUNT	UNIT VALUE		UNITS	NET ASSETS	TOTAL RETURN (3)	INVESTMENT INCOME RATIO (4)
	BEGINNING OF PERIOD	UNIT VALUE END OF PERIOD				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
AIM V.I. CAPITAL APPRECIATION						7.53%
VUL I (.80% Fee Rate)	\$ 12.24	\$ 9.31	24,186	\$ 225,282	-23.89%	
AIM V.I. DIVERSIFIED INCOME						8.03%
VUL I (.80% Fee Rate)	9.81	10.08	15,529	156,579	2.77%	
AIM V.I. GROWTH						0.27%
VUL I (.80% Fee Rate)	9.84	6.45	68,921	444,855	-34.41%	
VUL-CV (.75% Fee Rate)	6.97	4.57	42,361	193,683	-34.38%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	8.70	1,351	11,758	-12.98%	
AIM V.I. INTERNATIONAL GROWTH						0.53%
VUL-CV (.75% Fee Rate)	7.95	6.03	1,653	9,972	-24.11%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	8.63	626	5,405	-13.71%	
AIM V.I. PREMIER EQUITY						0.15%
VUL I (.80% Fee Rate)	10.03	8.70	65,868	573,168	-13.26%	
VUL-CV (.75% Fee Rate)	8.20	7.12	79,433	565,269	-13.22%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	8.98	5,823	52,307	-10.17%	
AMERICAN FUNDS GLOBAL SMALL CAPITALIZATION CLASS 2						0.82%
VUL-CV (.75% Fee Rate)	7.87	6.81	4,847	33,011	-13.50%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	9.15	337	3,081	-8.46%	
AMERICAN FUNDS GROWTH CLASS 2						0.34%
VUL-CV (.75% Fee Rate)	8.40	6.83	33,987	232,040	-18.76%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	8.70	10,085	87,787	-12.96%	
AMERICAN FUNDS GROWTH - INCOME CLASS 2						1.78%
VUL-CV (.75% Fee Rate)	10.09	10.27	24,314	249,640	1.79%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	9.76	5,581	54,448	-2.45%	
AMERICAN FUNDS INTERNATIONAL CLASS 2						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.41	89	925	4.11%	
ABVPSF SMALL CAP VALUE						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	11.36	85	965	13.58%	
ABVPSF GROWTH AND INCOME						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.44	85	887	4.38%	
ABVPSF PREMIER GROWTH						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.87	277	3,013	8.67%	
ABVPSF TECHNOLOGY						--

VUL-DB Elite (.90% Fee Rate) (2)	10.00	11.55	85	981	15.52%	--
BARON CAPITAL ASSET						
VUL-CV (.75% Fee Rate)	9.04	10.08	4,961	50,012	11.50%	
VUL-DB (.90% Fee Rate) (1)	10.00	10.60	518	5,494	6.01%	
DELAWARE VIPT DEVON						0.42%
VUL-CV (.75% Fee Rate)	8.64	7.79	68	528	-9.83%	
VUL-DB (.90% Fee Rate) (1)	10.00	9.15	90	824	-8.51%	
DELAWARE VIPT EMERGING MARKETS						0.37%
VUL I (.80% Fee Rate)	9.17	9.58	2,099	20,098	4.44%	
VUL-CV (.75% Fee Rate)	8.24	8.60	821	7,068	4.47%	
VUL-DB (.90% Fee Rate) (1)	10.00	9.71	176	1,704	-2.91%	
DELAWARE VIPT HIGH YIELD						3.69%
VUL-CV (.75% Fee Rate)	9.08	8.64	3,722	32,172	-4.82%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	9.93	1,384	13,738	-0.74%	
DELAWARE VIPT LARGE CAP VALUE						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.67	85	906	6.70%	
DELAWARE VIPT REIT						1.42%
VUL-CV (.75% Fee Rate)	10.92	11.79	5,789	68,234	7.97%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	10.95	348	3,815	9.54%	
DELAWARE VIPT SMALL CAP VALUE						0.77%
VUL I (.80% Fee Rate)	11.09	12.30	7,875	96,888	10.95%	
VUL-CV (.75% Fee Rate)	10.78	11.97	4,100	49,071	11.01%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	10.54	723	7,625	5.43%	
DELAWARE VIPT TREND						--
VUL I (.80% Fee Rate)	14.39	12.09	12,588	152,147	-16.01%	
VUL-CV (.75% Fee Rate)	7.27	6.11	19,859	121,256	-15.97%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	9.76	138	1,344	-2.41%	
DELAWARE VIPT U.S. GROWTH						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.75	85	913	7.50%	
FIDELITY VIP ASSET MANAGER						3.50%
VUL I (.80% Fee Rate)	10.26	9.76	12,204	119,131	-4.85%	
FIDELITY VIP CONTRAFUND SERVICE CLASS						0.07%
VUL-CV (.75% Fee Rate)	9.08	7.90	29,596	233,678	-13.02%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	9.59	720	6,908	-4.12%	
FIDELITY VIP EQUITY-INCOME						1.65%
VUL I (.80% Fee Rate)	10.34	9.75	30,960	301,861	-5.71%	
FIDELITY VIP EQUITY-INCOME SERVICE CLASS						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.68	85	908	6.83%	

</Table>

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SUBACCOUNT	UNIT VALUE		UNITS OUTSTANDING	NET ASSETS	TOTAL RETURN (3)	INVESTMENT INCOME RATIO (4)
	BEGINNING OF PERIOD	END OF PERIOD				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
FIDELITY VIP GROWTH SERVICE CLASS						5.01%
VUL-CV (.75% Fee Rate)	\$ 8.01	\$ 6.54	7,605	\$ 49,744	-18.34%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	8.82	580	5,115	-11.77%	
FIDELITY VIP GROWTH OPPORTUNITIES SERVICE CLASS						0.07%
VUL-CV (.75% Fee Rate)	8.23	6.99	3,267	22,837	-15.08%	
VUL-DB (.90% Fee Rate) (1)	10.00	9.24	101	933	-7.59%	
FIDELITY VIP HIGH INCOME SERVICE CLASS						1.93%
VUL-CV (.75% Fee Rate)	8.28	7.24	4,269	30,903	-12.55%	
VUL-DB (.90% Fee Rate) (1)	10.00	8.90	388	3,449	-11.03%	
FIDELITY VIP INVESTMENT GRADE BOND						4.28%
VUL I (.80% Fee Rate)	10.98	11.81	19,631	231,915	7.60%	
FIDELITY VIP OVERSEAS SERVICE CLASS						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.30	88	910	2.98%	
JANUS ASPEN SERIES MID CAP GROWTH SERVICE SHARES						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.58	283	2,994	5.84%	
JANUS ASPEN SERIES BALANCED						3.55%
VUL-CV (.75% Fee Rate)	9.43	8.92	25,237	225,234	-5.38%	
VUL-DB (.90% Fee Rate) (1)	10.00	9.67	1,273	12,306	-3.34%	
JANUS ASPEN SERIES BALANCED SERVICE SHARES						2.36%
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.18	290	2,958	1.85%	
JANUS ASPEN SERIES GLOBAL TECHNOLOGY SERVICE SHARES						0.72%
VUL-CV (.75% Fee Rate)	6.28	3.90	15,027	58,677	-37.79%	
VUL-DB (.90% Fee Rate) (1)	10.00	7.62	126	962	-23.83%	
JANUS ASPEN SERIES WORLDWIDE GROWTH						0.70%
VUL-CV (.75% Fee Rate)	7.89	6.08	39,216	238,343	-23.02%	
VUL-DB (.90% Fee Rate) (1)	10.00	8.47	1,899	16,082	-15.32%	
JANUS ASPEN SERIES WORLDWIDE GROWTH SERVICE SHARES						0.10%
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.73	193	2,069	7.26%	
LINCOLN VIPT AGGRESSIVE GROWTH						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	11.25	85	956	12.54%	
LINCOLN VIPT BOND						7.30%
VUL-CV (.75% Fee Rate)	10.46	11.34	27,628	313,226	8.34%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	10.48	1,887	19,769	4.78%	
LINCOLN VIPT CAPITAL APPRECIATION						--
VUL-CV (.75% Fee Rate)	7.66	5.63	864	4,866	-26.45%	

VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	7.92	104	823	-20.77%	
LINCOLN VIPT EQUITY-INCOME						1.98%
VUL-CV (.75% Fee Rate)	10.64	9.78	915	8,951	-8.05%	
VUL-DB (.90% Fee Rate) (1)	10.00	9.45	90	850	-5.53%	
LINCOLN VIPT GLOBAL ASSET ALLOCATION						1.25%
VUL-CV (.75% Fee Rate)	9.32	8.53	2,896	24,710	-8.47%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	9.55	90	859	-4.53%	
LINCOLN VIPT INTERNATIONAL						0.99%
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.44	85	887	4.41%	
LINCOLN VIPT MONEY MARKET						3.71%
VUL I (.80% Fee Rate)	10.78	11.13	110,260	1,226,712	3.19%	
VUL-CV (.75% Fee Rate)	10.20	10.53	103,069	1,085,107	3.24%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	10.15	16,452	167,005	1.51%	
LINCOLN VIPT SOCIAL AWARENESS						0.56%
VUL-CV (.75% Fee Rate)	8.59	7.71	617	4,757	-10.23%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	9.26	90	833	-7.35%	
MFS VIT CAPITAL OPPORTUNITIES						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.94	85	929	9.38%	
MFS VIT EMERGING GROWTH						--
VUL I (.80% Fee Rate)	13.16	8.68	31,602	274,325	-34.02%	
VUL-CV (.75% Fee Rate)	7.52	4.96	41,555	206,315	-33.98%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	8.34	1,332	11,108	-16.62%	
MFS VIT TOTAL RETURN						1.59%
VUL I (.80% Fee Rate)	11.32	11.26	4,148	46,699	-0.55%	
VUL-CV (.75% Fee Rate)	10.61	10.56	13,009	137,384	-0.50%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	9.86	2,176	21,462	-1.37%	
MFS VIT UTILITIES						3.20%
VUL I (.80% Fee Rate)	12.92	9.72	20,410	198,325	-24.81%	
VUL-CV (.75% Fee Rate)	9.62	7.23	19,970	144,454	-24.77%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	7.72	1,563	12,063	-22.83%	
NB AMT MID-CAP GROWTH						--
VUL-CV (.75% Fee Rate)	7.39	5.53	26,658	147,342	-25.20%	
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	8.73	6,868	59,966	-12.68%	
NB AMT PARTNERS						0.18%
VUL-CV (.75% Fee Rate)	9.57	9.23	5,645	52,115	-3.56%	
VUL-DB (.90% Fee Rate) (1)	10.00	9.64	90	867	-3.57%	
NB AMT REGENCY						--
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.98	85	933	9.77%	
OCC ACCUMULATION GLOBAL EQUITY						--
VUL I (.80% Fee Rate)	11.83	10.11	8,141	82,309	-14.51%	
OCC ACCUMULATION MANAGED						2.58%
VUL I (.80% Fee Rate)	10.61	10.01	4,189	41,917	-5.67%	

</Table>

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SUBACCOUNT	UNIT VALUE						INVESTMENT INCOME RATIO (4)
	BEGINNING OF PERIOD	UNIT VALUE END OF PERIOD	UNITS OUTSTANDING	NET ASSETS	TOTAL RETURN (3)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
PUTNAM VT GROWTH & INCOME CLASS IB						--	
VUL-DB Elite (.90% Fee Rate) (2)	\$ 10.00	10.52	97	\$ 1,022	5.24%		
PUTNAM VT HEALTH SCIENCES CLASS IB						--	
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.02	85	851	0.19%		
SCUDDER VIT EAFE EQUITY INDEX						--	
VUL-CV (.75% Fee Rate)	8.92	6.67	1,770	11,804	-25.27%		
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	8.27	90	744	-17.25%		
SCUDDER VIT EQUITY 500 INDEX						1.16%	
VUL I (.80% Fee Rate)	9.92	8.64	66,082	571,139	-12.88%		
VUL-CV (.75% Fee Rate)	8.69	7.57	39,141	296,363	-12.84%		
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	9.16	3,906	35,767	-8.42%		
SCUDDER VIT SMALL CAP INDEX						1.11%	
VUL-CV (.75% Fee Rate)	8.93	9.05	13,135	118,850	1.29%		
VUL-DB and VUL-DB Elite (.90% Fee Rate) (1)	10.00	10.00	1,482	14,811	-0.03%		
FTVIPT FRANKLIN SMALL CAP						--	
VUL-DB Elite (.90% Fee Rate) (2)	10.00	11.27	85	958	12.72%		
FTVIPT TEMPLETON FOREIGN SECURITIES						3.08%	
VUL I (.80% Fee Rate)	10.95	9.15	20,045	183,459	-16.42%		
FTVIPT TEMPLETON FOREIGN SECURITIES CLASS 2						2.46%	
VUL-CV (.75% Fee Rate)	9.66	8.06	6,631	53,430	-16.62%		
VUL-DB (.90% Fee Rate) (1)	10.00	8.86	266	2,356	-11.44%		
FTVIPT TEMPLETON GLOBAL ASSET ALLOCATION						1.34%	
VUL I (.80% Fee Rate)	11.00	9.85	2,519	24,816	-10.44%		
FTVIPT TEMPLETON GROWTH SECURITIES						2.19%	
VUL I (.80% Fee Rate)	12.31	12.09	4,295	51,935	-1.77%		
VUL-DB Elite (.90% Fee Rate) (2)	10.00	10.64	194	2,061	6.38%		
FTVIPT TEMPLETON GROWTH SECURITIES CLASS 2						1.75%	
VUL-CV (.75% Fee Rate)	10.15	9.94	4,604	45,759	-2.05%		
VUL-DB (.90% Fee Rate) (1)	10.00	9.77	122	1,189	-2.31%		

</Table>

- (1) Reflects less than a full year of activity. Funds were first received in this option on 5/9/2001.
- (2) Reflects less than a full year of activity. Funds were first received in this option on 10/29/2001.
- (3) These amounts represent the total return, including changes in the value of the underlying subaccount, 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. in the fee rate. The total return does not include contract charges deducted directly from policy account values. The total return is not annualized.
- (4) 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. The investment income ratios are not annualized.

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<Page>

4. PURCHASES AND SALES OF INVESTMENTS

The aggregate cost of investments purchased and the aggregate proceeds from investments sold were as follows for 2003.

<Table>

<Caption>

SUBACCOUNT	AGGREGATE COST OF PURCHASES	AGGREGATE PROCEEDS FROM SALES
<S>	<C>	<C>
AIM V.I. Capital Appreciation	\$ 56,142	\$ 34,433
AIM V.I. Diversified Income	97,722	71,932
AIM V.I. Growth	234,436	296,325
AIM V.I. International Growth	549,123	551,152
AIM V.I. Premier Equity	317,363	281,660
ABVPSF Growth and Income	56,499	14,334
ABVPSF Premier Growth	12,859	6,570
ABVPSF Small Cap Value	53,643	9,337
ABVPSF Technology	28,258	29,066
American Funds Global Small Capitalization Class 2	19,407	10,740
American Funds Growth Class 2	423,687	116,366
American Funds Growth -- Income Class 2	322,968	90,406
American Funds International Class 2	72,557	5,314
Baron Capital Asset	37,945	38,359
Delaware VIPT Emerging Markets	11,306	28,971
Delaware VIPT High Yield	115,176	37,046
Delaware VIPT Large Cap Value	71,894	4,257
Delaware VIPT REIT	95,781	67,739
Delaware VIPT Small Cap Value	172,441	75,989
Delaware VIPT Trend	98,032	100,871
Delaware VIPT U.S. Growth	7,930	776
Fidelity VIP Asset Manager	51,374	15,622
Fidelity VIP Contrafund Service Class	152,333	119,801
Fidelity VIP Equity-Income	88,369	87,768
Fidelity VIP Equity-Income Service Class	134,269	10,759
Fidelity VIP Growth Service Class	95,082	25,809
Fidelity VIP Growth Opportunities Service Class	11,614	4,455
Fidelity VIP High Income Service Class	16,491	10,355
Fidelity VIP Investment Grade Bond	130,359	109,971
Fidelity VIP Overseas Service Class	12,587	4,417
FTVIPT Franklin Small Cap	46,786	4,915
FTVIPT Templeton Foreign Securities	53,993	37,644
FTVIPT Templeton Foreign Securities Class 2	486,637	485,537
FTVIPT Templeton Global Asset Allocation	12,154	14,861
FTVIPT Templeton Growth Securities	40,449	11,935
FTVIPT Templeton Growth Securities Class 2	10,043	21,226
Janus Aspen Series Balanced	56,377	67,924
Janus Aspen Series Balanced Service Shares	159,864	32,159
Janus Aspen Series Global Technology Service Shares	7,701	4,867
Janus Aspen Series Mid Cap Growth Service Shares	17,421	3,570
Janus Aspen Series Worldwide Growth	50,421	36,604
Janus Aspen Series Worldwide Growth Service Shares	26,525	11,912
Lincoln VIPT Bond	542,696	346,120
Lincoln VIPT Capital Appreciation	9,154	2,454
Lincoln VIPT Equity-Income	5,734	2,087
Lincoln VIPT Global Asset Allocation	6,896	1,662
Lincoln VIPT International	8,841	3,106
Lincoln VIPT Money Market	5,867,152	4,152,921
Lincoln VIPT Social Awareness	5,130	1,809
MFS VIT Capital Opportunities	703	143

MFS VIT Emerging Growth	98,496	89,113
MFS VIT Total Return	254,008	70,376
MFS VIT Utilities	115,727	72,097
NB AMT Mid-Cap Growth	103,943	73,721
NB AMT Partners	15,287	9,523
NB AMT Regency	14,610	896
OCC Accumulation Global Equity	34,569	47,246

</Table>

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<Page>

<Table>

<Caption>

SUBACCOUNT	AGGREGATE COST OF PURCHASES	AGGREGATE PROCEEDS FROM SALES
<S>	<C>	<C>
OCC Accumulation Managed	\$ 14,331	\$ 10,116
Putnam VT Growth & Income Class IB	19,426	2,413
Putnam VT Health Sciences Class IB	12,899	5,909
Scudder VIT EAFE Equity Index	878,209	829,022
Scudder VIT Equity 500 Index	544,377	282,864
Scudder VIT Small Cap Index	49,040	45,871

</Table>

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<Page>

5. INVESTMENTS

The following is a summary of investments owned at December 31, 2003.

<Table>

<Caption>

SUBACCOUNT	SHARES OUTSTANDING	NET ASSET VALUE	VALUE OF SHARES	COST OF SHARES
<S>	<C>	<C>	<C>	<C>
AIM V.I. Capital Appreciation	13,294	\$ 21.28	\$ 282,891	\$ 330,857
AIM V.I. Diversified Income	24,238	8.82	213,777	225,475
AIM V.I. Growth	55,852	14.83	828,289	970,701
AIM V.I. International Growth	2,644	16.04	42,408	36,956
AIM V.I. Premier Equity	70,753	20.23	1,431,325	1,598,503
ABVPSF Growth and Income	4,916	21.80	107,161	91,019
ABVPSF Premier Growth	2,236	21.58	48,254	40,317
ABVPSF Small Cap Value	6,542	14.49	94,794	70,273
ABVPSF Technology	220	14.48	3,188	2,991
American Funds Global Small Capitalization Class 2	5,616	14.08	79,068	62,516
American Funds Growth Class 2	24,190	45.50	1,100,624	976,147
American Funds Growth-Income Class 2	23,584	33.48	789,595	696,519
American Funds International Class 2	6,752	13.40	90,474	79,523
Baron Capital Asset	4,497	21.53	96,828	80,657
Delaware VIPT Emerging Markets	3,821	11.18	42,714	26,695
Delaware VIPT High Yield	32,177	5.69	183,090	160,557
Delaware VIPT Large Cap Value	5,289	16.33	86,374	74,823
Delaware VIPT REIT	16,523	15.14	250,158	197,325
Delaware VIPT Small Cap Value	25,828	25.64	662,232	511,242
Delaware VIPT Trend	16,313	27.29	445,193	404,340
Delaware VIPT U.S. Growth	1,506	6.62	9,969	9,152
Fidelity VIP Asset Manager	12,906	14.46	186,626	190,680
Fidelity VIP Contrafund Service Class	25,455	23.06	586,996	496,400
Fidelity VIP Equity-Income	13,035	23.18	302,153	279,513
Fidelity VIP Equity-Income Service Class	9,429	23.11	217,895	175,187
Fidelity VIP Growth Service Class	7,980	30.92	246,729	226,728
Fidelity VIP Growth Opportunities Service Class	2,628	15.06	39,580	37,347
Fidelity VIP High Income Service Class	8,783	6.92	60,780	53,520
Fidelity VIP Investment Grade Bond	21,969	13.65	299,871	280,969
Fidelity VIP Overseas Service Class	2,673	15.53	41,507	30,004
FTVIPT Franklin Small Cap	4,305	17.60	75,774	60,673
FTVIPT Templeton Foreign Securities	18,009	12.37	222,769	240,102
FTVIPT Templeton Foreign Securities Class 2	6,304	12.24	77,165	67,656
FTVIPT Templeton Global Asset Allocation	1,680	18.78	31,551	28,411
FTVIPT Templeton Growth Securities	11,592	11.31	131,102	120,572
FTVIPT Templeton Growth Securities Class 2	3,376	11.19	37,777	36,170
Janus Aspen Series Balanced	14,077	22.98	323,491	315,334
Janus Aspen Series Balanced Service Shares	6,996	23.82	166,653	154,661
Janus Aspen Series Global Technology Service Shares	7,741	3.53	27,325	30,954
Janus Aspen Series Mid Cap Growth Service Shares	1,746	21.05	36,756	31,470
Janus Aspen Series Worldwide Growth	11,110	25.82	286,852	294,799
Janus Aspen Series Worldwide Growth Service Shares	2,759	25.70	70,895	65,588
Lincoln VIPT Bond	85,230	13.22	1,126,993	1,092,035
Lincoln VIPT Capital Appreciation	1,263	16.79	21,209	20,237

Lincoln VIPT Equity-Income	1,047	16.60	17,376	15,275
Lincoln VIPT Global Asset Allocation	3,121	12.71	39,653	36,470
Lincoln VIPT International	1,277	13.62	17,396	14,512
Lincoln VIPT Money Market	554,056	10.00	5,540,562	5,540,562
Lincoln VIPT Social Awareness	367	26.00	9,544	8,185
MFS VIT Capital Opportunities	64	12.11	774	693
MFS VIT Emerging Growth	27,550	15.51	427,305	538,159
MFS VIT Total Return	33,363	19.58	653,253	599,498
MFS VIT Utilities	25,414	15.95	405,348	414,264
NB AMT Mid-Cap Growth	24,633	15.33	377,625	373,548
NB AMT Partners	5,830	15.40	89,788	80,547
NB AMT Regency	1,374	12.09	16,610	13,846
OCC Accumulation Global Equity	6,374	14.05	89,555	84,942

</Table>

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<Page>

<Table>

<Caption>

SUBACCOUNT	SHARES	NET	VALUE OF	COST OF
	OUTSTANDING	ASSET VALUE	SHARES	SHARES
<S>	<C>	<C>	<C>	<C>
OCC Accumulation Managed	1,441	\$ 39.13	\$ 56,382	\$ 54,352
Putnam VT Growth & Income Class IB	2,126	23.26	49,449	40,734
Putnam VT Health Sciences Class IB	3,038	10.97	33,329	28,982
Scudder VIT EAFE Equity Index	10951.395	8.21	89,911	76,824
Scudder VIT Equity 500 Index	123199.515	11.64	1,434,042	1,362,085
Scudder VIT Small Cap Index	20472.484	12.24	250,584	204,202

</Table>

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<Page>

6. CHANGES IN UNITS OUTSTANDING

The change in units outstanding for the year ended December 31, 2003 is as follows:

<Table>

<Caption>

SUBACCOUNT	UNITS	UNITS	NET INCREASE
	ISSUED	REDEEMED	(DECREASE)
<S>	<C>	<C>	<C>
AIM V.I. Capital Appreciation	7,893	(5,017)	2,876
AIM V.I. Diversified Income	5,811	(4,692)	1,119
AIM V.I. Growth	38,578	(37,852)	726
AIM V.I. International Growth	103,307	(102,522)	785
AIM V.I. Premier Equity	60,138	(56,596)	3,542
ABVPSF Growth and Income	5,419	(1,334)	4,085
ABVPSF Premier Growth	1,117	(430)	687
ABVPSF Small Cap Value	5,019	(968)	4,051
ABVPSF Technology	3,960	(3,690)	270
American Funds Global Small Capitalization Class 2	2,588	(1,482)	1,106
American Funds Growth Class 2	54,790	(19,297)	35,493
American Funds Growth-Income Class 2	33,343	(9,274)	24,069
American Funds International Class 2	6,456	(608)	5,848
Baron Capital Asset	3,927	(4,210)	(283)
Delaware VIPT Emerging Markets	1,020	(2,458)	(1,438)
Delaware VIPT High Yield	8,429	(2,551)	5,877
Delaware VIPT Large Cap Value	7,424	(415)	7,009
Delaware VIPT REIT	7,472	(4,923)	2,549
Delaware VIPT Small Cap Value	14,685	(6,483)	8,202
Delaware VIPT Trend	13,339	(13,872)	(533)
Delaware VIPT U.S. Growth	839	(95)	744
Fidelity VIP Asset Manager	4,738	(1,557)	3,181
Fidelity VIP Contrafund Service Class	16,677	(14,664)	2,013
Fidelity VIP Equity-Income	9,237	(9,613)	(376)
Fidelity VIP Equity-Income Service Class	12,994	(906)	12,088
Fidelity VIP Growth Service Class	11,855	(4,245)	7,609
Fidelity VIP Growth Opportunities Service Class	2,061	(971)	1,090
Fidelity VIP High Income Service Class	1,849	(1,510)	339
Fidelity VIP Investment Grade Bond	9,130	(8,585)	545
Fidelity VIP Overseas Service Class	1,076	(247)	829
FTVIPT Franklin Small Cap	4,552	(541)	4,011
FTVIPT Templeton Foreign Securities	6,044	(4,641)	1,403
FTVIPT Templeton Foreign Securities Class 2	69,722	(69,282)	440
FTVIPT Templeton Global Asset Allocation	624	(913)	(288)
FTVIPT Templeton Growth Securities	3,929	(1,309)	2,620
FTVIPT Templeton Growth Securities Class 2	1,252	(2,695)	(1,442)
Janus Aspen Series Balanced	6,560	(8,454)	(1,894)
Janus Aspen Series Balanced Service Shares	13,970	(1,111)	12,859

Janus Aspen Series Global Technology Service Shares	3,204	(2,158)	1,047
Janus Aspen Series Mid Cap Growth Service Shares	1,777	(402)	1,375
Janus Aspen Series Worldwide Growth	13,786	(11,345)	2,441
Janus Aspen Series Worldwide Growth Service Shares	3,046	(1,506)	1,539
Lincoln VIPT Bond	43,677	(29,644)	14,033
Lincoln VIPT Capital Appreciation	976	(489)	487
Lincoln VIPT Equity-Income	670	(265)	405
Lincoln VIPT Global Asset Allocation	694	(197)	497
Lincoln VIPT International	752	(297)	455
Lincoln VIPT Money Market	559,635	(389,002)	170,634
Lincoln VIPT Social Awareness	729	(248)	481
MFS VIT Capital Opportunities	67	(13)	53
MFS VIT Emerging Growth	21,716	(19,485)	2,231
MFS VIT Total Return	24883.421	-7857.3045	17,026
MFS VIT Utilities	15145.177	-11687.6215	3,458
NB AMT Mid-Cap Growth	16787.1752	-16717.6568	70
NB AMT Partners	1912.112	-1197.1778	715
NB AMT Regency	1437.6962	-88.1937	1,350
OCC Accumulation Global Equity	2802.0598	-4263.9841	(1,462)
OCC Accumulation Managed	1549.4668	-1202.7887	347

</Table>

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<Page>

<Table>

<Caption>

SUBACCOUNT	UNITS ISSUED	UNITS REDEEMED	NET INCREASE (DECREASE)
<S>	<C>	<C>	<C>
Putnam VT Growth & Income Class IB	1954.4748	-257.5885	1,697
Putnam VT Health Sciences Class IB	1077.985	-360.1232	718
Scudder VIT EAFE Equity Index	162012.917	-156893.2973	5,120
Scudder VIT Equity 500 Index	60269.2922	-32781.6386	27,488
Scudder VIT Small Cap Index	5586.4282	-5458.7217	128

</Table>

7. NEW INVESTMENT FUNDS AND FUND NAME CHANGES

During 2002, the Deutsche Asset Management VIT Funds Trust (Deutsche VIT) family of funds changed its name to Scudder VIT Funds (Scudder VIT), the Delaware Group Premium Fund (DGPF) family of funds changed its name to Delaware VIP Trust (Delaware VIPT), the Fidelity Variable Insurance Products Fund II (Fidelity VIP II) family of funds changed its name to Fidelity Variable Insurance Products Fund (Fidelity VIP) and the Fidelity Variable Insurance Products Fund III (Fidelity VIP III) family of funds changed its name to Fidelity Variable Insurance Products Fund (Fidelity VIP).

Also during 2002, the AIM V.I. International Equity Fund changed its name to the AIM V.I. International Growth Fund, the AIM V.I. Value Fund changed its name to the AIM V.I. Premier Equity Fund, the Delaware VIPT Growth and Income Series changed its name to the Delaware VIPT Large Cap Value Series, the FTVIPT Templeton Asset Strategy Fund changed its name to the FTVIPT Templeton Global Asset Allocation Fund, the FTVIPT Templeton International Securities Class 1 Fund changed its name to the FTVIPT Templeton Foreign Securities Class 1 Fund and the FTVIPT Templeton International Securities Class 2 Fund changed its name to the FTVIPT Templeton Foreign Securities Class 2 Fund.

During 2003, the Alliance Variable Products Series Fund (AVPSF) family of funds changed its name to the AllianceBernstein Variable Products Series Fund (ABVPSF) and the Lincoln National (LN) fund family changed its name to the Lincoln Variable Insurance Products Trust (Lincoln VIPT).

Also during 2003, the Janus Aspen Series Aggressive Growth Portfolio Service Shares changed its name to the Janus Aspen Series Mid Cap Growth Portfolio Service Shares.

In 2003, the M Fund Brandes International Equity Fund, the M Fund Business Opportunity Value Fund, the M Fund Frontier Capital Appreciation Fund and the M Fund Turner Core Growth Fund became available as investment options to Variable Account contract owners. However, none of the subaccounts had any activity during 2003.

8. FUND CLOSING

In April 2003, the Delaware VIPT Devon Fund ceased to be available as an investment option to Variable Account Contract owners.

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REPORT OF ERNST & YOUNG LLP,
INDEPENDENT AUDITORS

Board of Directors of Lincoln Life & Annuity Company of New York
and
Contract Owners of Lincoln Life & Annuity Flexible Premium Variable Life
Account M

We have audited the accompanying statement of assets and liabilities of Lincoln Life & Annuity Flexible Premium Variable Life Account M ("Variable Account") (comprised of the following subaccounts: AIM Variable Insurance Funds ("AIM V.I.") Capital Appreciation, AIM V.I. Diversified Income, AIM V.I. Growth, AIM V.I. International Growth, AIM V.I. Premier Equity, AllianceBernstein Variable Products Series Fund ("ABVPSF") Growth and Income, ABVPSF Premier Growth, ABVPSF Small Cap Value, ABVPSF Technology, American Funds Insurance Series ("American Funds") Global Small Capitalization Class 2, American Funds Growth Class 2, American Funds Growth-Income Class 2, American Funds International Class 2, Baron Capital Funds Trust Asset, Delaware VIP Trust ("Delaware VIPT") Devon, Delaware VIPT Emerging Markets, Delaware VIPT High Yield, Delaware VIPT Large Cap Value, Delaware VIPT REIT, Delaware VIPT Small Cap Value, Delaware VIPT Trend, Delaware VIPT U.S. Growth, Fidelity Variable Insurance Products ("Fidelity VIP") Asset Manager, Fidelity VIP Contrafund Service Class, Fidelity VIP Equity-Income, Fidelity VIP Equity-Income Service Class, Fidelity VIP Growth Service Class, Fidelity VIP Growth Opportunities Service Class, Fidelity VIP High Income Service Class, Fidelity VIP Investment Grade Bond, Fidelity VIP Overseas Service Class, Franklin Templeton Variable Insurance Products Trust ("FTVIPT") Franklin Small Cap, FTVIPT Templeton Foreign Securities, FTVIPT Templeton Foreign Securities Class 2, FTVIPT Templeton Global Asset Allocation, FTVIPT Templeton Growth Securities, FTVIPT Templeton Growth Securities Class 2, Janus Aspen Series Balanced, Janus Aspen Series Balanced Service Shares, Janus Aspen Series Global Technology Service Shares, Janus Aspen Series Mid Cap Growth Service Shares, Janus Aspen Series Worldwide Growth, Janus Aspen Series Worldwide Growth Service Shares, Lincoln Variable Insurance Products Trust ("Lincoln VIPT") Aggressive Growth, Lincoln VIPT Bond, Lincoln VIPT Capital Appreciation, Lincoln VIPT Equity-Income, Lincoln VIPT Global Asset Allocation, Lincoln VIPT International, Lincoln VIPT Money Market, Lincoln VIPT Social Awareness, MFS Variable Insurance Trust ("MFS VIT") Capital Opportunities, MFS VIT Emerging Growth, MFS VIT Total Return, MFS VIT Utilities, Neuberger Berman Advisors Management Trust ("NB AMT") Mid-Cap Growth, NB AMT Partners, NB AMT Regency, OCC Accumulation Trust ("OCC Accumulation") Global Equity, OCC Accumulation Managed, Putnam Variable Trust ("Putnam VT") Growth & Income Class IB, Putnam VT Health Sciences Class IB, Scudder VIT Funds ("Scudder VIT") EAFE Equity Index, Scudder VIT Equity 500 Index, and Scudder VIT Small Cap Index) as of December 31, 20030, and the related statements of operations for the year or period then ended and the statements of changes in net assets for the year then ended and for the period from May 18, 1999 (inception) to December 31, 1999 each of the respective two years or periods 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 auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of investments owned as of December 31, 20030, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of each of the respective subaccounts constituting the Lincoln Life & Annuity Flexible Premium Variable Life Account M at December 31, 20030, and the results of their operations for the year or period then ended, and the changes in their net assets for the year ended December 31, 2000 and for the period from May 18, 1999 (inception) to December 31, 1999 each of the respective two years or periods in the period then ended, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Fort Wayne, Indiana
March 1, 2004

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Lincoln Life & Annuity Company of New York

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Lincoln Life & Annuity Company of New York

Balance Sheets

<TABLE>

<CAPTION>

	December 31	
	2003	2002*
	(000s omitted)	
<S>	<C>	<C>
ASSETS		
Investments:		
Securities available-for-sale, at fair value:		
Fixed maturity (cost: 2003 -- \$1,908,926; 2002 -- \$1,783,219)	\$2,019,991	\$1,886,128
Equity (cost: 2003 -- \$2,515; 2002 -- \$0)	2,607	--
Mortgage loans on real estate	145,784	121,726
Policy loans	161,605	161,886
Derivative instruments	--	452
Other investments	258	275
Total Investments	2,330,245	2,170,467
Cash and invested cash	36,373	15,244
Property and equipment	494	450
Deferred acquisition costs	57,424	42,887
Premiums and fees receivable	539	2,249
Accrued investment income	30,232	31,086
Assets held in separate accounts	523,728	342,812
Amounts recoverable from reinsurers	73,198	72,577
Goodwill	109,512	109,512
Other intangible assets	144,301	156,349
Other assets	23,678	31,346
Total Assets	\$3,329,724	\$2,974,979
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Insurance and Investment Contract Liabilities:		
Insurance policy and claim reserves	\$1,099,848	\$1,053,737
Contractholder funds	1,042,574	982,116
Liabilities related to separate accounts	523,728	342,812
Total Insurance and Investment Contract Liabilities	2,666,150	2,378,665
Federal income taxes	42,127	21,330
Other liabilities	66,849	49,923
Total Liabilities	2,775,126	2,449,918
Shareholder's Equity:		
Common stock, \$100 par value:		
Authorized, issued and outstanding shares -- 20,000 (owned by The Lincoln National Life Insurance Company)	2,000	2,000
Retained earnings	512,783	483,219
Accumulated other comprehensive income:		
Net unrealized gain on securities available-for-sale	39,820	39,842
Minimum pension liability adjustment	(5)	--

Total accumulated other comprehensive Income	39,815	39,842
Total Shareholder's Equity	554,598	525,061
Total Liabilities and Shareholder's Equity	\$3,329,724	\$2,974,979

</TABLE>

* As Adjusted -- See Note 2.

See notes to the financial statements on pages 6-25.

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Lincoln Life & Annuity Company of New York

Statements of Income

<TABLE>
<CAPTION>

	Year Ended December 31		
	2003	2002*	2001*
	(000s omitted)		
<S>	<C>	<C>	<C>
Revenue:			
Insurance premiums	\$ 12,392	\$ 13,185	\$ 16,563
Insurance fees	64,087	59,664	56,887
Net investment income	136,654	134,938	134,828
Realized gain (loss) on investments and derivative instruments (net of amounts restored/(amortized) against balance sheet accounts)	7,145	(11,308)	(4,573)
Other revenue and fees	2,741	663	261
Total Revenue	223,019	197,142	203,966
Benefits and Expenses:			
Benefits	123,230	118,552	122,494
Underwriting, acquisition, insurance and other expenses	55,968	48,210	50,334
Total Benefits and Expenses	179,198	166,762	172,828
Income before Federal Income Taxes and Cumulative Effect of Accounting Changes	43,821	30,380	31,138
Federal income taxes	14,286	10,291	11,171
Income before Cumulative Effect of Accounting Changes	29,535	20,089	19,967
Cumulative Effect of Accounting Changes (net of Federal income tax benefit)	(232)	--	(1,087)
Net Income	\$ 29,303	\$ 20,089	\$ 18,880

</TABLE>

* As Adjusted -- See Note 2.

See notes to the financial statements on pages 6-25.

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Lincoln Life & Annuity Company of New York

Statements of Shareholder's Equity

<TABLE>

<CAPTION>

	Year Ended December 31		
	2003	2002*	2001*
	(000s omitted)		
<S>	<C>	<C>	<C>
Common Stock			
Balance at beginning and end-of-year	\$ 2,000	\$ 2,000	\$ 2,000
Retained Earnings			
Balance at beginning-of-year	483,219	463,099	444,166
Comprehensive income	29,276	53,885	36,060
Less other comprehensive income (loss) (net of income tax):			
Net unrealized gain (loss) on securities available-for-sale (net of reclassification adjustment)	(22)	33,796	17,218
Net unrealized loss on derivative instruments	--	--	(38)
Minimum pension liability adjustment	(5)	--	--
Net Income	29,303	20,089	18,880
Stock compensation/issued for benefit plans	261	31	53
Balance at End-of-Year	512,783	483,219	463,099
Net Unrealized Gain (Loss) on Securities Available-for-Sale			
Balance at beginning of year	39,842	6,046	(11,172)
Change during period	(22)	33,796	17,218
Balance at End-of-Year	39,820	39,842	6,046
Minimum Pension Liability Adjustment			
Balance at beginning of year	--	--	--
Change during period	(5)	--	--
Balance at End-of-Year	(5)	--	--
Net Unrealized Loss on Derivative Instruments			
Balance at beginning of year	--	(38)	--
Cumulative effect of accounting change	--	--	114
Change during period	--	38	(152)
Balance at End-of-Year	--	--	(38)
Total Shareholder's Equity at End-of-Year	\$554,598	\$525,061	\$471,107

</TABLE>

*As Adjusted -- See Note 2.

See notes to the financial statements on pages 6-25.

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Lincoln Life & Annuity Company of New York

Statements of Cash Flows

<TABLE>

<CAPTION>

	Year Ended December 31		
	2003	2002*	2001*

	(000s omitted)		
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash Flows from Operating Activities:			
Net income	\$ 29,303	\$ 20,089	\$ 18,880
-----	-----	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred acquisition costs	(26,459)	(29,152)	(18,049)
-----	-----	-----	-----
Premiums and fees receivable	1,711	972	123
-----	-----	-----	-----
Accrued investment income	854	2,004	(3,152)
-----	-----	-----	-----
Policy liabilities and accruals	(34,001)	(35,796)	(49,308)
-----	-----	-----	-----
Contractholder funds	48,472	49,611	40,529
-----	-----	-----	-----
Amounts recoverable from reinsurers	(621)	186	14,849
-----	-----	-----	-----
Federal income taxes	20,716	7,491	12,778
-----	-----	-----	-----
Other liabilities -- operating	(6,109)	2,049	(1,470)
-----	-----	-----	-----
Provisions for depreciation	77	(78)	(243)
-----	-----	-----	-----
Goodwill	--	--	3,024
-----	-----	-----	-----
Other intangibles amortization	12,048	13,030	9,437
-----	-----	-----	-----
Realized loss on investments and derivative investments	2,542	11,308	4,573
-----	-----	-----	-----
Other	34,997	9,042	(1,730)
-----	-----	-----	-----
Net Adjustments	54,227	30,667	11,361
-----	-----	-----	-----
Net Cash Provided by Operating Activities	83,530	50,756	30,241
-----	-----	-----	-----
Cash Flows from Investing Activities:			
Securities-available-for-sale:			
Purchases	(595,799)	(502,822)	(302,738)
-----	-----	-----	-----
Sales	279,218	180,443	119,957
-----	-----	-----	-----
Maturities	177,687	127,618	108,188
-----	-----	-----	-----
Purchase of other investments	(56,209)	(36,677)	(50,979)
-----	-----	-----	-----
Sale or maturity of other investments	32,398	81,465	82,731
-----	-----	-----	-----
Property and equipment purchases	(209)	(158)	(1,460)
-----	-----	-----	-----
Property and equipment sales	89	445	5,493
-----	-----	-----	-----
Increase (decrease) in other liabilities-nonoperating	1,151	(3,814)	(10,402)
-----	-----	-----	-----
(Increase) decrease in other assets-nonoperating	(12,102)	(14,340)	2,406
-----	-----	-----	-----
Other	20,076	(185)	5,444
-----	-----	-----	-----
Net Cash Used in Investing Activities	(153,700)	(168,025)	(41,360)
-----	-----	-----	-----
Cash Flows from Financing Activities:			
Universal life and investment contract deposits	284,899	277,633	196,045
-----	-----	-----	-----
Universal life and investment contract withdrawals	(193,600)	(160,824)	(215,621)
-----	-----	-----	-----
Nonqualified employee stock option exercise tax benefit	--	53	--
-----	-----	-----	-----
Net Cash Provided by (used in) Financing Activities	91,299	116,862	(19,576)
-----	-----	-----	-----
Net Increase (Decrease) in Cash and Invested Cash	21,129	(407)	(30,695)

Cash and Invested Cash at Beginning of Year	15,244	15,651	46,346
Cash and Invested Cash at end of Year	\$ 36,373	\$ 15,244	\$ 15,651

</TABLE>

* As Adjusted--See Note 2

See notes to the financial statements on pages 6-25.

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements
December 31, 2003

1. Summary of Significant Accounting Policies

Basis of Presentation.

Lincoln Life & Annuity Company of New York (the "Company") is a wholly-owned subsidiary of The Lincoln National Life Insurance Company ("LNL"), which is a wholly-owned subsidiary of Lincoln National Corporation ("LNC"). The Company was organized in 1996, under the laws of the State of New York as a life insurance company and received approval from the New York Insurance Department (the "Department") to operate as a licensed insurance company in the State of New York.

The Company's principal business consists of underwriting annuities and life insurance contracts sold through multiple distribution channels. The Company conducts business only in the State of New York.

Use of Estimates.

The nature of the insurance business requires management to make numerous estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results will differ from those estimates.

Investments.

Securities available-for-sale consist of fixed maturity and equity securities, which are carried at fair value. The cost of available-for-sale fixed maturity securities is adjusted for amortization of premiums and discounts. The cost of available-for-sale fixed maturity and equity securities is reduced to fair value with a corresponding charge to realized loss on investments for declines in value that are other than temporary.

For the mortgage-backed securities portion of the fixed maturity securities portfolio, the Company recognizes income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. When the effective yield changes, the carrying value of the security is adjusted prospectively. This adjustment is reflected in net investment income.

Mortgage loans on real estate are carried at the outstanding principal balances adjusted for amortization of premiums and discounts and are net of valuation allowances. Valuation allowances are established for the excess carrying value of the mortgage loan over its estimated fair value when it is probable that, based upon current information and events, LNL will be unable to collect all amounts due under the contractual terms of the loan agreement. When LNL determines that a loan is impaired, the cost is adjusted or a provision for loss is established equal to the difference between the amortized cost of the mortgage loan and the estimated value. 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; 3) the fair value of the collateral. The provision for losses is reported as realized loss on investments. 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. Interest income on mortgage loans includes interest collected, the change in accrued interest, and amortization of premiums and discounts. Mortgage loan fees and costs are recorded in net investment income as they are incurred.

Policy loans are carried at aggregate unpaid balances.

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

Realized gain (loss) on investments is recognized in net income, net of associated amortization of deferred acquisition costs and investment expenses, using the specific identification method. Changes in the fair values of

available-for-sale securities carried at fair value are reflected directly in shareholder's equity, after deductions for related adjustments for deferred acquisition costs and amounts required to satisfy policyholder commitments that would have been recorded had these securities been sold at their fair value, and after deferred taxes or credits to the extent deemed recoverable.

Derivative Instruments.

The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the 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, the Company must designate the hedging instrument based upon the exposure being hedged--as a cash flow hedge, fair value hedge or a hedge of a net investment in a foreign operation. As of December 31, 2003, the Company had no derivative instruments that were designated and qualified as cash flow hedges and fair value hedges. The Company had no derivative instruments that are economic hedges, but are not designated as hedging instruments under FAS 133. Finally, the Company did not have derivative instruments that were designated as hedges of a net investment in a foreign operation. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current income during the period of change. This treatment of gain (loss) is consistent with the treatment of derivatives prior to adoption of FAS 133.

Property and Equipment.

Property and equipment owned for company use is carried at cost less allowances for depreciation. Provisions for depreciation of property and equipment owned for company use are computed principally on the straight-line method over the estimated useful lives of the assets.

Premiums and Fees on Investment Products and Universal Life and Traditional Life Insurance Products.

Investment Products and Universal Life Insurance Products: Investment products consist primarily of individual and group variable and fixed deferred annuities. Universal life insurance products include universal life insurance and variable universal 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, policy administration charges and surrender

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

charges that have been assessed and earned against policy account balances. 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 policy 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 in accordance with contractual terms.

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 policyholder.

Assets Held in Separate Accounts/Liabilities Related to Separate Accounts.

These assets and liabilities represent segregated funds administered and invested by the Company for the exclusive benefit of pension and variable life and annuity contractholders. Both the assets and liabilities are carried at fair value. The fees earned by the Company for administrative and contractholder maintenance services performed for these separate accounts are included in insurance fee revenue.

Deferred Acquisition Costs.

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 to the extent recoverable. The methodology for determining the amortization of acquisition costs varies by product type based on two different accounting pronouncements: Statement of

Financial Accounting Standards No. 97, "Accounting and Reporting by Insurance Enterprises For Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments" ("FAS 97") and Statement of Financial Accounting Standards No. 60, "Accounting and Reporting by Insurance Enterprises" ("FAS 60"). Under FAS 97, acquisition costs for universal life and variable universal life insurance and investment-type products, which include fixed and variable deferred annuities, are amortized over the lives of the policies in relation to the incidence of estimated gross profits from surrender charges; investment income, mortality net of reinsurance ceded and expense margins; and actual realized gain (loss) on investments.

Past amortization amounts are adjusted when revisions are made to the estimates of current or future gross profits expected from a group of products. Policy lives for universal and variable universal life policies are estimated to be 30 years, based on the expected lives of the policies. Policy lives for fixed and variable deferred annuities are 14 to 18 years for the traditional, long surrender charge period products and 8 to 10 years for the more recent short-term, or no surrender charge products. Longer lives are assigned to those blocks that have demonstrated favorable experience.

Under FAS 60, acquisition costs for traditional life insurance products, which include whole life 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 are currently no deferred acquisition costs being amortized under FAS 60 for fixed and variable payout annuities.

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

Policy sales charges that are collected in the early years of an insurance policy have been deferred (referred to as "deferred front-end loads") and are amortized into income over the life of the policy in a manner consistent with that used for DAC. (See above for discussion of amortization methodologies).

Benefits and Expenses.

Benefits and expenses for universal life-type and other interest-sensitive life insurance products include interest credited to policy account balances and benefit claims incurred during the period in excess of policy account balances. Interest crediting rates associated with funds invested in the Company's general account during 2001 through 2003 ranged from 4.00% to 7.00%. For traditional life, benefits and expenses, other than deferred acquisition costs, are recognized when incurred in a manner consistent with the related premium recognition policies.

Goodwill and Other Intangible Assets.

Prior to January 1, 2002, goodwill, as measured by the excess of the cost of acquired businesses over the fair value of net assets acquired, was amortized using the straight-line method over periods of 20 to 40 years in accordance with the benefits expected to be derived from the acquisitions. Effective January 1, 2002, goodwill is not amortized, but is subject to impairment tests conducted at least annually.

Other intangible assets for acquired insurance businesses consist of the value of existing blocks of business (referred to as the "present value of in-force"). The present value of in-force 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 and investment products acquired, and over the premium paying period for traditional insurance products acquired. 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 present value of in-force vary depending upon the particular characteristics of the underlying blocks of acquired insurance business.

Prior to January 1, 2002, the carrying values of goodwill and other intangibles assets were reviewed periodically for indicators of impairment in value that were other than temporary, including unexpected or adverse changes in the

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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 subsidiary. 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. However, effective January 1, 2002,

goodwill is subject to impairment tests conducted at least annually. Other intangible assets will continue to be reviewed periodically for indicators of impairment consistent with the policy that was in place prior to January 1, 2002.

Insurance and Investment Contract Liabilities.

The liabilities for future policy benefits and claim reserves for universal and variable universal life insurance policies consist of policy account balances that accrue to the benefit of the policyholders, excluding surrender charges. The liabilities for future insurance policy 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 policy issue. Interest assumptions for traditional direct individual life reserves for all policies range from 2.25% to 6.00% depending on the time of policy issue. The interest assumptions for immediate and deferred paid-up annuities range from 1.50% to 10.00%.

The liabilities for future claim reserves for the guaranteed minimum death benefit ("GMDB") feature on certain variable annuity contracts are a function of the net amount at risk ("NAR"), mortality, persistency and incremental death benefit mortality and expense assessments ("M&E") expected to be incurred over the period of time for which the NAR is positive. At any point in time, the NAR is the difference between the potential death benefit payable and the total variable annuity account values subject to the GMDB. At each quarterly valuation date, the GMDB reserves are calculated for every variable annuity contract with a GMDB feature based on projections of account values and NAR followed by the computation of the present value of expected NAR death claims using product pricing mortality assumptions less expected GMDB M&E revenue during the period for which the death benefit options are assumed to be in the money.

With respect to its insurance and investment contract liabilities, the Company continually reviews its: 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.

Reinsurance.

The Company enters into reinsurance agreements with other companies in the normal course of their business. All reinsurance agreements are reported on a gross basis.

Postretirement Medical and Life Insurance Benefits.

The Company accounts for its postretirement medical and life insurance benefits using the full accrual method.

Stock Based Compensation.

Effective January 1, 2003, the Company implemented the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("FAS 123") to expense the fair value of LNC stock options granted to employees. On December 31, 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure" ("FAS 148"), which provides alternative methods of transition for entities that change to the fair value method of accounting for stock-based employee compensation.

The Company adopted the retroactive restatement method under FAS148 and restated all periods presented to reflect stock-based employee compensation cost under the fair value accounting method in FAS 123 for all employee awards granted, modified or settled in fiscal years beginning after December 15, 1994. See Note 2 for additional information.

Income Taxes.

The Company has 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, the Company provides for income taxes on a separate return filing basis. The tax sharing agreement also provides that the Company 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. Prior to 2002, the Company's federal income tax return was not consolidated with any other entity.

Reclassifications:

Certain amounts reported in prior years' financial statements have been reclassified to conform with the presentation adopted in the current year. These reclassifications have no effect on net income or shareholder's equity of the prior years.

2. Changes in Accounting Principles

Accounting for Stock-Based Compensation -- Transition and Disclosure.

Effective January 1, 2003, the Company adopted the fair value recognition method of accounting for stock-based compensation under FAS 123 for stock options on LNC stock granted to employees. The Company adopted the retroactive restatement method under FAS 148 which requires restating all prior periods presented to reflect stock-based employee compensation cost under the fair value accounting method in FAS 123 for all employee awards granted, modified or settled in fiscal years beginning after December 15, 1994. Prior to January 1, 2003, the Company accounted for stock options on LNC stock granted to its employees using the intrinsic value method of accounting under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related Interpretations. No stock-based compensation cost for stock options was reflected in previously reported results.

The effect of the accounting change on net income and retained earnings for 2002 and 2001 is as follows:

<TABLE>
<CAPTION>

	2002	2001

	(in thousands)	

<S>	<C>	<C>
Net income as previously reported....	\$ 20,079	\$ 18,937
Adjustment for effect of change in accounting principle that is applied retroactively, net of tax effects....	10	(57)
	-----	-----
Net income as adjusted.....	\$ 20,089	\$ 18,880
	=====	=====
Retained earnings at December 31,		
Retained earnings as previously reported.....	\$483,135	\$463,056
Cumulative adjustment for effect of change in accounting principle that is applied retroactively, net of tax effects.....	84	43
	-----	-----
Retained earnings as adjusted.....	\$483,219	\$463,099
	=====	=====

</TABLE>

Although the Company did not recognize compensation expense for stock options under the intrinsic value method of accounting in accordance with APB 25, a tax benefit was recognized in additional paid-in capital for stock options that were exercised through December 31, 2002. Because the Company elected not to restate periods prior to 2000 in the adoption of FAS 123, the tax benefit for options granted after December 31, 1994 and exercised prior to January 1, 2000 had to be determined under the fair value method and then compared to the tax benefit that was previously recorded in retained earnings upon exercise. As of January 1, 2000, a tax benefit was calculated under the fair value method for outstanding stock options granted after December 31, 1994 that vested prior to January 1, 2000. An adjustment of less than \$0.1 million was made to increase retained earnings and the deferred tax asset as of January 1, 2000 for the adoption of FAS 123.

Accounting for Costs Associated with Exit or Disposal Activities.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("FAS 146"), which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("Issue 94-3"). The principal difference between FAS 146 and Issue 94-3 is that FAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than at the date of an entity's commitment to an exit plan. FAS 146 is effective for exit or disposal activities after December 31, 2002. The Company adopted FAS 146 on January 1, 2003, and the adoption affects the timing of when expense is recognized for restructuring activities after December 31, 2002. See Note 11 for information on Restructuring charges.

Accounting for Modified Coinsurance.

During the fourth quarter of 2003, the Company implemented FASB's Derivative Implementation Group Statement 133 Implementation Issue No. B36 ("DIG B36"). DIG B36 provides that the embedded derivatives included within Modco and CFW reinsurance agreements must be accounted for separately from the underlying

reinsurance agreements.

The effective date for implementation of DIG B36 for the Company was the October 1, 2003 start date of the fourth quarter. The Company recorded a charge to net income through a cumulative effect of accounting change of \$0.4 million (\$0.2 million after-tax) representing the fair value of the embedded derivative related to certain Modco arrangements.

In conjunction with recording the above charge, the Company also recorded a corresponding increase in Other Comprehensive Income relating to the fact that prior to the adoption of DIG B36 the net unrealized gains on the underlying available-for-sale securities supporting these reinsurance agreements had been accounted for as gains benefiting the reinsurance companies assuming the risks under these Modco and CFW reinsurance agreements.

During the fourth quarter of 2003 and going forward, changes in the fair value of the embedded derivative, as measured by the change in the fair value of the available-for-sale securities supporting the arrangements, flow through net income. For the quarter ended December 31, 2003, the effect of the new mark-to-market adjustment was to increase net income by less than \$0.1 million. Equity was unchanged as the reduction in net income was offset by a corresponding increase in Other Comprehensive Income.

Statement of Accounting Position 03-1.

In July 2003, the Accounting Standards Executive Committee ("AcSEC") of the American Institute of Certified Public Accountants issued Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

2. Changes in Accounting Principles (continued)

Long-Duration Contracts and for Separate Accounts" ("the SOP"). The Company will adopt the SOP as of January 1, 2004.

The SOP provides guidance related to the reporting and disclosure of certain insurance contracts and separate accounts, including guidance for computing reserves for products with guaranteed benefits, such as GMDB, and for products with annuitization benefits such as guaranteed minimum income benefits. In addition, the SOP addresses the presentation and reporting of separate accounts, the capitalization and amortization of sales inducements, and secondary guarantees on universal-life type contracts.

GMDB Reserves. Although there was no method prescribed under generally accepted accounting principles for GMDB reserving until the issuance of the SOP, the Lincoln Retirement segment has been recording a reserve for GMDB's. At December 31, 2003 the Company's GMDB reserve was \$0.3 million. Based upon a comparison of the requirements of the SOP to the Company's established practice of reserving for GMDB, the adoption of the GMDB reserving methodology under the SOP is not expected to have a material effect on the Company's financial statements.

Sales Inducements. The Lincoln Retirement segment variable annuity product offerings include contracts that offer a bonus credit, typically ranging from 2% to 5% of each deposit. The Company also offers enhanced interest rates to variable annuity contracts that are under dollar cost averaging ("DCA") funding arrangements. Bonus credits and excess DCA interest are considered sales inducements under the SOP and, as such, are to be deferred as a sales inducement asset and amortized as a benefit expense over the expected life of the contract. Amortization will be computed using the same methodology and assumptions used in amortizing DAC.

The Company currently defers bonus credits as part of the DAC asset and reports the amortization of bonus credits as part of DAC amortization. Upon adoption of the SOP, the Company will reclassify bonus credits from DAC to deferred sales inducements on its balance sheet and report deferred sales inducement amortization as part of benefit expense. Prior period balance sheet and income statement line item presentation will be reclassified to conform to the new basis of presentation.

The Company currently reports excess DCA interest as benefit expense when the excess interest is earned under the contract. Upon adoption of the SOP, the Company will begin deferring excess DCA interest as deferred sales inducements and amortizing these deferred sales inducements as benefit expense over the expected life of the contract. Amortization will be calculated using the same methodology and assumptions used in amortizing DAC. While over the long run the same amount of excess DCA interest expense will emerge under the SOP as under

the Company's current accounting method, because of the prospective treatment of new deferred sales inducements, the Company expects earnings to be slightly higher under the SOP, relative to LNC's current approach, for near term financial reporting periods. For instance, had the rules for excess DCA interest expense under the SOP been in effect for 2003, the Company estimates that the increase in earnings were immaterial. The actual effect on the Company's results in future periods will depend upon the volume of business written with excess DCA interest.

Separate Accounts. The Company's current accounting is consistent with the provisions of the SOP relating to the reporting and measuring of separate account product assets and liabilities as general account assets and liabilities when specific criteria are not met, as well as for the reporting and measuring seed money in separate accounts as general account assets, and for recognizing contractholder liabilities. The adoption of these provisions of the SOP are expected to have no effect on the Company's financial statements.

Universal Life Contracts. The Life Insurance segment offers individual and survivor-life universal life insurance products that provide a secondary guarantee to the contract holder, commonly referred to as a no-lapse guarantee. This feature permits a policy that would normally terminate, if the net cash value were to fall below zero, to remain in force as long as the conditions of the no-lapse provision are met. The Company's analysis of this benefit indicates that this feature should be considered insignificant, as newly defined by the SOP. In general, the Company does not expect to record an additional liability for its current secondary guarantee offerings. However, in the event that an additional liability is required under the SOP for certain of the Company's current secondary guarantee features, the Company would not expect the adoption of the SOP to have a material effect on its financial statements.

The Company understands that throughout the life insurance industry a wide variety of interpretations and approaches to the application of the SOP to fixed and variable universal life contracts have recently begun to emerge. Industry-wide concern over this inconsistency in interpretation has become so great that on February 18, 2004 the American Council of Life Insurers ("ACLI") submitted a letter on behalf of the industry to the Chairman of AcSEC, requesting a delay of the effective date for the SOP, as it applies to universal life insurance, until such time that guidance for these implementation matters can be made available. If AcSEC decides to address these industry-wide concerns and issue new guidance, the Company's current estimates of the expected effects of the adoption of the SOP could change.

Other Products and Riders. The Company continues to review the features and characteristics of other products and riders offered within its Retirement and Life Insurance segments, and to evaluate the potential applicability of the SOP to these other products and riders. With respect to the other products and riders that are the subject of this ongoing review, the Company does not currently expect that the adoption of the SOP should have a material effect on the Company's financial statements.

Accounting for Business Combinations and Goodwill and Other Intangible Assets. The Company adopted Statements of Financial Accounting Standards No. 141, "Business Combinations" ("FAS 141"), and No. 142, "Goodwill and Other Intangible Assets" ("FAS 142")

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

2. Changes in Accounting Principles (continued)

on January 1, 2002. After consideration of the provisions of the new standards regarding proper classification of goodwill and other intangible assets on the balance sheet, the Company did not reclassify any goodwill or other intangible balances held as of January 1, 2002.

In compliance with the transition provision of FAS 142, the Company completed the first step of the transitional goodwill impairment test during the second quarter of 2002. The valuation techniques used to estimate the fair value of the group of assets comprising the different reporting units varied based on the characteristics of each reporting unit's business and operations. A discounted cash flow model was used to assess the goodwill of the reporting units within the Lincoln Retirement and Life Insurance segments. The results of the first step of the tests indicate that the Company does not have impaired goodwill. In accordance with FAS 142, LNY has chosen October 1 as its annual review date. As such, the Company performed annual valuation reviews during the fourth quarter of 2003 and 2002. The results of the tests performed as of October 1, 2003 and 2002 indicate that the Company does not have impaired goodwill.

The reconciliation of reported net income to adjusted net income is as follows:

<TABLE>	
<CAPTION>	
	Year Ended December 31, 2001

(in millions)	

<S>	<C>
Reported Net Income.....	\$18.9
Add back: Goodwill Amortization (after-tax).....	3.0

Adjusted Net Income.....	\$21.9
	=====

</TABLE>

Accounting for Derivative Instruments and Hedging Activities.

The Company adopted FAS 133, as amended, on January 1, 2001. Upon adoption, the provisions of FAS 133 were applied prospectively. The transition adjustments that the Company recorded upon adoption of FAS 133 on January 1, 2001 resulted in a net loss of \$0.1 million after-tax (\$0.2 million pre-tax) recorded in net income, and a net gain of \$0.1 million after-tax (\$0.2 million pre-tax) recorded as a component of Other Comprehensive Income ("OCI") in equity. Deferred acquisition costs of \$0.1 million were restored and netted against the transition loss on derivatives recorded in net income and deferred acquisition costs of \$0.1 million were amortized and netted against the transition gain recorded in OCI. These transition adjustments were reported in the financial statements as a cumulative effect of a change in accounting principle.

Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets.

On April 1, 2001, the Company adopted Emerging Issues Task Force Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" ("EITF 99-20"). EITF 99-20 was effective for fiscal quarters beginning after March 15, 2001. EITF 99-20 changed the manner in which the Company determined impairment of certain investments including collateralized bond obligations. Upon the adoption of EITF 99-20, the Company recognized a net realized loss on investments of \$1.0 million after-tax (\$2.2 million pre-tax) reported as a cumulative effect of change in accounting principle. In arriving at this amount, deferred acquisition costs of \$0.7 million were restored and netted against net realized loss on investments.

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

3. Investments

The amortized cost, gross unrealized gain and loss, and fair value of securities available-for-sale are as follows:

<TABLE>	
<CAPTION>	
	Amortized Cost Gains Losses Fair Value

(in millions)	

<S>	<C> <C> <C> <C>
December 31, 2003:	
Corporate bonds.....	\$1,491.1... \$ 98.0 \$ (9.2) \$1,579.9.
U.S. Government bonds.....	17.1... 1.2 (0.1) 18.2.
Foreign government bonds.....	17.5... 2.2 (0.1) 19.6.
Asset and mortgage-backed securities:	
Mortgage pass-through securities.....	32.4... 1.7 (0.1) 34.0.
Collateralized mortgage obligations....	148.7... 3.4 (0.2) 151.9.
Commercial mortgage backed securities..	166.7... 12.6 (0.6) 178.7.
Other asset-backed securities.....	15.6... 0.6 -- 16.2.
State and municipal bonds.....	17.2... 1.2 -- 18.4.
Redeemable preferred stocks.....	2.6... 0.5 -- 3.1.

Total fixed maturity securities.....	1,908.9... 121.4 (10.3) 2,020.0.
Equity securities.....	2.5... 0.1 -- 2.6.

Total.....	\$1,911.4... \$121.5 \$ (10.3) \$2,022.6.
	=====
December 31, 2002:	
Corporate bonds.....	\$1,436.4... \$104.5 \$ (28.0) \$1,512.9.

U.S. Government bonds.....	16.1...	1.4	(0.3)	17.2.
Foreign government bonds.....	18.8...	2.4	(0.6)	20.6.
Asset and mortgage-backed securities:				
Mortgage pass-through securities.....	43.7...	3.1	--	46.8.
Collateralized mortgage obligations....	93.6...	5.0	--	98.6.
Commercial mortgage backed securities...	141.2...	13.5	--	154.7.
Other asset-backed securities.....	17.0...	0.8	(0.1)	17.7.
State and municipal bonds.....	16.4...	1.2	--	17.6.
Redeemable preferred stocks.....	--...	--	--	--.
	-----	-----	-----	-----
Total fixed maturity securities.....	1,783.2...	131.9	(29.0)	1,886.1.
Equity securities.....	--...	--	--	--.
	-----	-----	-----	-----
Total.....	\$1,783.2...	\$131.9	\$(29.0)	\$1,886.1.
	=====	=====	=====	=====

</TABLE>

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

3. Investments (continued)

Future maturities of fixed maturity securities available-for-sale are as follows:

<TABLE>
<CAPTION>

	Amortized Cost	Fair Value

	(in millions)	
	-----	-----
<S>	<C>	<C>
December 31, 2003:		
Due in one year or less.....	\$ 39.9	\$ 41.0
Due after one year through five years.....	471.5	502.5
Due after five years through ten years.....	574.8	610.6
Due after ten years.....	459.3	485.1
	-----	-----
Subtotal.....	1,545.5	1,639.2
Asset and mortgage-backed securities.....	363.4	380.8
	-----	-----
Total.....	\$1,908.9	\$2,020.0
	=====	=====

</TABLE>

The foregoing data is based on stated maturities. Actual maturities will differ in some cases because borrowers may have the right to call or pre-pay obligations.

Par value, amortized cost and estimated fair value of investments in asset and mortgage-backed securities summarized by interest rates of the underlying collateral are as follows:

<TABLE>
<CAPTION>

	Par Value	Amortized Cost	Fair Value

	(in millions)		
	-----	-----	-----
<S>	<C>	<C>	<C>
December 31, 2003:			
Below 6%.....	\$102.0	\$102.1	\$103.1
6%-7%.....	115.1	115.4	120.3
7%-8%.....	101.8	103.2	109.8
Above 8%.....	42.2	42.7	47.6
	-----	-----	-----
Total.....	\$361.1	\$363.4	\$380.8
	=====	=====	=====

</TABLE>

The quality ratings of fixed maturity securities available-for-sale are as follows:

<TABLE>
<CAPTION>

Fair Value % of Total

	(in millions except %)	
<S>	<C>	<C>
December 31, 2003:		
Treasuries and AAA.	\$476.5	23.6%
AA.....	120.1	6.0
A.....	645.2	31.9
BBB.....	693.2	34.3
BB.....	54.4	2.7
Less than BB.....	30.6	1.5
Total.....	\$2,020.0	100.0%

</TABLE>

The major categories of net investment income are as follows:

<TABLE>
<CAPTION>

	Year Ended December 31		
	2003	2002	2001
	(in millions)		
<S>	<C>	<C>	<C>
Fixed maturity securities			
available-for-sale.....	\$119.0	\$115.2	\$110.8
Equity.....	0.2	--	--
Mortgage loans on real estate	9.7	10.8	13.7
Policy loans.....	9.3	9.7	10.4
Invested cash.....	0.0	0.7	1.4
Other investments.....	0.6	0.1	0.1
Investment revenue.....	138.8	136.5	136.4
Investment expense.....	(2.1)	(1.6)	(1.6)
Net investment income.....	\$136.7	\$134.9	\$134.8

</TABLE>

The detail of the realized gain (loss) on investments and derivative instruments is as follows:

<TABLE>
<CAPTION>

	Year Ended December 31		
	2003	2002	2001
	(in millions)		
<S>	<C>	<C>	<C>
Fixed maturity securities available-for-sale:			
Gross gain.....	\$ 24.3	\$ 4.1	\$ 2.8
Gross loss.....	(12.2)	(21.6)	(13.6)
Other investments.....	0.5	(0.4)	(0.2)
Associated restoration (amortization) of deferred acquisition costs, provision for policyholder commitments and investment expenses.....			
	(5.3)	6.4	6.5
Total Realized gain (loss) on Investments.....	7.3	(11.5)	(4.5)
Derivative Instruments net of associated amortization of deferred acquisition costs.....	(0.2)	0.2	(0.1)
Total Realized gain (loss) on Investments and Derivative Instruments.....	\$ 7.1	\$(11.3)	\$(4.6)

</TABLE>

Write-downs for other than temporary declines in fair value of fixed maturity securities and net changes in allowances for loss on mortgage loans, which are included in the realized loss on investments and derivative instruments shown above, are as follows:

<TABLE>
<CAPTION>

	Year Ended December 31		
	2003	2002	2001
	----	----	----

	(in millions)		
<S>	<C>	<C>	<C>
Fixed maturity securities available- for-sale.....	\$7.8	\$11.2	\$7.8
Mortgage loans on real estate.....	0.2	0.1	0.1
Total.....	\$8.0	\$11.3	\$7.9

</TABLE>

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

3. Investments (continued)

The change in net unrealized gains (losses) on investments in fixed maturity securities available-for-sale is as follows:

<TABLE>

<CAPTION>

	Year Ended December 31		
	2003	2002	2001
	(in millions)		
<S>	<C>	<C>	<C>
Fixed maturity securities	\$8.2	\$87.0	\$38.9
Equity securities.....	0.1	0.0	0.0
Total.....	\$8.3	\$87.0	\$38.9

</TABLE>

For total traded and private securities held by the Company at December 31, 2003 that are in unrealized loss status, the fair value, amortized cost, unrealized loss and total time period that the security has been in an unrealized loss position are presented in the table below.

<TABLE>

<CAPTION>

	Fair Value	% Fair Value	Amor- tized Cost	% Amor- tized Cost	Unreal- ized Loss	% Unreal- ized Loss
	(in millions)					
2003	<C>	<C>	<C>	<C>	<C>	<C>
(less or =) 90 days.....	\$ 121.6	44.9%	\$122.9	43.8%	\$ (1.4)	13.6%
(greater than) 90 days but (less or =) 180 days.....	72.5	26.8%	74.5	26.5%	(2.1)	20.4%
(greater than) 180 days but (less or =) 270 days.....	25.6	9.5%	26.9	9.6%	(1.3)	12.6%
(greater than) 270 days but (less or =) 1 year.....	2.5	0.9%	2.7	1.0%	(0.1)	1.0%
(greater than) 1 year.....	48.4	17.9%	53.8	19.1%	(5.4)	52.4%
Total.....	\$270.6	100.0%	\$280.8	100.0%	\$(10.3)	100.0%

</TABLE>

The fixed maturity securities to which these write-downs apply were generally of investment grade at the time of purchase, but were subsequently downgraded by rating agencies to "below-investment grade." Factors considered by the Company in determining whether declines in the fair value of fixed maturity securities are other than temporary include 1) the significance of the decline, 2) the Company's ability and intent to retain the investment for a sufficient period of time for it to recover, 3) the time period during which there has been a significant decline in value, and 4) fundamental analysis of the liquidity, business prospects and overall financial condition of the issuer. Based upon these factors, securities that have indications of potential impairment are subject to intensive review. Where such analysis results in a conclusion that declines in fair values are other than temporary, the security is written down to fair value. See Note 8 (Fair Value of Financial Instruments) to the financial statements for a general discussion of the methodologies and assumptions used to determine estimated fair values.

The balance sheet caption, "Property and Equipment," includes an allowance for

depreciation of \$0.3 million at both December 31, 2003 and 2002.

Impaired mortgage loans along with the related allowance for losses are as follows:

<TABLE>
<CAPTION>

	December 31	
	2003	2002
	----	----
	(in millions)	
	-----	-----
<S>	<C>	<C>
Impaired loans with allowance for losses...	\$ 2.7	\$ 2.2
Allowance for losses.....	(0.4)	(0.2)
Impaired loans with no allowance for losses	--	--
	----	----
Net impaired loans.....	\$ 2.3	\$ 2.0
	=====	=====

</TABLE>

The allowance for losses is maintained at a level believed adequate by management to absorb estimated probable credit losses. Management's periodic evaluation of the adequacy of the allowance for losses is based on the Company's 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. This evaluation is inherently subjective as it requires estimating the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change.

A reconciliation of the mortgage loan allowance for losses for these impaired mortgage loans is as follows:

<TABLE>
<CAPTION>

	Year Ended December 31		
	2003	2002	2001
	----	----	----
	(in millions)		
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance at beginning-of-year	\$ 0.2	\$ 0.1	\$ --
Provisions for losses.....	0.3	0.2	0.1
Releases due to principal paydowns.....	(0.1)	(0.1)	--
	----	----	----
Balance at end-of-year.....	\$ 0.4	\$ 0.2	\$0.1
	=====	=====	=====

</TABLE>

The average recorded investment in impaired mortgage loans and the interest income recognized on impaired mortgage loans were as follows:

<TABLE>
<CAPTION>

	Year Ended December 31		
	2003	2002	2001
	----	----	----
	(in millions)		
	-----	-----	-----
<S>	<C>	<C>	<C>
Average recorded investment in impaired loans.....	\$2.1	\$2.1	\$1.0
Interest income recognized on impaired loans.....	0.1	0.3	0.2

</TABLE>

All interest income on impaired mortgage loans was recognized on the cash basis of income recognition.

As of December 31, 2003 and 2002, the Company had no mortgage loans on non-accrual status. As of December 31, 2003 and 2002, LNL had no mortgage loans past due 90 days on which interest was still being accrued.

As of December 31, 2003, the Company had restructured mortgage loans of \$1.5 million. The Company recorded \$0.1 million of interest income on these restructured mortgage loans in 2003. Interest income in the amount of \$0.1 million would have been recorded in 2003 on these mortgage loans according to their original terms. There were no restructured loans as of December 31, 2002. As of December 31, 2003 and 2002, LNL had no outstanding commitments to lend funds on restructured mortgage loans.

As of December 31, 2003 the Company's investment commitments for fixed maturity securities (primarily private placements) and mortgage loans on real estate were \$10.4 million. As of December 31, 2003 the Company had no standby commitments to purchase real estate upon completion and leasing.

The carrying value of fixed maturity securities available-for-sale, mortgage loans on real estate and real estate investments which were non-income producing totaled \$6.6 million and \$0.4 million at December 31, 2003 and 2002, respectively.

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

 4. Federal Income Taxes

The Federal income tax expense is as follows:

<TABLE>
 <CAPTION>

	Year Ended December 31		
	2003	2002	2001
	-----	-----	-----
	(in millions)		
	-----	-----	-----
<S>	<C>	<C>	<C>
Current.....	\$(2.2)	\$ 0.0	\$ 0.4
Deferred.....	16.5	10.3	10.8
	-----	-----	-----
Total tax expense	\$14.3	\$10.3	\$11.2
	=====	=====	=====

</TABLE>

The effective tax rate on pre-tax income from continuing operations is lower than the prevailing corporate Federal Income tax rate. A reconciliation of this difference is as follows:

<TABLE>
 <CAPTION>

	Year Ended December 31		
	2003	2002	2001
	-----	-----	-----
	(in millions)		
	-----	-----	-----
<S>	<C>	<C>	<C>
Tax rate times pre-tax income from continuing operations.....	\$ 15.3	\$10.6	\$10.9
Effect of:			
Tax-preferred investment income.....	--	(0.2)	(0.9)
Goodwill amortization.....	--	--	1.1
Other items.....	(1.0)	(0.1)	0.1
	-----	-----	-----
Provision for income taxes.....	\$ 14.3	\$10.3	\$11.2
	=====	=====	=====
Effective tax rate.....	33%	34%	36%

</TABLE>

The Federal income tax liability is as follows:

<TABLE>
 <CAPTION>

	December 31	
	2003	2002
	-----	-----
	(in millions)	
	-----	-----
<S>	<C>	<C>
Current.....	\$ (5.6)	\$ (2.1)
Deferred.....	(36.5)	(19.2)

----- -----
 Total Federal income tax liability \$(42.1) \$(21.3)
 ===== =====

</TABLE>

Significant components of the Company's deferred tax assets and liabilities are as follows:

<TABLE>
 <CAPTION>

	December 31	
	2003	2002

	(in millions)	

<S>	<C>	<C>
Deferred tax assets:		
Insurance and investment contract liabilities.....	\$ 55.0	\$ 45.6
Net operating loss carryforward....	--	4.4
Capital loss carryforward.....	4.5	11.7
Investment related.....	2.7	1.9
Ceding commission asset.....	3.3	3.7
Compensation related.....	0.5	3.2
Other.....	0.1	2.5
	-----	-----
Total deferred tax assets.....	66.1	73.0
Deferred tax liabilities:		
Deferred acquisition costs.....	7.8	1.3
Net unrealized gain on securities available-for-sale.....	38.9	36.0
Present value of business in-force.	50.5	54.7
Other.....	5.4	0.2
	-----	-----
Total deferred tax liabilities.....	102.6	92.2
	-----	-----
Net deferred tax liability.....	\$(36.5)	\$(19.2)
	=====	=====

</TABLE>

In 2002, the company was able to file as part of a consolidated Federal income tax filing with its common parent, LNC. Prior to 2002, tax laws required the Company to file its tax return on a stand alone basis. Net cash received from LNC for Federal income taxes in 2003 was \$5.8 million due to the carry forward of pre-consolidation tax losses and carry back of 2002 tax losses. In 2002, the Company received a \$1.3 million refund from the IRS for its 2001 tax return. Cash paid to the IRS for Federal income taxes in 2001 was \$1.2 million.

The Company is required to establish a valuation allowance for any gross deferred tax assets that are unlikely to reduce taxes payable in future years' tax returns. At December 31, 2003 and 2002, the Company 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 at December 31, 2003 and 2002.

At December 31, 2003, the Company had net capital loss carryforwards for Federal income tax purposes of \$12.8 million that will expire in 2007. The net capital loss carryforwards can be used to offset capital gains of any affiliate in future LNC consolidated U.S. tax returns filed by its common parent. Accordingly, the Company believes that it is more likely than not that the capital losses will be fully utilized within the allowable carryforward period.

The LNC consolidated return group has been identified by the Internal Revenue Service ("IRS") as a coordinated industry taxpayer requiring annual audits. The audits from tax years through 1995 have been completed and these years are closed. LNC and its affiliates are currently under audit by IRS for years 1996-2002. The Company does not anticipate that any adjustments that might result from such audits would be material to the Company's results of operations or financial condition.

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

 5. Supplemental Financial Data

Reinsurance transactions included in the income statement captions, "Insurance Premiums" and "Insurance Fees," are as follows:

<TABLE>

<CAPTION>

	Year Ended December 31		
	2003	2002	2001

	(in millions)		

<S>	<C>	<C>	<C>
Insurance assumed.....	\$ 0.0	\$ 0.0	\$ 6.6
Insurance ceded.....	32.2	28.0	28.6
	-----	-----	-----
Net reinsurance premiums and fees.....	\$(32.2)	\$(28.0)	\$(22.0)
	=====	=====	=====

</TABLE>

The income statement caption, "Benefits," is net of reinsurance recoveries of \$25.0 million; \$21.5 million and \$27.7 million for the years ended December 31, 2003, 2002 and 2001, respectively.

A reconciliation of the balance sheet account, "Deferred Acquisition Costs," is as follows:

<TABLE>
<CAPTION>

	Year Ended December 31	
	2003	2002

	(in millions)	

<S>	<C>	<C>
Balance at beginning-of-year.....	\$42.9	\$ 43.4
Deferral.....	36.2	31.9
Amortization.....	(9.7)	(8.8)
Adjustment related to realized losses on securities available-for-sale.....	(4.5)	6.1
Adjustment related to unrealized gains on securities available-for-sale.....	(7.5)	(29.8)
Other.....	--	0.1
	-----	-----
Balance at end-of-period.....	\$57.4	\$ 42.9
	=====	=====

</TABLE>

Realized losses on investments and derivative instruments on the Statements of Income for the year's-ended December 31, 2003, 2002 and 2001 are net of amounts restored (amortized) against deferred acquisition costs of \$(4.5) million, \$6.3 million and \$5.4 million, respectively. In addition, realized gains and losses for the year ended December 31, 2003, 2002 and 2001 are net of adjustments made to policyholder reserves of \$(0.5) million, \$0.4 million and \$1.4 million, respectively. The Company has either a contractual obligation or has a consistent historical practice of making allocations of investment gains and losses to certain policyholders.

Details underlying the income statement caption, "Underwriting, Acquisition, Insurance and Other Expenses," are as follows:

<TABLE>
<CAPTION>

	Year Ended December 31		
	2003	2002	2001

	(in millions)		

<S>	<C>	<C>	<C>
Commissions.....	\$ 21.4	\$ 18.4	\$ 14.2
Other volume related expenses.....	20.9	6.9	4.2
Operating and administrative expenses.....	22.1	29.2	27.0
Deferral of acquisition costs net of amortization.....	(26.5)	(23.1)	(11.9)
Restructuring charges.....	0.0	0.0	1.0
Goodwill amortization.....	0.0	0.0	3.0
Other intangibles amortization, net of unlocking.....	12.0	13.0	9.4
Other.....	6.0	3.8	3.4
	-----	-----	-----
Total.....	\$ 55.9	\$ 48.2	\$ 50.3
	=====	=====	=====

</TABLE>

The carrying amount of goodwill by reportable segment as of December 31, is as follows:

<TABLE>
<CAPTION>

	2003	2002
	-----	-----
	(in millions)	
	-----	-----
<S>	<C>	<C>
Life insurance....	92.8	92.8
Lincoln Retirement	16.7	16.7
	-----	-----
Total.....	109.5	109.5
	=====	=====

</TABLE>

A reconciliation of the present value of business in-force for the Company's acquired insurance business, (balance sheet caption "Other Intangible Assets") is as follows:

<TABLE>
<CAPTION>

	December 31		
	2003	2002	2001
	-----	-----	-----
	(in millions)		
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance at beginning-of-year...	\$156.3	\$169.3	\$178.7
Unlocking and transfers.....	(1.6)	(3.3)	1.4
Interest accrued on unamortized balance (Interest rates range from 5% to 7%).....	7.0	9.2	10.3
Amortization.....	(17.4)	(18.9)	(21.1)
	-----	-----	-----
Balance at end-of-year	\$144.3	\$156.3	\$169.3
	=====	=====	=====

</TABLE>

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

5. Supplemental Financial Data (continued)

For intangible assets subject to amortization, the total gross carrying amount and accumulated amortization in total and for each major intangible asset class by segment are as follows:

<TABLE>
<CAPTION>

	As of December 31, 2003		As of December 31, 2002	
	-----	-----	-----	-----
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	-----	-----	-----	-----
	(in millions)			
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Amortizable Intangible Assets:				
Present value of in-force				
Lincoln Retirement.....	\$ 48.1	\$17.8	\$ 48.1	\$16.0
Life Insurance.....	167.3	53.3	167.3	43.1
	-----	-----	-----	-----
Total.....	\$215.4	\$71.1	\$215.4	\$59.1
	=====	=====	=====	=====

</TABLE>

Future estimated amortization of present value of in-force is as follows (in millions):

2004-\$10.0	2005-\$10.0	2006-\$11.1
2007- 11.4	2008- 11.6	Thereafter-90.2

Details underlying the balance sheet caption, "Contractholder Funds," are as follows:

<TABLE>
<CAPTION>

	December 31	
	2003	2002
-		

	(in millions)	

<S>	<C>	<C>
Premium deposit funds.....	\$ 988.6	\$932.0
Undistributed earnings on participating business.....	10.8	9.8
Other.....	43.2	40.3

Total.....	\$1,042.6	\$982.1
	=====	

</TABLE>

6. Employee Benefit Plans

Pension and Other Post-retirement Benefit Plans--U.S.

LNC maintains funded defined benefit pension plans for most of its U.S. employees including those of the Company. Effective January 1, 2002, the employees' pension plan has a cash balance formula. Employees retiring before 2012 will have their benefits calculated under both the old and new formulas and will receive the greater of the two calculations. Employees retiring in 2012 or after will receive benefits under the amended plan. Benefits under the old employees' plan are based on total years of service and the highest 60 months of compensation during the last 10 years of employment. Under the amended plan, employees have guaranteed account balances that grow with pay and interest credits each year. The amendment to the employees' pension plan resulted in a \$0.4 million pre-tax negative unrecognized prior service cost in 2001 that will be evenly recognized over future periods. The plan is funded by contributions to a tax-exempt trust. The Company's funding policy is consistent with the funding requirements of Federal law and regulations. Contributions are intended to provide not only the benefits attributed to service to date, but also those expected to be earned in the future.

LNC sponsors three types of unfunded, nonqualified, defined benefit plans for certain U.S. employees (including those of the Company): supplemental retirement plans, a salary continuation plan, and supplemental executive retirement plans.

The supplemental retirement plan provides defined benefit pension benefits in excess of limits imposed by Federal tax law.

The salary continuation plan provides certain officers of the Company defined pension benefits based on years of service and final monthly salary upon death or retirement.

LNC also sponsors unfunded plans that provide post-retirement medical, dental and life insurance benefits to full-time U.S. employees who, depending on the plan, have worked for the Company 10 years and attained age 55. Medical and dental benefits are also available to spouses and other dependents of employees. 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 employee's post-retirement plan will change such that employees and agents not attaining age 50 by that date will not be eligible to receive life insurance benefits when they retire. This amendment to the plan resulted in the immediate recognition at the end of 2003 of a one-time curtailment gain of less than \$0.1 million pre tax. Life insurance benefits for retirees are noncontributory for employees that attain 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. Beginning January 1, 2002, the employees' post-retirement plan was changed to require employees not yet age 50 with five years of service by year end 2001 to pay the full medical and dental premium cost when they retire. This change in the plan resulted in the immediate recognition at the end of 2001 of a one-time curtailment gain of \$0.2 million pre-tax.

The Company uses a December 31 measurement date for its pension and post-retirement plans.

Plan Cash Flows.

The Company expects to contribute between zero and \$0.2 million to LNC's defined benefit pension plans in 2004. In addition, the Company expects to fund less than \$0.1 million in 2004 for benefit payments for its post-retirement benefit plans.

401(k) and Profit Sharing Plans.

LNC sponsors contributory defined contribution plans (401(k) plans) for eligible U.S. employees (including those of the Company). The Company's contribution to the 401(k) plans is equal to a participant's pre-tax

contribution, not to exceed 6% of base pay, multiplied by a percentage, ranging from 50% to 150%, which varies according to certain incentive criteria as

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

6. Employee Benefit Plans (continued)

determined by LNC's Board of Directors. The Company's expense for the 401 (k) plan amounted to \$0.2 million, \$0.2 million, and \$0.2 million in 2003, 2002 and 2001, respectively.

Deferred Compensation Plans.

LNC sponsors contributory deferred compensation plans for certain U.S. employees including those of the Company who meet the established plan criteria. Plan participants may elect to defer payment of a portion of their compensation, as defined by the plans. At this point, these plans are not funded. Plan participants may select from a variety of alternative measures for purposes of calculating the investment return considered attributable to their deferral. Under the terms of these plans, the Company agrees to pay out amounts based upon the alternative measure selected by the participant. Plan participants who are also participants in an LNC 401(k) plan and who have reached the contribution limit for that plan may also elect to defer the additional amounts into the deferred compensation plan. The Company makes matching contributions to these plans for its participants based upon amounts placed into the deferred compensation plans by individuals who have reached the contribution limit under the 401(k) plan. The amount of the Company'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 amounted to \$0.1 million, \$0.1 million, and less than \$0.1 million in 2003, 2002 and 2001, respectively. These expenses reflect both the Company's employer matching contributions of less than \$0.1 million, as well as changes in the measurement of the Company's liabilities under these plans of \$0.1 million, \$0.1 million and \$0.0 million for 2003, 2002 and 2001, respectively.

In the fourth quarter of 1999, LNC modified the terms of the deferred compensation plans to provide that plan participants who selected LNC stock as the measure for their investment return would receive shares of LNC stock in satisfaction of this portion of their deferral. In addition, participants were precluded from diversifying any portion of their deferred compensation plan account that is measured by LNC's stock performance. As a result of these modifications to the plans, ongoing changes in value of LNC's stock no longer affect the expenses associated with this portion of the deferred compensation plans.

The Company's total liabilities associated with these plans were \$0.6 million and \$0.4 million at December 31, 2003 and 2002, respectively.

Stock-Based Incentive Compensation Plans.

LNC has various incentive plans for employees, agents and directors of LNC and its subsidiaries that provide for the issuance of stock options, stock incentive awards, stock appreciation rights, and restricted stock awards. Prior to 2003, these plans were comprised primarily of stock option incentive plans.

Effective January 1, 2003, LNC's stock-based employee compensation plan was revised to provide for performance vesting, and to provide for awards that may be paid out in a combination of stock options, performance shares of LNC stock and cash. This plan replaced the LNC stock option plan. The Company awards under this plan for 2003 consisted of 2,795 performance share units that could result in the issuance of LNC shares. As of December 31, 2003, 2,795 performance share units were outstanding. The performance measures that must be met for vesting to occur are established at the beginning of the three-year performance period. Certain participants in the plan will select from seven different combinations of stock options, performance shares and or cash in determining the form of their award. Other participants will have their award paid in performance shares.

Total compensation expense for the Company incentive plans involving performance vesting for 2003 was less than \$0.1 million. All expense calculations for performance shares that were granted in 2003 have been based upon the current assumption that the actual performance achievement over the three-year performance measurement period will result in target levels of long-term incentive compensation payouts. As the three-year performance period progresses, LNC will continue to refine its estimate of the expense associated with these awards so that by the end of the three-year performance period, the Company's cumulative expense will reflect the actual level of awards that vest.

Stock options awarded under the stock option incentive plans in effect prior to 2003 were granted with an exercise price equal to the market value of LNC stock at the date of grant and, subject to termination of employment, expire 10 years

from the date of grant. Such options are transferable only upon death. Options become exercisable in 25% increments over the four-year period following the option grant anniversary date. A "reload option" feature was added on May 14, 1997. In most cases, persons exercising an option after that date have been granted new options in an amount equal to the number of matured shares tendered to exercise the original option award. The reload options are granted for the remaining term of the related original option and have an exercise price equal to the market value of LNC stock at the date of the reload award. Reload options can be exercised two years after the grant date if the value of the new option has appreciated by at least 25%. The reload feature is not available for options granted after 2002.

Effective January 1, 2003, LNC adopted the fair value recognition method of accounting for its stock option incentive plans under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), which is considered the preferable accounting method for stock based compensation. Previously, LNC accounted for its stock option incentive plans using the intrinsic value method of accounting under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. For more information, see Footnote 2 in the Notes to Financial Statements.

Total compensation expense for incentive plans involving stock options granted to the Company employees for 2003, 2002 and 2001 was \$0.1 million, \$0.0 million and \$0.1 million, respectively.

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

7. Restrictions, Commitments and Contingencies

Statutory Information and Restrictions

Net income as determined in accordance with statutory accounting practices for the Company was \$16.9 million, \$16.6 million and \$19.4 million for 2003, 2002 and 2001, respectively.

Shareholder's equity as determined in accordance with statutory accounting practices for the Company was \$251.0 million and \$234.1 million for December 31, 2003 and 2002, respectively.

The Company acquired a block of individual life insurance and annuity business from CIGNA Corporation in January 1998 and a block of individual life insurance from Aetna, Inc. in October 1998. These acquisitions were structured as indemnity reinsurance transactions. The statutory accounting regulations do not allow goodwill to be recognized on indemnity reinsurance transactions and therefore, the related statutory ceding commission flows through the statement of operations as an expense, which resulted in a reduction of statutory earned surplus.

The Company is subject to certain insurance department regulatory restrictions as to the transfer of funds and payment of dividends to LNL. Dividends cannot be declared by State of New York life insurance companies without 30 day notice to the Superintendent, who may disapprove. Dividends on Company stock are paid as declared by its Board of Directors. No dividends were declared in 2003, 2002 or 2001.

Marketing and Compliance Issues

Recently, there has been a significant increase in federal and state regulatory activity in the industry relating to numerous issues including market timing and late trading of mutual fund and variable insurance products and broker-dealer access arrangements. The Company, like many others in the industry, has received requests for information from the SEC and a subpoena from the New York Attorney General's Office seeking documentation and other information relating to these issues. The Company is in the process of responding to these requests and continues to cooperate fully with the regulators.

Regulators continue to focus on market conduct and compliance issues. Under certain circumstances, companies operating in the insurance and financial services markets have been held responsible for providing incomplete or misleading sales materials and for replacing existing policies with policies that were less advantageous to the policyholder. Management continues to monitor the company's sales materials and compliance procedures and is making an extensive effort to minimize any potential liability. Due to the uncertainty surrounding such matters, it is not possible to provide a meaningful estimate

of the range of potential outcomes at this time; however, it is management's opinion that such future developments will not materially affect the financial position of the Company.

Insurance Ceded and Assumed

The Company cedes insurance to other insurance companies. The portion of risks exceeding the company's retention limit is reinsured with other insurers. The Company seeks reinsurance coverage on life insurance issued to limit its liabilities. As of December 31, 2003, the Company's maximum retention was \$0.5 million on a single insured. Portions of the Company's deferred annuity business have been reinsured on a Modco basis with other companies to limit the company's exposure to interest rate risks. At December 31, 2003, the reserves associated with these reinsurance arrangements totaled \$14.7 million. To cover products other than life insurance, the Company acquires other insurance coverages with retentions and limits that management believes are appropriate for the circumstances. The accompanying financial statements reflect premiums, benefits and deferred acquisition costs, net of insurance ceded (see Note 5). The Company remains liable if their reinsurers are unable to meet contractual obligations under applicable reinsurance agreements.

As a result of indemnity reinsurance transactions entered into by the Company to purchase business from Aetna, Inc. and CIGNA Corporation insurance companies, the Company assumes insurance from these companies. Other amounts of insurance are assumed as a result of smaller purchases made by the Company.

Vulnerability from Concentrations

At December 31, 2003, the Company did not have a material concentration of financial instruments in a single investee, or industry. The Company's investments in mortgage loans principally involve commercial real estate. At December 31, 2003, 38.2% of such mortgages, or \$55.9 million, involved properties located in California, Maryland, New York and Texas. Such investments consist of first mortgage liens on completed income-producing properties and the mortgage outstanding on any individual property does not exceed \$3.9 million. Also at December 31, 2003, the Company 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 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 the Company's financial position. Because the Company sells insurance products only in the State of New York, the Company does have a material concentration of its business in that state. This concentration could make the Company vulnerable to legislative or other risks that might significantly impact the ability to do business in the State of New York. The Company is not aware of any significant risks as a result of this geographic concentration.

Other Contingency Matters

The Company is involved in various pending or threatened legal proceedings, arising from the conduct of business. In

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

7. Restrictions, Commitments and Contingencies (continued)

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 ultimately will be resolved without materially affecting the financial position of the Company.

State guaranty funds assess insurance companies to cover losses to policyholders of insolvent or rehabilitated companies. Mandatory assessments may be partially recovered through a reduction in future premium taxes in some states. The Company has accrued for expected assessments net of estimated future premium tax deductions.

Derivative Instruments

Call Options on Bifurcated Remarketable Put Bonds.

The Company owns various debt securities that contain call options attached by an investment banker before the sale to the investor. These freestanding call options are exercisable by a party other than the issuer of the debt security to which they are attached and are accounted for separately from the debt security. The Company has not currently qualified call options bifurcated from remarketable put bonds for hedge accounting treatment as amounts are

insignificant.

8. Fair Value of Financial Instruments

The following discussion outlines the methodologies and assumptions used to determine the estimated fair value of the Company's 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 the Company's financial instruments.

Fixed Maturity and Equity Securities -- Available-for-Sale.

Fair values for fixed maturity securities are based on quoted market prices, where available. For fixed maturity securities not actively traded, fair values are estimated using values obtained from independent pricing services. In the case of private placements, fair values 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. The fair value for equity securities are based on quoted market prices.

Mortgage Loans on Real Estate.

The estimated fair value of mortgage loans on real estate was 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, caliber 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.

Policy Loans.

The estimated fair value of investments in policy loans was calculated on a composite discounted cash flow basis using Treasury interest rates consistent with the maturity durations assumed. These durations were based on historical experience.

Derivative Instruments.

Fair values for these contracts are based on current settlement values. These values are based on industry standard models that are commercially available for put options. These models project cash flows of the derivatives using current and implied future market conditions. The cash flows are then present-valued to arrive at the derivatives' current fair market values.

Other Investments, Cash and Invested Cash.

The carrying value for assets classified as other investments, and cash and invested cash in the accompanying balance sheets approximates their fair value. Other investments include limited partnership investments which are accounted for using the equity method of accounting.

Investment Type Insurance Contracts.

The balance sheet captions, "Insurance Policy and Claim Reserves" and "Contractholder Funds," include investment type insurance contracts (i.e. deposit contracts and certain guaranteed interest contracts). The fair values for the deposit contracts and certain guaranteed interest 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 the balance sheet captions "Insurance Policy and Claim Reserves" and "Contractholder 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 and have not been determined by the Company. It is the Company's position that the disclosure of the fair value of these insurance contracts is important because readers of these financial statements could draw inappropriate conclusions about the Company's shareholder's equity determined on a fair value basis. It could be misleading if only the fair value of assets and liabilities defined as financial instruments are disclosed. The Company and other companies in the insurance industry are monitoring the related actions of the various rule-making bodies and attempting to determine an appropriate methodology for estimating and disclosing the "fair value" of their insurance contract liabilities.

Investment Commitments.

Fair values for commitments to make investments in fixed maturity securities (primarily private placements) are based on

8. Fair Value of Financial Instruments (continued)

the difference between the value of the committed investments as of the date of the accompanying 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.

Assets held in separate accounts are reported in the accompanying balance sheets at fair value. The related liabilities are also reported at fair value in amounts equal to the separate account assets.

The carrying values and estimated fair values of the Company's financial instruments are as follows:

<TABLE>

<CAPTION>

	Carrying Value	Fair Value	Carrying Value	Fair Value
	December 31			
	2003	2003	2002	2002
	(in millions)			
<S>	<C>	<C>	<C>	<C>
Assets (liabilities):				
Securities available-for-sale				
Fixed maturities.....	\$2,020.0	\$2,020.0	\$1,886.1	\$1,886.1
Equity.....	2.6	2.6	--	--
Derivative instruments (asset).....	--	--	0.5	0.5
Mortgage loans on real estate.....	145.8	155.8	121.7	134.3
Policy loans.....	161.6	174.5	161.9	174.7
Other investments.....	0.3	0.3	0.3	0.3
Cash and invested cash.....	36.4	36.4	15.2	15.2
Investment type insurance contracts:				
Deposit contracts and guaranteed interest contracts.	(954.4)...	(978.8).	(894.0)	(928.8)
Investment commitments.....	--	(0.1)	--	2.0
Derivative instruments (liability).....	(0.3)	(0.3)	--	--

</TABLE>

Total derivative instruments for 2003 are comprised of reinsurance related embedded derivatives of \$(0.3) million in other liabilities on the balance sheet.

As of December 31, 2003 and 2002, the carrying value of the deposit contracts and certain guaranteed contracts is net of deferred acquisition costs of \$33.2 million and \$36.7 million, respectively, excluding adjustments for deferred acquisition costs applicable to changes in fair value of securities. The carrying values of these contracts are stated net of deferred acquisition costs so that they are comparable with the fair value basis.

9. Segment Information

The Company has two business segments: Lincoln Retirement and Life Insurance.

The Lincoln Retirement segment, headquartered in Fort Wayne, Indiana, provides tax-deferred investment growth and lifetime income opportunities for its clients through the manufacture and sale of fixed and variable annuities. Through a broad-based distribution network, Lincoln Retirement provides an array of annuity products to individuals and employer-sponsored groups in the State of New York. Lincoln Retirement distributes some of its products through the Company's wholesaling unit, Lincoln Financial Distributors ("LFD"), as well as the Company's retail unit, Lincoln Financial Advisors ("LFA"). In addition, group fixed and variable annuity products and the Alliance program are distributed to the employer-sponsored retirement market through Lincoln Retirement's Fringe Benefit Division dedicated sales force.

The Life Insurance segment, headquartered in Hartford, Connecticut, focuses on the creation and protection of wealth for its clients through the manufacture and sale of life insurance products in the State of New York. The Life Insurance segment offers, universal life, variable universal life, interest-sensitive whole life, term life and corporate owned life insurance. The segment also offers linked-benefit life (a universal life product with a long-term care benefit). A majority of the Life Insurance segment's products are distributed through LFD and LFA. In the third quarter 2002, the Life Insurance segment entered into a marketing agreement to distribute life insurance products through the M Financial Group, a well-respected and successful nationwide organization of independent firms serving the needs of

affluent individuals and corporations.

The Company reports operations not directly related to the business segments, unallocated corporate items (i.e., unallocated overhead expenses), LFA and LFD in "Other Operations".

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

9. Segment Information (continued)

Financial data by segment for 2001 through 2003 is as follows:

<TABLE>

<CAPTION>

	Year Ended December 31		
	2003	2002	2001

	(in millions)		

<S>	<C>	<C>	<C>
Revenue, Excluding Net Investment Income and Net Realized Loss on Investments and Derivative Instruments:			
Lincoln Retirement.....	\$ 8.2	\$ 6.7	\$ 7.5
Life Insurance.....	70.8	66.2	66.0
Other Operations.....	0.2	0.6	0.2
	-----	-----	-----
Total.....	\$ 79.2	\$ 73.5	\$ 73.7
	=====	=====	=====
Net Investment Income:			
Lincoln Retirement.....	\$ 65.9	\$ 66.1	\$ 65.7
Life Insurance.....	70.8	68.8	69.1
Other Operations.....	0.0	0.0	0.0
	-----	-----	-----
Total.....	\$136.7	\$134.9	\$134.8
	=====	=====	=====

</TABLE>

<TABLE>

<CAPTION>

	Year Ended December 31		
	2003	2002	2001

	(in millions)		

<S>	<C>	<C>	<C>
Realized Loss on Investments and Derivative Instruments:			
Lincoln Retirement....	\$ 1.9	\$ (6.4)	\$ (3.5)
Life Insurance.....	5.3	(4.9)	(1.1)
Other Operations.....	0.0	0.0	0.0
	-----	-----	-----
Total.....	\$ 7.2	\$ (11.3)	\$ (4.6)
	=====	=====	=====
Income before Federal Income Taxes and Cumulative Effect of Accounting Changes:			
Lincoln Retirement....	\$ 6.3	\$ 0.7	\$ 5.0
Life Insurance.....	38.5	29.2	26.1
Other Operations.....	(1.0)	0.5	--
	-----	-----	-----
Total.....	\$ 43.8	\$ 30.4	\$ 31.1
	=====	=====	=====
Federal Income Tax Expense:			
Lincoln Retirement....	\$ 1.7	\$ 0.0	\$ 1.1
Life Insurance.....	12.9	10.1	10.1
Other Operations.....	(0.3)	0.2	0.0
	-----	-----	-----
Total.....	\$ 14.3	\$ 10.3	\$ 11.2
	=====	=====	=====
Cumulative Effect of Accounting Changes:			
Lincoln Retirement....	\$ (0.2)	\$ 0.0	\$ 0.0
Life Insurance.....	0.0	0.0	(1.1)
Other Operations.....	0.0	0.0	0.0

Total.....	\$ (0.2)	\$ 0.0	\$ (1.1)
Net Income:			
Lincoln Retirement....	\$ 4.3	\$ 0.7	\$ 3.9
Life Insurance.....	25.7	19.1	15.0
Other Operations.....	(0.7)	0.3	0.0
Total Net Income.....	\$ 29.3	\$ 20.1	\$ 18.9

December 31

	2003	2002	2001
(in millions)			
Assets:			
Lincoln Retirement....	\$1,705.3	\$1,422.2	\$1,324.3
Life Insurance.....	1,556.4	1,462.0	1,383.7
Other Operations.....	68.0	90.8	70.4
Total Assets	\$3,329.7	\$2,975.0	\$2,778.4

</TABLE>

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

10. Shareholder's Equity

All of the 20,000 authorized, issued and outstanding shares of \$100 par value common stock of the Company are owned by LNL.

Details underlying the balance sheet caption "Net Unrealized Gain on Securities Available-for-Sale," are as follows:

<TABLE>
<CAPTION>

	December 31	
	2003	2002
(in millions)		
<S>	<C>	<C>
Fair value of securities available-for-sale.....	\$2,022.6	\$1,886.1
Cost of securities available-for-sale	1,911.4	1,783.2
Unrealized gain.....	111.2	102.9
Adjustments to deferred acquisition costs.....	(44.4)	(36.9)
Amounts required to satisfy policyholder commitments.....	(3.6)	(3.4)
Deferred income taxes.....	(23.4)	(22.8)
Net unrealized gain on securities available-for-sale.....	\$ 39.8	\$ 39.8

</TABLE>

Adjustments to deferred acquisition costs and amounts required to satisfy policyholder commitments are netted against the Deferred Acquisition Costs asset line and included within the Insurance Policy and Claim Reserve line on the balance sheet, respectively on the balance sheet.

Details underlying the change in "Net Unrealized Gain on Securities Available-for-Sale, Net of Reclassification Adjustment" shown on the Statements of Shareholder's Equity are as follows:

<TABLE>
<CAPTION>

	Year Ended December 31		
	2003	2002	2001
(in millions)			
<S>	<C>	<C>	<C>

Unrealized gains on securities available-for-sale arising during the year.....	\$20.1	\$47.7	\$24.9
Less:			
Reclassification adjustment for gains (losses) included in net income/(1)/.....	19.5	(6.1)	(1.5)
Less: Federal income tax expense on reclassification.....	0.6	20.0	9.2
	-----	-----	-----
Net unrealized gain on securities available-for-sale, net of reclassification and federal income tax expense.....	\$ 0.0	\$33.8	\$17.2
	=====	=====	=====

</TABLE>

/(1)/The reclassification adjustment for gains does not include the impact of associated adjustments to deferred acquisition costs and amounts required to satisfy policyholder commitments.

The "Net Unrealized Gain on Derivative Instruments" component of other comprehensive income shown on the Statements of Shareholders' Equity was less than \$0.1 million for 2003, 2002 and 2001. The 2001 Net Unrealized Gain on Derivative Instruments includes \$0.1 million related to the transition adjustment recorded for the adoption of FAS 133.

11. Restructuring Charges

During the first quarter of 2001, the Company recorded a restructuring charge in its Lincoln Retirement segment of \$0.7 million \$(1.0 million pre-tax). The objective of this restructuring plan is to consolidate the Syracuse, New York operations of the Company into the Lincoln Retirement segment operations in Fort Wayne, Indiana and Portland, Maine, in order to reduce on-going operating costs and eliminate redundant facilities. The restructuring plan identified the following activities and associated pre-tax costs to achieve the objectives of the plan: (1) severance and termination benefits of \$0.8 million related to the elimination of 30 positions and (2) other costs of \$0.2 million related primarily to lease payments on abandoned office space. This plan was completed in the first quarter of 2002. Actual pre-tax costs totaling \$1.3 million were expended or written-off and 30 positions were eliminated under this plan. The \$0.3 million expended in excess of the restructuring charge was expensed as incurred.

2003 Restructuring Plan

In January 2003, the Life Insurance segment announced that it was realigning its operations in Hartford, Connecticut and Schaumburg, Illinois to enhance productivity, efficiency and scalability while positioning the segment for future growth. In February 2003, Lincoln Retirement announced plans to consolidate its fixed annuity operations in Schaumburg, Illinois into Fort Wayne, Indiana. In June 2003, LNL announced that it was combining its retirement and life insurance businesses into a single operating unit focused on providing wealth accumulation and protection, income distribution and wealth transfer products. The realigned organization is expected to significantly reduce operating expenses while positioning LNL for future growth and to take advantage of the recent market recovery. In August 2003, LNL announced additional realignment activities, which impact all of LNL's domestic operations. The total Life and Retirement restructuring cost to the Company for 2003 was \$0.3 million.

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Lincoln Life & Annuity Company of New York

Notes to Financial Statements (continued)

12. Transactions with Affiliates

The Company's products are primarily distributed through affiliated organizations, LFA and LFD. Revenue is paid to these organizations based on business produced by them, and was \$8.0 million, \$8.8 million and \$3.1 million in 2003, 2002, and 2001, respectively.

Delaware Management Holdings Inc. ("DMH"), a wholly owned subsidiary of LNC, is responsible for the management of the Company's general account investments. The management of these investments is priced on an "at cost" basis. The Company paid fees paid of \$2.6 million, \$2.0 million and \$2.1 million to DMH for investment management services in 2003, 2002 and 2001, respectively.

The Company provides services to and receives services from affiliated companies plus it receives an allocation of corporate overhead from LNC. This

resulted in net payments of \$16.8 million, \$13.5 million and \$11.2 million in 2003, 2002 and 2001, respectively. The Company's related accounts payable to affiliates was \$32.9 million and less than \$1.0 million as of December 31, 2003 and 2002, respectively.

The Company cedes business to one affiliated company, LNL. The caption "Insurance Premiums", in the accompanying Statements of Operations has been reduced by \$5.6 million, \$4.9 million and \$5.7 million for premiums paid on these contracts in 2003, 2002, and 2001, respectively. The captions "Insurance Policy and Claim Reserves" and "Contractholder Funds" have been reduced by \$4.9 million and \$4.7 million related to reserve credits taken on these contracts as of December 31, 2003 and 2002, respectively.

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Report of Ernst & Young LLP, Independent Auditors

Board of Directors
Lincoln Life & Annuity Company of New York

We have audited the accompanying balance sheets of Lincoln Life & Annuity Company of New York as of December 31, 2003 and 2002, and the related statements of income, shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2003. 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 auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of Lincoln Life & Annuity Company of New York at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the financial statements, in 2003 the Company changed its method of accounting for stock compensation costs, certain reinsurance arrangements and costs associated with exit or disposal activities. Also, as discussed in Note 2 to the financial statements, in 2002 the Company changed its method of accounting for goodwill and its related amortization, and in 2001 the Company changed its method of accounting for derivative instruments and hedging activities as well as its method of accounting for impairment of certain investments.

/s/ Ernst & Young LLP
Fort Wayne, Indiana
March 31, 2004

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<Page>

PERFORMANCE DATA

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

Past performance cannot guarantee comparable future results. 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 in the table below 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
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".