



Lincoln  
Financial Group<sup>SM</sup>

FOR RETIREMENT

Product Prospectus

# Lincoln Group Variable Annuity Account L

May 1, 2012

Hello future.®

The Lincoln National Life Insurance Company

Not a deposit	Not FDIC-insured	May go down in value
Not insured by any federal government agency		
Not guaranteed by any bank or savings association		



# Lincoln National Variable Annuity Account L Group Variable Annuity Contracts I, II, & III

## Home Office:

The Lincoln National Life Insurance Company  
1300 South Clinton Street  
Fort Wayne, IN 46802

## Servicing Office:

The Lincoln National Life Insurance Company  
PO Box 2340  
Fort Wayne, IN 46801-2340  
1-800-341-0441  
[www.LincolnFinancial.com](http://www.LincolnFinancial.com)

This prospectus describes a group annuity contract and an individual certificate that is issued by The Lincoln National Life Insurance Company (Lincoln Life or Company). This prospectus is primarily for use with qualified retirement plans. Generally, you do not pay federal income tax on the contract's growth until it is paid out. Qualified retirement plans already provide for tax deferral. Therefore, there should be reasons other than tax deferral for acquiring the contract within a qualified plan. The contract is designed to accumulate account value, and as permitted by the plan, to provide retirement income that a participant cannot outlive or for an agreed upon time. These benefits may be a variable or fixed amount, if available, or a combination of both. If a participant dies before the annuity commencement date, we pay the beneficiary or the plan a death benefit.

If the contractowner gives certain rights to plan participants, we issue active life certificates to them. Participants choose whether account value accumulates on a variable or a fixed (guaranteed) basis or both. If a participant allocates contributions to the fixed account, we guarantee principal and a minimum interest rate.

All contributions for benefits on a variable basis will be placed in Lincoln National Variable Annuity Account L (VAA). The VAA is a segregated investment account of Lincoln Life. If a participant puts all or some contributions into one or more of the contract's subaccounts, the participant takes all the investment risk on the account value and the retirement income. If the selected subaccounts make money, account value goes up; if they lose money, it goes down. How much it goes up or down depends on the performance of the selected subaccounts. **We do not guarantee how any of the subaccounts or their funds will perform. Also, neither the U.S. Government nor any federal agency insures or guarantees the investment in the contract.**

The available subaccounts, and the funds in which they invest, are listed below. The contractowner decides which of these subaccounts are available under the contract for participant allocations. For more information about the investment objectives, policies and risk of the funds please refer to the Prospectuses for the funds.

### AllianceBernstein Variable Products Series Fund (Class B):

- AllianceBernstein VPS Global Thematic Growth Portfolio
- AllianceBernstein VPS Growth Portfolio
- AllianceBernstein VPS Growth and Income Portfolio\*\*

### American Century Variable Portfolios (Class I):

- Balanced Fund
- Inflation Protection Fund\*\*

### American Funds Insurance Series (Class 2):

- American Funds Global Growth Fund
- American Funds Growth Fund
- American Funds Growth-Income Fund
- American Funds International Fund

### BlackRock Variable Series Funds, Inc. (Class I):

- BlackRock Global Allocation V.I. Fund

### Delaware VIP® Trust (Service Class):

- Delaware VIP® REIT Series
- Delaware VIP® Small Cap Value Series
- Delaware VIP® Smid Cap Growth Series

### Delaware VIP® Trust (Standard Class):

- Delaware VIP® Diversified Income Series
- Delaware VIP® High Yield Series

### Dreyfus Variable Investment Fund (Initial Class):

- Dreyfus Opportunistic Small Cap Portfolio\*\*
- Dreyfus Stock Index Fund, Inc.\*\*

### DWS Investments VIT Funds (Class A):

- DWS Equity 500 Index VIP\*\*
- DWS Small Cap Index VIP\*\*

### DWS Variable Series II (Class A):

- DWS Alternative Asset Allocation VIP Portfolio (formerly DWS Alternative Asset Allocation Plus VIP Portfolio)

### Fidelity® Variable Insurance Products (Initial Class):

- Fidelity® Asset Manager Portfolio
- Fidelity® Equity-Income Portfolio\*\*
- Fidelity® Growth Portfolio

### Fidelity® Variable Insurance Products (Service Class 2):

- Fidelity® Contrafund® Portfolio

### Janus Aspen Series (Institutional Shares):

- Janus Aspen Worldwide Portfolio

### Lincoln Variable Insurance Products Trust (Service Class):

- LVIP Baron Growth Opportunities Fund
- LVIP Delaware Diversified Floating Rate Fund

Lincoln Variable Insurance Products Trust (Standard Class):

LVIP BlackRock Inflation Protection Bond Fund\*  
LVIP Cohen & Steers Global Real Estate Fund  
LVIP Delaware Bond Fund  
LVIP Delaware Foundation Aggressive Allocation Fund  
LVIP Delaware Foundation Conservative Allocation Fund  
LVIP Delaware Foundation Moderate Allocation Fund  
LVIP Delaware Growth and Income Fund  
LVIP Delaware Social Awareness Fund  
LVIP Global Income Fund  
LVIP Janus Capital Appreciation Fund  
LVIP Mondrian International Value Fund  
LVIP SSgA Bond Index Fund  
LVIP SSgA Emerging Markets 100 Fund  
LVIP SSgA Global Tactical Allocation Fund  
LVIP SSgA International Index Fund  
LVIP SSgA S&P 500 Index Fund\*, \*\*\*  
LVIP SSgA Small-Cap Index Fund\*  
LVIP T. Rowe Price Structured Mid-Cap Growth Fund  
LVIP Protected Profile 2010 Fund  
LVIP Protected Profile 2020 Fund  
LVIP Protected Profile 2030 Fund  
LVIP Protected Profile 2040 Fund  
LVIP Protected Profile 2050 Fund  
LVIP Protected Profile Conservative Fund  
(formerly LVIP Conservative Profile Fund)  
LVIP Protected Profile Growth Fund  
(formerly LVIP Moderately Aggressive Profile Fund)  
LVIP Protected Profile Moderate Fund  
(formerly LVIP Moderate Profile Fund)

Neuberger Berman Advisers Management Trust (I Class):

Mid-Cap Growth Portfolio\*\*  
Large Cap Value Portfolio  
(formerly Partners Portfolio)

T. Rowe Price International Series, Inc.

T. Rowe Price International Stock Portfolio

\*Not all funds are available in all contracts. Refer to Description of Funds for specific information regarding the availability of funds.

\*\*It is currently anticipated that during the fourth quarter of 2012, we will close and replace these investment options. See Investments of the VAA - Description of the Funds for further information.

\*\*\*"Standard & Poor's<sup>®</sup>", "S&P 500<sup>®</sup>", Standard & Poor's 500<sup>®</sup> and "500" are trademarks of Standard & Poor's Financial Services, LLC, a subsidiary of The McGraw-Hill Companies, Inc. and have been licensed for use by Lincoln Variable Insurance Products Trust and its affiliates. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of purchasing the product.

This prospectus gives you information about the contracts and certificates that contractowners and participants should know before investing. You should also review the prospectuses for the funds that accompany this prospectus, and keep all prospectuses for future reference.

**Neither the SEC nor any state securities commission has approved this contract or determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

More information about the contracts is in the current Statement of Additional Information (SAI), dated the same date as this prospectus. The SAI terms are made part of this prospectus, and for a free copy of the SAI, write: The Lincoln National Life Insurance Company, P. O. Box 2340, Fort Wayne, IN 46808 or call 1-800-341-0441. The SAI and other information about Lincoln Life and the VAA are also available on the SEC's website (<http://www.sec.gov>). There is a table of contents for the SAI on the last page of this prospectus.

May 1, 2012

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# Special Terms

In this prospectus, the following terms have the indicated meanings:

**Account or variable annuity account (VAA)**—The segregated investment account, Account L, into which we set aside and invest the assets for the variable side of the contract offered in this prospectus.

**Account value**—At a given time before the Annuity Commencement Date, the value of all accumulation units for a contract plus the value of the fixed side of the contract.

**Accumulation unit**—A measure used to calculate contract value for the variable side of the contract before the Annuity Commencement Date.

**Annuitant**—The person upon whose life the annuity benefit payments are based, and upon whose life a death benefit may be paid.

**Annuity Commencement Date** - The valuation date when funds are withdrawn or converted into annuity units or fixed dollar payout for payment of retirement income benefits under the annuity payout option you select.

**Annuity payout**—A regularly scheduled payment (under any of the available annuity options) that occurs after the Annuity Commencement Date. Payments may be variable or fixed, or a combination of both.

**Annuity unit**—A measure used to calculate the amount of annuity payouts for the variable side of the contract after the Annuity Commencement Date. See Annuity Payouts.

**Beneficiary**—The person or entity designated by the participant to receive any death benefit paid if the participant dies before the annuity commencement date.

**Contractowner**—The party named on the group annuity contract (for example, an employer, a retirement plan trust, an association, or other entity allowed by law).

**Contributions**—Amounts paid into the contract.

**Death benefit**—Before the annuity commencement date, the amount payable to a designated beneficiary if a participant dies.

**FINRA**—Financial Industry Regulatory Authority.

**Good Order**—The actual receipt at our Home Office of the requested transaction in writing or by other means we accept, along with all information and supporting legal documentation necessary to effect the transaction. The forms we provide will identify the necessary documentation. We may, in our sole discretion, determine whether any particular transaction request is in good order, and we reserve the right to change or waive any good order requirements at any time.

**Lincoln Life** (we, us, our, Company)—The Lincoln National Life Insurance Company.

**Participant**—An employee or other person affiliated with the contractowner on whose behalf we maintain an account under the contract.

**Participant year**—A 12-month period starting with the date we receive the first contribution on behalf of a participant and on each anniversary after that.

**Plan**—The retirement program that an employer offers to its employees for which a contract is used to accumulate funds.

**SEC**—Securities and Exchange Commission.

**Subaccount**—The portion of the VAA that reflects investments in accumulation and annuity units of a class of a particular fund available under the contracts. There is a separate subaccount which corresponds to each class of a fund.

**Valuation date**—Each day the New York Stock Exchange (NYSE) is open for trading.

**Valuation period**—The period starting at the close of trading (currently 4:00 p.m. New York time) on each day that the NYSE is open for trading (valuation date) and ending at the close of such trading on the next valuation date.

# Expense Tables

The following tables describe the fees and expenses that you will pay when buying, owning, and surrendering the contract.

The first table describes the fees and expenses that contractowners or participants will pay at the time that you buy the contract, surrender the contract, or transfer contract value between investment options and/or the fixed account. State premium taxes may also be deducted.

**Contractowner/Participant Transaction Expenses for GVA I, II & III:**

The maximum surrender charge (contingent deferred sales charge) (as a percentage of an account value withdrawn):

GVA I	GVA II	GVA III
5%*	6%*	None

\* The surrender charge percentage is reduced over time. The later the redemption occurs, the lower the surrender charge with respect to that surrender or withdrawal. We may reduce or waive this charge in certain situations. See Charges and Other Deductions—Surrender Charges.

**The next table describes the fees and expenses that you will pay periodically during the time that you own the contract, not including fund fees and expenses.**

Annual account fee (per participant): \$25

Loan establishment fee (per loan): \$50

Systematic withdrawal option fee: \$30

The annual fee may be paid by an employer on behalf of participants. It is not charged during the annuity period. We may reduce or waive these charges in certain situations. See Charges and Other Deductions.

Separate Account L expenses for GVA I, II, & III subaccounts (as a percentage of average daily net assets in the subaccounts):

“standard” mortality and expense risk charge	1.00%
“breakpoint” mortality and expense charge*	.75%

\* Only certain contract or plans are eligible for a breakpoint charge. See — Charges and Other Deductions.

**The next item shows the minimum and maximum total annual operating expenses charged by the funds that you may pay periodically during the time that you own the contract. The expenses are for the year ended December 31, 2011. More detail concerning each fund’s fees and expenses is contained in the prospectus for each fund.**

	<u>Minimum</u>	<u>Maximum</u>
Total Annual Fund Operating Expenses (expenses that are deducted from fund assets, including management fees, distribution and/or service (12b-1) fees, and other expenses):	0.27%	5.30%
Total Annual Fund Operating Expenses (after contractual waivers/reimbursements*):	0.27%	1.67%

\* 20 of the funds have entered into contractual waiver or reimbursement arrangements that may reduce fund management and other fees and/or expenses during the period of the arrangement. These arrangements vary in length, but no arrangement will terminate before April 30, 2013.

## EXAMPLES

This Example is intended to help contractowners or participants compare the cost of investing in the contract with the cost of investing in other variable annuity contracts. These costs include contractowner/participant transaction expenses, contract fees, separate account annual expenses, and fund fees and expenses.

The Example assumes that you invest \$10,000 in the contract for the time periods indicated. The Example also assumes that your investment has a 5% return each year, the maximum fees and expenses of any of the funds. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

1) If you surrender your contract at the end of the applicable period:

	1 year	3 years	5 years	10 years
GVA I Standard*	\$1,126	\$2,352	\$3,544	\$6,037
GVA II Standard*	1,224	2,448	3,638	6,212
GVA III Standard*	628	1,859	3,057	5,918

2) If you do not surrender your contract at the end of the applicable time period:

	1 year	3 years	5 years	10 years
GVA I Standard*	\$633	\$1,872	\$3,078	\$5,950
GVA II Standard*	633	1,872	3,078	5,950
GVA III Standard*	628	1,859	3,057	5,918

\* Examples shown may be less for plans qualifying for “breakpoint” mortality and expense risk charge.

The Expense Tables reflect expenses of the VAA as well as the maximum fees and expenses of any of the funds. We provide these examples, which are unaudited, to show the direct and indirect costs and expenses of the contract.

For more information, see — Charges and Other Deductions in the prospectus, and in the prospectuses for the funds. Premium taxes may also apply, although they do not appear in the examples. **These examples should not be considered a representation of past or future expense. Actual expenses may be more or less than those shown.**

Certain underlying funds have reserved the right to impose fees when fund shares are redeemed within a specified period of time of purchase (“redemption fees”). As of the date of this prospectus, none have done so. See The Contracts — Market Timing for a discussion of redemption fees.

For information concerning compensation paid for the sale of the contracts, see Distribution of the Contracts.

## Summary of Common Questions

**What kind of contract is this?** It is a group variable annuity contract between the contractowner and Lincoln Life. It may provide for a fixed annuity and/or a variable annuity. This prospectus primarily describes the variable side of the contract. See The Contracts. This prospectus provides a general description of the contract. The contract and certain riders, benefits, service features and enhancements may not be available in all states, and the charges may vary in certain states. You should refer to your contract for any state specific provisions. Please check with your investment representative regarding their availability.

**What is the variable annuity account (VAA)?** It is a separate account we established under Indiana insurance law, and registered with the SEC as a unit investment trust. VAA assets are allocated to one or more subaccounts, according to your investment choices. VAA assets are not chargeable with liabilities arising out of any other business which we may conduct. See Variable Annuity Account.

**What are my investment choices?** You may allocate your purchase payments to the VAA or to the fixed account, if available. Based upon your instruction for purchase payments, the VAA applies your purchase payments to buy shares in one or more of the investment options. In turn, each fund holds a portfolio of securities consistent with its investment policy. See Investments of the Variable Annuity Account - Description of the Funds.

**Who invests my money?** Several different investment advisers manage the investment options. See Investments of the Variable Annuity Account – Description of the Funds.

**How do the contracts work?** If we approve the application, we will send the contractowner a contract. When participants make contributions, they buy accumulation units. If the participant decides to receive retirement income payments, we convert accumulation units to annuity units. Retirement income payments will be based on the number of annuity units received and the value of each annuity unit on payout days. See — The Contracts and Annuity Payouts.



### **What charges do I pay under the contract?**

If participants in GVA I or GVA II withdraw account values, a surrender charge of 0-5% or 0-6%, respectively, of the gross withdrawal amount applies depending upon how many participation years the participant has been in the contract. We may reduce or waive surrender charges in certain situations. See Charges and Other Deductions – Surrender Charge for GVA I and GVA II.

There is no surrender charge for GVA III.

We charge an annual account fee charge of \$25 per participant account. We will deduct any applicable premium tax from contributions or account value at the time the tax is incurred or at another time we choose or a time as required by law.

We apply a charge to the daily net asset value of the VAA and those charges are:

“standard” mortality and expense risk charge 1.00%

“breakpoint” mortality and expense charge\* .75%

See — Charges and Other Deductions.

The funds’ investment management fees, 12b-1 fees, expenses and expense limitations, if applicable, are more fully described in the prospectuses for the funds.

**What contributions are necessary, and how often?** Contributions made on behalf of participants may be in any amount unless the contractowner or the plan has a minimum amount. See — The Contracts-Contributions.

**How will my annuity payouts be calculated?** If a participant decides to annuitize, you may select an annuity option and start receiving annuity payouts from your contract as a fixed option or variable option or a combination of both. See Annuity Payouts - Annuity Options. **Remember that participants in the VAA benefit from any gain, and take a risk of any loss, in the value of the securities in the funds’ portfolios.**

**What happens if a participant dies before annuitizing?** Depending upon the plan, the beneficiary may receive a death benefit and have options as to how the death benefit is paid. See The Contracts – Death Benefit.

**May participants transfer account value between subaccounts, and between the VAA and the fixed account?** Before the annuity commencement date, yes, subject to the terms of the plan. See — The Contracts — Transfers On or Before the Annuity Commencement Date and Transfers After the Annuity Commencement Date.

**May a participant withdraw account value?** Yes, during the accumulation period, subject to contract requirements, to the restrictions of any plan, and to certain restrictions under GVA III. See — Charges and Other Deductions. Under GVA III the following restrictions apply:

- a participant may not transfer more than 20% of his or her fixed account holdings to the VAA each year, unless the participant intends to liquidate his or her fixed account value;
- liquidation of the entire fixed account value must be over 5 annual installments. See Fixed Account Withdrawal/Transfer Limits for GVA III.

The contractowner must also approve participant withdrawals under Section 401(a) plans and plan subject to Title I of ERISA. Certain charges may apply. See — Charges and other deductions. A portion of withdrawal proceeds may be taxable. In addition, a 10% Internal Revenue Service (IRS) tax penalty may apply to distributions before age 59 1/2. A withdrawal also may be subject to 20% withholding. See — Federal Tax Matters.

**Do participants get a free look at their certificates?** A participant under a Section 403(b) or 408 plan and certain non-qualified plans can cancel the active life certificate within ten days (in some states longer) of the date the participant receives the certificate. The participant needs to give notice to our servicing office. See — Return Privilege.

**Where may I find more information about accumulation unit values?** The Appendix to this prospectus provides more information about accumulation unit values.

## **Investment Results**

The VAA advertises the annual performance of the subaccounts for the funds on both a standardized and non-standardized basis.

The standardized calculation measures average annual total return. This is based on a hypothetical \$1,000 payment made at the beginning of a one-year, a five-year and a 10-year period. This calculation reflects all fees and charges that are or could be imposed on all contractowner accounts.

The nonstandardized calculation compares changes in accumulation unit values from the beginning of the most recently completed calendar year to the end of that year. It may also compare changes in accumulation unit values over shorter or longer time periods.

This calculation reflects mortality and expense risk charges. It also reflects management fees and other expenses of the fund. It does not include the surrender charge or the account charge; if included, they would decrease the performance.

## The Lincoln National Life Insurance Company

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

Depending on when you purchased your contract, you may be permitted to make allocations to the fixed account, which is part of our general account. See The Fixed Side of the Contract. In addition, any guarantees under the contract that exceed your contract value, such as those associated with death benefit options and Living Benefit riders are paid from our general account (not the VAA). Therefore, any amounts that we may pay under the contract in excess of contract value are subject to our financial strength and claims-paying ability and our long-term ability to make such payments. With respect to the issuance of the contracts, Lincoln Life does not file periodic financial reports with the SEC pursuant to the exemption for life insurance companies provided under Rule 12h-7 of the Securities Exchange Act of 1934.

We issue other types of insurance policies and financial products as well, and we also pay our obligations under these products from our assets in the general account. Moreover, unlike assets held in the VAA, the assets of the general account are subject to the general liabilities of the Company and, therefore, to the Company's general creditors. In the event of an insolvency or receivership, payments we make from our general account to satisfy claims under the contract would generally receive the same priority as our other contractowner obligations.

**Our Financial Condition.** Among the laws and regulations applicable to us as an insurance company are those which regulate the investments we can make with assets held in our general account. In general, those laws and regulations determine the amount and type of investments which we can make with general account assets.

In addition, state insurance regulations require that insurance companies calculate and establish on their financial statements, a specified amount of reserves in order to meet the contractual obligations to pay the claims of our policyholders. In order to meet our claims-paying obligations, we regularly monitor our reserves to ensure we hold sufficient amounts to cover actual or expected contract and claims payments. However, it is important to note that there is no guarantee that we will always be able to meet our claims paying obligations, and that there are risks to purchasing any insurance product.

State insurance regulators also require insurance companies to maintain a minimum amount of capital in excess of liabilities, which acts as a cushion in the event that the insurer suffers a financial impairment, based on the inherent risks in the insurer's operations. These risks include those associated with losses that we may incur as the result of defaults on the payment of interest or principal on assets held in our general account, which include bonds, mortgages, general real estate investments, and stocks, as well as the loss in value of these investments resulting from a loss in their market value.

**How to Obtain More Information.** We encourage both existing and prospective policyholders to read and understand our financial statements. We prepare our financial statements on both a statutory basis and according to Generally Accepted Accounting Principles (GAAP). Our audited GAAP financial statements, as well as the financial statements of the VAA, are located in the SAI. If you would like a free copy of the SAI, please write to us at: PO Box 2340, Fort Wayne, IN 46801-2340, or call 1-800-341-0441. In addition, the Statement of Additional Information is available on the SEC's website at <http://www.sec.gov>. You may obtain our audited statutory financial statements and any unaudited statutory financial statements that may be available by visiting our website at [www.LincolnFinancial.com](http://www.LincolnFinancial.com).

You also will find on our website information on ratings assigned to us by one or more independent rating organizations. These ratings are opinions of an operating insurance company's financial capacity to meet the obligations of its insurance and annuity contracts based on its financial strength and/or claims-paying ability. Additional information about rating agencies is included in the Statement of Additional Information.

Lincoln Financial Group is the marketing name for Lincoln National Corporation (NYSE:LNC) and its affiliates. Through its affiliates, Lincoln Financial Group offers annuities, life, group life and disability insurance, 401(k) and 403(b) plans, and comprehensive financial planning and advisory services.

## Fixed Side of the Contract

The portion of the account value allocated to the fixed side of the contract becomes part of our general account, and **does not** participate in the investment experience of the VAA. The general account is subject to regulation and supervision by the Indiana Insurance Department as well as the insurance laws and regulations of the jurisdictions in which the contracts are distributed.

In reliance on certain exemptions, exclusions and rules, we have not registered interests in the general account as a security under the Securities Act of 1933 (1933 Act) and have not registered the general account as an investment company under the Investment Company Act of 1940 (1940 Act). Accordingly, neither the general account nor any interests in it are regulated under the 1933 Act or the 1940 Act. We have been advised that the staff of the SEC has not made a review of the disclosures which are included in this prospectus which relate to our general account and to the fixed account under the contract. These disclosures, however, may be subject to certain provisions of the federal securities laws relating to the accuracy and completeness of statements made in prospectuses. This prospectus is generally intended to serve as a disclosure document only for aspects of the contract involving the VAA, and therefore contains only selected information regarding the fixed side of the contract. Complete details regarding the fixed side of the contract are in the contract.

Contributions allocated to the fixed side of the contract are guaranteed to be credited with a minimum interest rate, specified in the contract, of at least 3%. A contribution allocated to the fixed side of the contract is credited with interest beginning on the next calendar day following the date of receipt if all participant data is complete. Lincoln Life may vary the way in which it credits interest to the fixed side of the contract from time to time.

**ANY INTEREST IN EXCESS OF 3% WILL BE DECLARED IN ADVANCE AT LINCOLN LIFE'S SOLE DISCRETION. CONTRACTOWNERS AND PARTICIPANTS BEAR THE RISK THAT NO INTEREST IN EXCESS OF 3% WILL BE DECLARED.**

**Under GVA III, special limits apply to transfers and withdrawals from the fixed account. See — Charges and Other Deductions-Fixed Account Withdrawal/Transfer Limits for GVA III.**

## Variable Annuity Account (VAA)

On April 29, 1996, the VAA was established as an insurance company separate account under Indiana law. It is registered with the SEC as a unit investment trust under the provisions of the Investment Company Act of 1940 (1940 Act). The VAA is a segregated investment account, meaning that its assets may not be charged with liabilities resulting from any other business that we may conduct. Income, gains and losses, whether realized or not, from assets allocated to the VAA are, in accordance with the applicable annuity contracts, credited to or charged against the VAA. They are credited or charged without regard to any other income, gains or losses of Lincoln Life. We are the issuer of the contracts and the obligations set forth in the contract, other than those of the contractowner, are ours. The VAA satisfies the definition of a separate account under the federal securities laws. We do not guarantee the investment performance of the VAA. Any investment gain or loss depends on the investment performance of the funds. **You assume the full investment risk for all amounts placed in the VAA.**

## Financial Statements

The December 31, 2011 financial statements of the VAA and the December 31, 2011 consolidated financial statements of Lincoln Life are located in the SAI. If you would like a free copy of the SAI, complete and mail the request on the last page of this prospectus, or call 1-800-341-0441.

## Investments of the VAA

The subaccount(s) available under the contract will be available for participant allocations. There is a separate subaccount which corresponds to each fund. Participant allocations may change without penalty or charges. Shares of the funds will be sold at net asset value with no initial sales charge to the VAA in order to fund the contracts. The funds are required to redeem fund shares at net asset value upon our request.

### Investment Advisers

As compensation for its services to the funds, each investment adviser for each fund receives a fee from the funds which is accrued daily and paid monthly. This fee is based on the net assets of each fund, as defined in the prospectuses for the funds.

### Certain Payments We Receive with Regard to the Funds

With respect to a fund, including affiliated funds, the adviser and/or distributor, or an affiliate thereof, may make payments to us (or an affiliate). It is anticipated that such payments will be based on a percentage of assets of the particular fund attributable to the contracts along with certain other variable contracts issued or administered by us (or an affiliate). These percentages are negotiated and vary with each fund. Some funds may pay us significantly more than other funds and the amount we receive may be substantial. These percentages currently range up to 0.50%, and as of the date of this prospectus, we were receiving payments from each fund family. We (or our affiliates) may profit from these payments or use these payments for a variety of purposes, including payment of expenses that we (and our affiliates) incur in promoting, marketing, and administering the contracts and, in our role as intermediary, the funds. These payments may be derived, in whole or in part, from the investment advisory fee deducted from fund assets.

Contractowners, through their indirect investment in the funds, bear the costs of these investment advisory fees (see the funds' prospectuses for more information). Additionally, a fund's adviser and/or distributor or its affiliates may provide us with certain services that assist us in the distribution of the contracts and may pay us and/or certain affiliates amounts for marketing programs and sales support, as well as amounts to participate in training and sales meetings.

The AllianceBernstein, American Funds, Delaware, Fidelity, and Lincoln funds offered as part of this contract make payments to us under their distribution plans (12b-1 plans). The payment rates range up to 0.30% based on the amount of assets invested in those funds. Payments made out of the assets of the fund will reduce the amount of assets that otherwise would be available for investment, and will reduce the fund's investment return. The dollar amount of future asset-based fees is not predictable because these fees are a percentage of the fund's average net assets, which can fluctuate over time. If, however, the value of the fund goes up, then so would the payment to us (or our affiliates). Conversely, if the value of the funds goes down, payments to us or our affiliates would decrease.

## Description of the Funds

Each of the subaccounts of the VAA is invested solely in shares of one of the funds available under the contract. Each fund may be subject to certain investment policies and restrictions which may not be changed without a majority vote of shareholders of that fund.

We select the funds offered through the contract based on several factors, including, without limitation, asset class coverage, the strength of the manager's reputation and tenure, brand recognition, performance, and the capability and qualification of each sponsoring investment firm. Another factor we consider during the initial selection process is whether the fund or an affiliate of the fund will make payments to us or our affiliates. We review each fund periodically after it is selected. Upon review, we may remove a fund or restrict allocation of additional purchase payments to a fund if we determine the fund no longer meets one or more of the factors and/or if the fund has not attracted significant contractowner assets. Finally, when we develop a variable annuity product in cooperation with a fund family or distributor (e.g., a "private label" product), we generally will include funds based on recommendations made by the fund family or distributor, whose selection criteria may differ from our selection criteria.

We currently anticipate closing and replacing the following funds during the fourth quarter of 2012:

- AllianceBernstein VPS Growth and Income Portfolio (Class B) with LVIP SSgA S&P 500 Fund (Standard Class);
- American Century VP Inflation Protection Bond Fund (Class 1) with LVIP BlackRock Inflation Protected Bond Fund(Standard Class);
- Dreyfus VIF Opportunistic Small-Cap Portfolio (Initial Class) with LVIP SSgA Small Cap Index (Standard Class);
- Dreyfus Stock Index Fund, Inc. (Initial Class) with LVIP SSgA S&P 500 Index Fund (Standard Class);
- DWS Equity 500 Index VIP Portfolio (Initial Class) with LVIP SSgA S&P 500 Fund (Standard Class);
- DWS Small-Cap Index VIP (Class A) with LVIP SSgA Small-Cap Index Fund (Standard Class);
- Fidelity VIP Equity-Income Portfolio (Initial Class) with LVIP SSgA S&P 500 Index Fund (Standard Class);
- Neuberger Berman AMT Mid-Cap Growth Portfolio (I Class) with LVIP SSgA S&P 500 Index Fund (Standard Class)

Certain funds offered as part of this contract have similar investment objectives and policies to other portfolios managed by the adviser. The investment results of the funds, however, may be higher or lower than the other portfolios that are managed by the adviser or sub-adviser. There can be no assurance, and no representation is made, that the investment results of any of the funds will be comparable to the investment results of any other portfolio managed by the adviser or sub-adviser, if applicable.

Certain funds invest substantially all of their assets in other funds. As a result, you will pay fees and expenses at both fund levels. This will reduce your investment return. These arrangements are referred to as funds of funds. Funds of funds structures may have higher expenses than funds that invest directly in debt or equity securities.

Following are brief summaries of the fund descriptions. More detailed information may be obtained from the current prospectus for each fund. You should read each fund prospectus carefully before investing. **Prospectuses for each fund are available by contacting us. In addition, if you receive a summary prospectus for a fund, you may obtain a full statutory prospectus by referring to the contact information for the fund company on the cover page of the summary prospectus. Please be advised that there is no assurance that any of the funds will achieve their stated objectives.**

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

- AllianceBernstein VPS Global Thematic Growth Portfolio: Long-term growth of capital.
  - AllianceBernstein VPS Growth Portfolio: Long-term growth of capital.
  - AllianceBernstein VPS Growth and Income Portfolio: Long-term growth of capital.
- It is currently anticipated that during the fourth quarter of 2012, we will close and replace this investment option.*

**American Century Variable Products**, advised by American Century Investment Management, Inc.

- Balanced Fund: Long-term capital growth & current income.
  - Inflation Protection Fund: Long-term total return.
- It is currently anticipated that during the fourth quarter of 2012, we will close and replace this investment option.*

**American Funds Insurance Series<sup>SM</sup>**, advised by Capital Research and Management Company

- Global Growth Fund: Long-term growth of capital.
- Growth Fund: Growth of capital.
- Growth-Income Fund: Long-term growth of capital and income.
- International Fund: Long-term growth of capital.

**BlackRock Variable Series Funds, Inc.**, advised by BlackRock Advisors, LLC and subadvised by BlackRock Investment Management, LLC.

- BlackRock Global Allocation V.I. Fund: High total investment return.

**Delaware VIP<sup>®</sup> Trust**, advised by Delaware Management Company\*

- Diversified Income Series: Long-term total return.
- High Yield Series: Total return and secondarily high current income.
- REIT Series: Total return.
- Small Cap Value Series: Total return.
- Smid Cap Growth Series: Total return.

**Dreyfus Variable Investment Fund**, advised by The Dreyfus Corporation

- Opportunistic Small Cap Portfolio: Capital growth.  
*It is currently anticipated that during the fourth quarter of 2012, we will close and replace this investment option.*
- Stock Index Fund, Inc.: Replicate S&P 500 Index.  
(Sub-advised by Mellon Capital Management Corporation)  
*It is currently anticipated that during the fourth quarter of 2012, we will close and replace this investment option.*

**DWS Investments VIT Funds**, advised by Deutsche Investment Management Americas, Inc. and subadvised by Northern Trust Investments, Inc.

- DWS Equity 500 Index VIP: Replicate S&P 500<sup>®</sup> Index before deduction of expenses.  
(Sub-advised by Northern Trust Investments, Inc.)  
*It is currently anticipated that during the fourth quarter of 2012, we will close and replace this investment option.*
- DWS Small Cap Index VIP: Replicate Russell 2000<sup>®</sup> Index before deduction of expenses.  
(Sub-advised by Northern Trust Investments, Inc.)  
*It is currently anticipated that during the fourth quarter of 2012, we will close and replace this investment option.*

**DWS Variable Series II**, advised by Deutsche Investment Management Americas, Inc. and subadvised by RREEF America, L.L.C.

- DWS Alternative Asset Allocation VIP Portfolio: Capital appreciation; a fund of funds.

**Fidelity<sup>®</sup> Variable Insurance Products**, advised by Fidelity Management and Research Company and subadvised by FMR Co., Inc.

- Asset Manager Portfolio: High total return.
- Contrafund<sup>®</sup> Portfolio: Long-term capital appreciation.
- Equity-Income Portfolio: Reasonable income.  
*It is currently anticipated that during the fourth quarter of 2012, we will close and replace this investment option.*
- Growth Portfolio: Capital appreciation.

**Janus Aspen Series**, advised by Janus Capital Management LLC

- Worldwide Portfolio: Long-term growth.

**Lincoln Variable Insurance Products Trust**, advised by Lincoln Investment Advisors

- LVIP Baron Growth Opportunities Fund: Capital appreciation.  
(Sub-advised by BAMCO, Inc.)
- LVIP BlackRock inflation Protected Bond Fund: Maximize real return.  
(Sub-advised by BlackRock Financial Management)  
*This fund will be available on or about May 14, 2012. Consult your financial advisor.*
- LVIP Cohen & Steers Global Real Estate Fund: Total return.  
(Sub-advised by Cohen & Steers Capital Management)



- LVIP Delaware Bond Fund: Maximum current income.  
(Sub-advised by Delaware Management Company)\*
- LVIP Delaware Diversified Floating Rate Fund: Total return
- LVIP Delaware Foundation Aggressive Allocation Fund: Long-term capital growth  
(Sub-advised by Delaware Management Company)\*
- LVIP Delaware Foundation Conservative Allocation Fund: Current income and preservation of capital with capital appreciation.  
(Sub-advised by Delaware Management Company)\*
- LVIP Delaware Foundation Moderate Allocation Fund: Capital appreciation with current income.  
(Sub-advised by Delaware Management Company)\*
- LVIP Delaware Growth and Income Fund: Capital appreciation.  
(Sub-advised by Delaware Management Company)\*
- LVIP Delaware Social Awareness Fund: Capital appreciation.  
(Sub-advised by Delaware Management Company)\*
- LVIP Global Income Fund: Current income consistent with preservation of capital.  
(Sub-advised by Mondrian Investment Partners Limited and Franklin Advisors, Inc.)
- LVIP Janus Capital Appreciation Fund: Long-term growth of capital.  
(Sub-advised by Janus Capital Management LLC)
- LVIP Mondrian International Value Fund: Long-term capital appreciation.  
(Sub-advised by Mondrian Investment Partners Limited)
- LVIP SSgA Bond Index Fund: Replicate Barclays Capital U.S. Aggregate Bond Index.  
(Sub-advised by SSgA Funds Management, Inc.)
- LVIP SSgA Emerging Markets 100 Fund: Long-term capital appreciation.  
(Sub-advised by SSgA Funds Management, Inc.)
- LVIP SSgA Global Tactical Allocation Fund: Long-term growth of capital; a fund of funds.  
(Sub-advised by SSgA Funds Management, Inc.)
- LVIP SSgA International Index Fund: Replicate broad market index of non-U.S. foreign securities.  
(Sub-advised by SSgA Funds Management, Inc.)
- LVIP SSgA S&P 500 Index Fund: Replicate S&P 500 index. \*\*  
*This fund will be available on or about May 14, 2012. Consult your financial advisor.*
- LVIP SSgA Small-Cap Index Fund : Replicate Russell 2000<sup>®</sup> index.  
*This fund will be available on or about May 14, 2012. Consult your financial advisor.*
- LVIP T. Rowe Price Structured Mid-Cap Growth Fund: Maximum capital appreciation.  
(Sub-advised by T. Rowe Price Associates, Inc.)
- LVIP Protected Profile 2010 Fund: Total return with emphasis on high current income; a fund of funds.
- LVIP Protected Profile 2020 Fund: Total return with increased emphasis on capital preservation as target date approaches; a fund of funds.
- LVIP Protected Profile 2030 Fund: Total return with increased emphasis on capital preservation as target date approaches; a fund of funds.
- LVIP Protected Profile 2040 Fund: Total return with increased emphasis on capital preservation as target date approaches; a fund of funds.
- LVIP Protected Profile 2050 Fund: Total return with increased emphasis on capital preservation as target date approaches; a fund of funds.
- LVIP Protected Profile Conservative Fund: High current income and growth of capital; a fund of funds.  
(formerly LVIP Conservative Profile Fund)
- LVIP Protected Profile Growth Fund: Balance between high current income and growth of capital; a fund of funds.  
(formerly LVIP Moderately Aggressive Profile Fund)
- LVIP Protected Profile Moderate Fund: Balance between high current income and growth of capital; a fund of funds.  
(formerly LVIP Moderate Profile Fund)

**Neuberger Berman Advisers Management Trust**, advised by Neuberger Berman Management Inc. and subadvised by Neuberger Berman LLC.

- Mid-Cap Growth Portfolio: Capital appreciation.  
*It is currently anticipated that during the fourth quarter of 2012, we will close and replace this investment option.*
- Large Cap Value Portfolio: Long-term growth of capital.  
(formerly Partners Portfolio)

**T. Rowe Price International Series, Inc.**, advised by T. Rowe Price International, Inc.

- T. Rowe Price International Stock Portfolio: Long-term growth.

\*Investments in Delaware Investments VIP Series, Delaware Funds, LVIP Delaware Funds or Lincoln Life accounts managed by Delaware Investment Advisors, a series of Delaware Management Business Trust, are not and will not be deposits with or liabilities of Macquarie Bank Limited ABN 46008 583 542 and its holding companies, including their subsidiaries or related companies, and are subject to investment risk, including possible delays in prepayment and loss of income and capital invested. No Macquarie Group company guarantees or will guarantee the performance of the Series or Funds or accounts, the repayment of capital from the Series or Funds or account, or any particular rate of return.

\*\*“Standard & Poor’s®”, “S&P 500®”, Standard & Poor’s 500® and “500” are trademarks of Standard & Poor’s Financial Services, LLC, a subsidiary of The McGraw-Hill Companies, Inc. and have been licensed for use by Lincoln Variable Insurance Products Trust and its affiliates. The product is not sponsored, endorsed, sold or promoted by Standard & Poor’s and Standard & Poor’s makes no representation regarding the advisability of purchasing the product.

## Fund Shares

We will purchase shares of the funds at net asset value and direct them to the appropriate subaccounts of the VAA. We will redeem sufficient shares of the appropriate funds to pay annuity payouts, death benefits, surrender/withdrawal proceeds or for other purposes described in the contract. If you want to transfer all or part of your investment from one subaccount to another, we may redeem shares held in the first and purchase shares of the other. Redeemed shares are retired, but they may be reissued later.

Shares of the funds are not sold directly to the general public. They are sold to us, and may be sold to other insurance companies, for investment of the assets of the subaccounts established by those insurance companies to fund variable annuity and variable life insurance contracts.

When a fund sells any of its shares both to variable annuity and to variable life insurance separate accounts, it is said to engage in mixed funding. When a fund sells any of its shares to separate accounts of unaffiliated life insurance companies, it is said to engage in shared funding.

The funds currently engage in mixed and shared funding. Therefore, due to differences in redemption rates or tax treatment, or other considerations, the interest of various contractowners participating in a fund could conflict. Each of the fund’s Board of Directors will monitor for the existence of any material conflicts, and determine what action, if any, should be taken. The funds do not foresee any disadvantage to contractowners arising out of mixed or shared funding. If such a conflict were to occur, one of the separate accounts might withdraw its investment in a fund. This might force a fund to sell portfolio securities at disadvantageous prices. See the prospectuses for the funds.

## Reinvestment of Dividends and Capital Gain Distributions

All dividends and capital gain distributions of the funds are automatically reinvested in shares of the distributing funds at their net asset value on the date of distribution. Dividends are not paid out to contractowners or participants as additional units, but are reflected as changes in unit values.

## Addition, Deletion or Substitution of Investments

**We reserve the right, within the law, to make certain changes to the structure and operation of the VAA at our discretion and without your consent.** We may add, delete, or substitute funds for all contractowners or only for certain classes of contractowners. New or substitute funds may have different fees and expenses, and may only be offered to certain classes of contractowners.

Substitutions may be made with respect to existing investments or the investment of future purchase payments, or both. We may close subaccounts to allocations of purchase payments or contract value, or both, at any time in our sole discretion. The funds, which sell their shares to the subaccounts pursuant to participation agreements, also may terminate these agreements and discontinue offering their shares to the subaccounts. Substitutions might also occur if shares of a fund should no longer be available, or if investment in any fund’s shares should become inappropriate, in the judgment of our management, for the purposes of the contract, or for any other reason in our sole discretion and, if required, after approval from the SEC.

We also may:

- remove, combine, or add subaccounts and make the new subaccounts available to you at our discretion;
- transfer assets supporting the contracts from one subaccount to another or from the VAA to another separate account;
- combine the VAA with other separate accounts and/or create new separate accounts;
- deregister the VAA under the 1940 Act; and

- operate the VAA as a management investment company under the 1940 Act or as any other form permitted by law.

We may modify the provisions of the contracts to reflect changes to the subaccounts and the VAA and to comply with applicable law. We will not make any changes without any necessary approval by the SEC. We will also provide you written notice.

## Charges and Other Deductions

We will deduct the charges described below to cover our costs and expenses, services provided and risks assumed under the contracts. We incur certain costs and expenses for the distribution and administration of the contracts and for providing the benefits payable thereunder.

### Our administrative services include:

- processing applications for and issuing the contracts;
- processing purchases and redemptions of fund shares as required (including dollar cost averaging, systematic transfer, account sweep and portfolio rebalancing services);
- maintaining records;
- administering annuity payouts;
- furnishing accounting and valuation services (including the calculation and monitoring of daily subaccount values);
- reconciling and depositing cash receipts;
- providing contract confirmations;
- providing toll-free inquiry services and
- furnishing telephone and electronic fund transfer services.

### The risks we assume include:

- the risk that annuitants receiving annuity payouts under contracts live longer than we assumed when we calculated our guaranteed rates (these rates are incorporated in the contract and cannot be changed);
- the risk that death benefits paid will exceed the actual contract value;
- the risk that more owners than expected will qualify for waivers of the surrender charge;
- the risk that our costs in providing the services will exceed our revenues from contract charges (which we cannot change).

The amount of a charge may not necessarily correspond to the costs associated with providing the services or benefits indicated by the description of the charge. For example, the contingent deferred sales charge collected may not fully cover all of the sales and distribution expenses actually incurred by us. Any remaining expenses will be paid from our general account which may consist, among other things, of proceeds derived from mortality and expense risk charges deducted from the account. We may profit from one or more of the fees and charges deducted under the contract. We may use these profits for any corporate purpose, including financing the distribution of the contracts.

## Annual Contract Fee

During the accumulation period, we currently deduct \$25 (or the balance of the participant's account, if less) per year from each participant's account value on the last business day of the month in which a participant anniversary occurs, to compensate us for administrative services provided. We also deduct the charge from a participant's account if the participant's account is totally withdrawn. The charge may be increased or decreased.

## Surrender Charge for GVA I and GVA II\*

Under GVA I and GVA II, a surrender charge applies (except as described below) to total or partial withdrawals of a participant's account balance during the accumulation period as follows:

<u>During Participation Year</u>	<u>GVA I</u>	<u>GVA II</u>
1-5.....	5%	6%
6.....	5%	3%
7.....	4%	3%
8.....	3%	3%
9.....	2%	3%
10.....	1%	3%
11-15.....	0%	1%
16 and later .....	0%	0%

\* There is no surrender charge taken on withdrawals from GVA III.



The surrender charge is imposed on the gross withdrawal amount, and is deducted from the subaccounts and the fixed account in proportion to the amount withdrawn from each. We do not impose a surrender charge on death benefits, or on account balances converted to an annuity payout option. For any participant, the surrender charge will never exceed 8.5% of the cumulative contributions to the participant's account.

## Fixed Account Withdrawal/Transfer Limits for GVA III

GVA III has no surrender charges, but under GVA III, special limits apply to withdrawals and transfers from the fixed account. During any one calendar year a participant may make one withdrawal from the fixed account, or one transfer to the VAA from the fixed account, of up to 20% of their fixed account balance.

Participants who want to liquidate their entire fixed account balance or transfer it to the VAA, however, may make one withdrawal or transfer request from their fixed account in each of five consecutive calendar years according to the following percentages:

Year Request Received by Lincoln Life	Percentage of Fixed Account Available Under GVA III
1 .....	20%
2 .....	25%
3 .....	33.33%
4 .....	50%
5 .....	100%

Each consecutive withdrawal or transfer may not be made more frequently than twelve months apart. This liquidation schedule is also subject to the same conditions as other withdrawals and transfers. We reserve the right to prohibit any additional contributions by a participant that notifies us of their intention to liquidate their fixed account balance and stop contributions to the contract. In addition, at contract termination certain 403(b) GVA III contracts offer lump sum payouts from the fixed account which may have a market value adjustment. Lump sum payouts will never be less than net contributions accumulated at an annual effective rate of 3%.

## Waiver of Surrender Charges and Fixed Account Withdrawal/Transfer Limits

Under certain conditions, a participant may withdraw part or all of his or her fixed account balance without incurring a surrender charge under GVA I or GVA II, or without being subject to the fixed account withdrawal/transfer limits under GVA III. We must receive reasonable proof of the condition with the withdrawal request. The chart below shows the standard conditions provided by GVA I, GVA II, and GVA III, as well as optional conditions the contractowner may or may not make available under the contracts:

	Standard conditions	Optional conditions
GVA I	<ul style="list-style-type: none"> <li>the participant has attained age 59½</li> <li>the participant has died</li> <li>the participant has incurred a disability (as defined under the contract)</li> <li>the participant has separated from service with their employer</li> </ul>	<ul style="list-style-type: none"> <li>the participant has separated from service with their employer and is at least 55 years of age</li> <li>the participant is experiencing financial hardship</li> </ul>
GVA II	<ul style="list-style-type: none"> <li>the participant has attained age 59½</li> <li>the participant has died</li> <li>the participant has incurred a disability (as defined under the contract)</li> <li>the participant has separated from service with their employer and is at least 55 years of age</li> </ul>	<ul style="list-style-type: none"> <li>the participant has separated from service with their employer</li> <li>the participant is experiencing financial hardship</li> </ul>
GVA III	<ul style="list-style-type: none"> <li>the participant has attained age 59½</li> <li>the participant has died</li> <li>the participant has incurred a disability (as defined under the contract)</li> <li>the participant has separated from service with their employer</li> <li>the participant is experiencing financial hardship*</li> </ul>	<ul style="list-style-type: none"> <li>the participant has separated from service with their employer and is at least 55 years of age</li> </ul>

\*A GVA III contractowner has the option not to include the financial hardship condition.

Under GVA I and GVA II, a contractowner may also elect an optional contract provision that permits participants to make a withdrawal once each contract year of up to 20% of the participant's account balance without a surrender charge.

A contractowner choosing one or more of the optional provisions may receive a different declared interest rate on the fixed account than will holders of contract without these provisions.

## Deductions from the VAA for GVA I, II & III

For the base contract, we apply to the average daily net asset value of the subaccounts, a charge which is equal to an annual rate of:

"standard" mortality and expense risk charge 1.00%

"breakpoint" mortality and expense charge\* .75%

\* Only certain contract or plans are eligible for a breakpoint charge. See — Charges and Other Deductions.

This maximum level of mortality and expense risk charge is guaranteed not to increase. It is assessed during the accumulation period and during the annuity period, even though during the annuity period, we bear no mortality risk on annuity options that do not have life contingencies.

If the mortality and expense risk charge proves insufficient to cover underwriting and administrative costs in excess of the charges made for the administrative expenses, we will absorb the loss. However, if the amount deducted proves more than sufficient, we will keep the profit.

Contracts eligible for the lower, or "breakpoint", mortality and expense risk charge are those contracts which, either individually or in combination with other contracts under the same employer group or association, either at issue or after issue and at the end of a calendar quarter, satisfy eligibility criteria anticipated to result in lower issue and administrative costs for us over time. Such criteria include, for example, expected size of account value and contributions, administrative simplicity, and/or limited competition. For contracts not eligible for the lower mortality and risk expense charge at issue, the lower charge will be implemented no later than the calendar quarter-end valuation date following the end of the calendar quarter in which the contract becomes eligible for the lower charge. We periodically modify the criteria for eligibility. Modifications will not be unfairly discriminatory against any person. Contact your agent for our current eligibility criteria.

## Special Arrangements

The surrender and account charges, described previously may be reduced or eliminated for any particular contract. In addition, the amount credited to and/or the interest rate declared on the fixed account may be enhanced for certain contracts. Such reductions, eliminations or enhancements may be available where Lincoln Life's administrative and/or distribution costs or expenses are anticipated to be lower due to, for example, the terms of the contract, the duration or stability of the plan or contract; economies due to the size of the plan, the number of certain characteristics of participants, or the amount or frequency of contributions anticipated; or other support provided by the contractowner or the plan. In addition, the group contractowner or the plan may pay the annual administration charge on behalf of the participants under a contract or by election impose this charge only on participants with account balances in the VAA. Lincoln Life will enhance the fixed interest crediting rate and reduce or eliminate fees, charges, or rates in accordance with Lincoln Life's eligibility criteria in effect at the time a contract is issued, or in certain cases, after a contract has been held for a period of time. Lincoln Life may, from time to time, modify both the amounts of reductions or enhancements and the criteria for qualification. Reductions, enhancements, or waivers will not be unfairly discriminatory against any person, including participants under other contracts issued through the VAA.

Fees, charges and rates under the contracts, including charges for premium taxes; loan rates of interest; and the availability of certain free withdrawals, may be subject to variation based on state insurance regulation.

The contractowner and participant should read the contract carefully to determine whether any variations apply in the state in which the contract is issued. The exact amount for all fees, charges, and rates applicable to a particular contract will be stated in that contract.

## Deductions for Premium Taxes

Any premium tax or other tax levied by any governmental entity as a result of the existence of the contracts or the VAA will be deducted from the account value, unless the governmental entity dictates otherwise, when incurred, or at another time of our choosing.

The applicable premium tax rates that states and other governmental entities impose on the purchase of an annuity are subject to change by legislation, by administrative interpretation or by judicial action. These premium tax rates generally depend upon the law of your state of residence. The tax rates range from zero to 3.5%.

## Other Charges and Deductions

The mortality and expense risk charge of 1.00% of the contract value will be assessed on all variable annuity payouts, including options that may be offered that do not have a life contingency and therefore no mortality risk. This charge covers the expense risk and administrative services listed previously in this prospectus. The expense risk is the risk that our costs in providing the services will exceed our revenues from contract charges.

There are additional deductions from and expenses paid out of the assets of the underlying funds that are more fully described in the prospectuses for the funds. Among these deductions and expenses are 12b-1 fees which reimburse us or an affiliate for certain expenses incurred in connection with certain administrative and distribution support services provided to the funds.

## **The Contracts**

### **Purchase of the Contracts**

A prospective contractowner wishing to purchase a contract must apply for it through one of our authorized sales representatives. The completed application is sent to us and we decide whether we can accept it based on our underwriting guidelines. Once the application is accepted, a contract is prepared and executed by our legally authorized officers. The contract is then sent to the contractowner through its sales representative. For plans that have allocated rights to the participant, we will issue to each participant a separate active life certificate that describes the basic provisions of the contract.

### **Initial Contributions**

When we receive a complete enrollment form and all other information necessary for processing a contribution, we will price the initial contribution for a participant to his or her account no later than two business days after we receive the contribution. If we receive contribution amounts with incomplete or no allocation instructions, we will notify the contractowner and direct contribution amounts to the pending allocation account. The pending allocation account invests in Fidelity® VIP Money Market Portfolio, which is not available as an investment option under the contract. We do not impose the mortality and expense risk charge or the annual administration charge on the pending allocation account. The participant's participation date will be the date we deposited the participant's contribution into the pending allocation account.

We will transfer the account value from the pending allocation account in accordance with allocation percentages elected on properly completed allocation instructions within two valuation dates of receipt of such instructions, and allocate all future contributions in accordance with these percentages until we are notified of a change. If we do not receive properly completed instructions after we have sent three monthly notices, we will refund account value in the pending allocation account within 105 days of the initial contribution.

Participants may not allocate contributions to, make transfer to or from, take loans from, or make withdrawals from the pending allocation account, except as set forth in the contract.

### **Contributions**

Contractowners generally forward contributions to us for investment. Depending on the plan, the contributions may consist of salary reduction contributions, employer contributions or post-tax contributions.

Contributions may accumulate on either a guaranteed or variable basis selected from those subaccounts made available by the contractowner.

Contributions made on behalf of participants may be in any amount unless there is a minimum amount set by the contractowner or plan. A contract may require the contractowner to contribute a minimum annual amount on behalf of all participants. Annual contributions under qualified plans may be subject to maximum limits imposed by the tax code. Annual contributions under non-qualified plans may be limited by the terms of the contract.

Subject to any restrictions imposed by the plan or the tax code, we will accept transfers from other contracts and qualified rollover contributions.

Section 830.205 of the Texas Education Code provides that employer or state contributions (other than salary reduction contributions) on behalf of participants in the Texas Optional Retirement Program (ORP) vest after one year of participation in the program. We will return employer contributions to the contractowner for those employees who terminate employment in all Texas institutions of higher education before becoming vested. During this first participation year in the ORP, ORP participants may only direct employer and state contributions to the fixed account.

Contributions must be in U.S. funds, and all withdrawals and distributions under the contract will be in U.S. funds. If a bank or other financial institution does not honor the check or other payment method used for a contribution, we will treat the contribution as invalid. All allocation and subsequent transfers resulting from the invalid contributions will be reversed and the party responsible for the invalid contribution must reimburse us for any losses or expenses resulting from the invalid contribution.

### **Replacement of Existing Insurance**

Careful consideration should be given prior to surrendering or withdrawing money from an existing insurance contract to purchase the contract described in this prospectus. Participant Surrender charges may be imposed on your existing contract. An investment

representative or tax adviser should be consulted prior to making an exchange. Cash surrenders from an existing contract may be subject to tax and tax penalties.

## **Valuation Date**

Accumulation and annuity units will be valued once daily at the close of trading (normally, 4:00 p.m., New York time) on each day the New York Stock Exchange is open (valuation date). On any date other than a valuation date, the accumulation unit value and the annuity unit value will not change.

## **Allocation of Contributions**

The contractowner forwards contributions to us, specifying the amount being contributed on behalf of each participant and allocation information in accordance with our procedures. Contributions are placed into the VAA's subaccounts, each of which invests in shares of a fund, and/or the fixed account, according to written participant instructions and subject to the plan. The contribution allocation percentage to the subaccount's or the fixed account must be in any whole percent.

If we receive your purchase payment from you or your broker-dealer in good order at our Home Office prior to 4:00 p.m., New York time, we will use the accumulation unit value computed on that valuation date when processing your purchase payment. If we receive your purchase payment at or after 4:00 p.m., New York time, we will use the accumulation unit value computed on the next valuation date. If you submit your purchase payment to your representative, we will generally not begin processing the purchase payment until we receive it from your representative's broker-dealer. If your broker-dealer submits your purchase payment to us through the Depository Trust and Clearing Corporation (DTCC) or, pursuant to terms agreeable to us, uses a proprietary order placement system to submit your purchase payment to us, and your purchase payment was placed with your broker-dealer prior to 4:00 p.m., New York time, then we will use the accumulation unit value computed on that valuation date when processing your purchase payment. If your purchase payment was placed with your broker-dealer at or after 4:00 p.m. New York time, then we will use the accumulation unit value computed on the next valuation date.

The number of accumulation units determined in this way is not impacted by any subsequent change in the value of an accumulation unit. However, the dollar value of an accumulation unit will vary depending not only upon how well the underlying fund's investments perform, but also upon the expenses of the VAA and the underlying funds.

Subject to the terms of the plan, a participant may change the allocation of contributions by notifying us in writing or by telephone in accordance with our published procedures. The change is effective for all contributions received concurrently with the allocation change form and for all future contributions, unless the participant specifies a later date. Changes in the allocation of future contributions have no effect on amounts a participant may have already contributed. Such amounts, however, may be transferred between subaccount and the fixed account pursuant to the requirements described in Transfers on or before the Annuity Commencement Date. Allocation of employer contributions may be restricted by the applicable plan.

## **Valuation of Accumulation Units**

Purchase payments allocated to the VAA are converted into accumulation units. This is done by dividing the amount allocated by the value of an accumulation unit for the valuation period during which the purchase payments are allocated to the VAA. The accumulation unit value for each subaccount was or will be established at the inception of the subaccount. It may increase or decrease from valuation period to valuation period. Accumulation unit values are affected by investment performance of the funds, fund expenses, and the contract charges. The accumulation unit value for a subaccount for a later valuation period is determined as follows:

1. The total value of the fund shares held in the subaccount is calculated by multiplying the number of fund shares owned by the subaccount 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 if an ex-dividend date occurs during the valuation period; minus
2. The liabilities of the subaccount at the end of the valuation period. These liabilities include daily charges imposed on the subaccount, and may include a charge or credit with respect to any taxes paid or reserved for by us that we determine result from the operations of the VAA; and
3. The result is divided by the number of subaccount units outstanding at the beginning of the valuation period.

The daily charges imposed on a subaccount for any valuation period are equal to the daily mortality and expense risk charge and the daily administrative charge multiplied by the number of calendar days in the valuation period.

In certain circumstances, and when permitted by law, it may be prudent for us to 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.

## **Transfers On or Before the Annuity Commencement Date**

Subject to the terms of a plan, a participant may transfer all or a portion of the participant's account balance from one subaccount to another, and between the VAA and the fixed account. Under GVA III transfers from the fixed account are subject to special limits. See — Fixed account withdrawals/transfer limits for GVA III.

A transfer involves the surrender of accumulation units in one subaccount and the purchase of accumulation units in the other subaccount. A transfer will be done using the respective accumulation unit values determined at the end of the valuation date on which the transfer request is received. There is no charge for a transfer. We do not limit the number of transfers except as described under — Charges and other deductions—Fixed account withdrawal/transfer limits for GVA III.

A transfer request may be made to us using written, telephone, fax, or electronic instructions, if the appropriate authorization is on file with us. Our address, telephone number, and internet address are on the first page of this prospectus. In order to prevent unauthorized or fraudulent transfers, we may require certain identifying information before we will act upon instructions. We may also assign the participant a Personal Identification Number (PIN) to serve as identification. We will not be liable for following instructions we reasonably believe are genuine. Telephone requests will be recorded and written confirmation of all transfer requests will be mailed to the participant on the next valuation date.

Please note that the telephone and/or electronic devices may not always be available. Any telephone or electronic device, whether it is yours, your service provider's, or your agent's, can experience outages or slowdowns for a variety of reasons. These outages or slowdowns may delay or prevent our processing of your request. Although we have taken precautions to limit these problems, we cannot promise complete reliability under all circumstances. If you are experiencing problems, you should make your transfer request by writing to our servicing Office.

Requests for transfers will be processed on the valuation date that they are received in good order in our customer service center before the end of the valuation date (normally 4:00 p.m. New York time). If we receive a transfer request received in good order at or after 4:00 p.m., New York time, we will process the request using the accumulation unit value computed on the next valuation date.

When thinking about a transfer of contract value, you should consider the inherent risk involved. Frequent transfers based on short-term expectations may increase the risk that a transfer will be made at an inopportune time.

## **Market Timing**

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

In addition, the funds may have adopted their own policies and procedures with respect to frequent purchases and redemptions of their respective shares. The prospectuses for the funds describe any such policies and procedures, which may be more or less restrictive than the frequent trading policies and procedures of other funds and the Market Timing Procedures we have adopted to discourage frequent transfers among subaccounts. While we reserve the right to enforce these policies and procedures, participants and other persons with interests under the contracts should be aware that we may not have the contractual authority or the operational capacity to apply the frequent trading policies and procedures of the funds. However, under SEC rules, we are required to: (1) enter into a written agreement with each fund or its principal underwriter that obligates us to provide to the fund promptly upon request certain information about the trading activity of individual participants, and (2) execute instructions from the fund to restrict or prohibit further purchases or transfers by specific participants who violate the excessive trading policies established by the fund.

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

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

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



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

Participants seeking to engage in frequent, large, or short-term transfer activity may deploy a variety of strategies to avoid detection. Our ability to detect such transfer activity may be limited by operational systems and technological limitations. The identification of participants determined to be engaged in such transfer activity that may adversely affect other participants or fund shareholders involves judgments that are inherently subjective. We cannot guarantee that our Market Timing Procedures will detect every potential market timer. If we are unable to detect market timers, you may experience dilution in the value of your fund shares and increased brokerage and administrative costs in the funds. This may result in lower long-term returns for your investments.

Our Market Timing Procedures are applied consistently to all participants. An exception for any participant will be made only in the event we are required to do so by a court of law. In addition, certain funds available as investment options in your contract may also be available as investment options for owners of other, older life insurance policies issued by us. Some of these older life insurance policies do not provide a contractual basis for us to restrict or refuse transfers which are suspected to be market timing activity. In addition, because other insurance companies and/or retirement plans may invest in the funds, we cannot guarantee that the funds will not suffer harm from frequent, large, or short-term transfer activity among subaccounts and the fixed accounts of variable contracts issued by other insurance companies or among investment options available to retirement plan participants.

In our sole discretion, we may revise our Market Timing Procedures at any time without prior notice as necessary to better detect and deter frequent, large, or short-term transfer activity to comply with state or federal regulatory requirements, and/or to impose additional or alternate restrictions on market timers (such as dollar or percentage limits on transfers). If we modify our Market Timing Procedures, they will be applied uniformly to all participants or as applicable to all participants investing in underlying funds.

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

## **Transfers After the Annuity Commencement Date**

We do not permit transfers of a participant's account balance after the annuity commencement date.

## **Additional Services**

There are four additional services available to you: dollar-cost averaging, systematic transfer (GVA III only), account sweep and portfolio rebalancing. In order to take advantage of one of these services, you will need to complete the applicable election form.

Dollar-cost averaging allows you to transfer a designated amount from certain subaccounts, or the fixed side of the contract, into one or more subaccounts on a monthly basis for 1, 2 or 3 years.

The systematic transfer service allows you to fully liquidate your fixed account balance over four years and transfer the amounts into one or more of the subaccounts. This service is only available for GVA III participants.

The account sweep service allows you to keep a designated amount in one subaccount or the fixed account, and automatically transfer the excess to other subaccounts of your choice. Beginning May 1, 2010, this service will no longer be available unless the contractowner has enrolled in this service prior to this date.

Portfolio rebalancing is an option that restores to a pre-determined level the percentage of account value allocated to each subaccount or the fixed account. The rebalancing may take place quarterly, semi-annually or annually.

## **Death Benefit Before the Annuity Commencement Date**

The payment of death benefits is governed by the applicable plan and the tax code. In addition, no payment of death benefits provided upon the death of the participant will be allowed that does not satisfy the requirements of code section 72(s) or section 401(a)(9) of

the tax code. The participant may designate a beneficiary during the participant's lifetime and change the beneficiary by filing a written request with us. Each change of beneficiary revokes any previous designation.

If the participant dies before the annuity commencement date, the death benefit paid to the participant's designated beneficiary will be the greater of: (1) the net contributions; or (2) the participant's account balance less any outstanding loan (including principal due and accrued interest), provided that, if we are not notified of the participant's death within six months of such death, we pay the beneficiary the amount in (2).

We determine the value of the death benefit as of the date on which the death claim is approved for payment. This payment will occur when we receive (1) proof, satisfactory to us, of the death of the participant; (2) written authorization for payment; and (3) all required claim forms, fully completed.

If a death benefit is payable, the beneficiary may elect to receive payment of the death benefit either in the form of a lump sum settlement or an annuity payout, or as a combination of these two. If a lump sum settlement is requested, the proceeds will be mailed within seven days of receipt of satisfactory claim documentation as discussed previously, subject to the laws and regulations governing payment of death benefits. If no election is made within 60 days after we receive satisfactory notice of the participant's death, we will pay a lump sum settlement to the beneficiary at that time. This payment may be postponed as permitted by the 1940 Act.

In the case of a death of one of the parties to the annuity contract, if the recipient of the death benefit has elected a lump sum settlement and the death benefit is over \$10,000, the proceeds will be placed into a **SecureLine**<sup>®</sup> account in the recipient's name as the owner of the account. **SecureLine**<sup>®</sup> is a service we offer to help the recipient manage the death benefit proceeds. With **SecureLine**<sup>®</sup>, an interest bearing account is established from the proceeds payable on a policy or contract administered by us. The recipient is the owner of the account, and is the only one authorized to transfer proceeds from the account. Instead of mailing the recipient a check, we will send a checkbook so that the recipient will have access to the account by writing a check. The recipient may choose to leave the proceeds in this account, or may begin writing checks right away. If the recipient decides he or she wants the entire proceeds immediately, the recipient may write one check for the entire account balance. The recipient can write as many checks as he or she wishes. We may at our discretion set minimum withdrawal amounts per check. The total of all checks written cannot exceed the account balance. The **SecureLine**<sup>®</sup> account is part of our general account. It is not a bank account and it is not insured by the FDIC or any other government agency. As part of our general account, it is subject to the claims of our creditors. We receive a benefit from all amounts left in the **SecureLine**<sup>®</sup> account. The recipient may request that surrender proceeds be paid directly to him or her instead of applied to a **SecureLine**<sup>®</sup> account.

Interest credited in the **SecureLine**<sup>®</sup> account is taxable as ordinary income in the year such interest is credited, and is not tax deferred. We recommend that the recipient consult a tax advisor to determine the tax consequences associated with the payment of interest on amounts in the **SecureLine**<sup>®</sup> account. The balance in the recipient's **SecureLine**<sup>®</sup> account starts earning interest the day the account is opened and will continue to earn interest until all funds are withdrawn. Interest is compounded daily and credited to the recipient's account on the last day of each month. The interest rate will be updated monthly and we may increase or decrease the rate at our discretion. The interest rate credited to the recipient's **SecureLine**<sup>®</sup> account may be more or less than the rate earned on funds held in our general account.

There are no monthly fees. The recipient will be charged a fee for a stop payment or if a check is returned for insufficient funds.

Payment will be made in accordance with applicable laws and regulations governing payment of death benefits.

Under qualified contracts, if the beneficiary is someone other than the spouse of the deceased participant, the tax code provides that the beneficiary may not elect an annuity which would commence later than December 31st of the calendar year following the calendar year of the participant's death. If a non-spousal beneficiary elects to receive payment in a single lump sum, the tax code provides that such payment must be received no later than December 31st of the fourth calendar year following the calendar year of the participant's death.

If the beneficiary is the surviving spouse of the deceased participant, distributions generally are not required under the tax code to begin earlier than December 31st of the calendar year in which the participant would have attained age 70. If the surviving spouse dies before the date distributions commence, then, for purposes of determining the date distributions to the beneficiary must commence, the date of death of the surviving spouse is substituted for the date of death of the participant.

Other rules apply to non-qualified annuities. See "Federal Tax Matters."

If there is no living named beneficiary on file with us at the time of a participant's death and unless the plan directs otherwise, we will pay the death benefit to the participant's estate in the form of a lump sum payment, upon receipt of satisfactory proof of the participant's death, but only if we receive proof of death no later than the end of the fourth calendar year following the year of the participant's death. In such case, the value of the death benefit will be determined as of the end of the valuation period during which we receive due proof of death, and the lump sum death benefit generally will be paid within seven days of that date.

## Withdrawals

Before the annuity commencement date and subject to the terms of the plan, withdrawals may be made from the subaccounts or the fixed account of all or part of the participant's account balance remaining after deductions for any applicable (1) surrender charge; (2) annual administration charge (imposed on total withdrawals), (3) premium taxes, and (4) outstanding loan.

Converting all or part of the account balance or death benefit to an annuity payout is not considered a withdrawal.

Under GVA III, special limits apply to withdrawals from the fixed account. See "Charges and Other Deductions—Fixed Account Withdrawal/Transfer Limits for GVA III."

The account balance available for withdrawal is determined at the end of the valuation period during which we receive the withdrawal request on an approved Lincoln distribution request form (available from the Home Office). If we receive a surrender or withdrawal request placed at or after 4:00 p.m., New York time, we will process the request using the accumulation unit value computed on the next valuation date. Unless a request for withdrawal specifies otherwise, withdrawals will be made from all subaccounts within the VAA and from the fixed account in the same proportion that the amount of withdrawal bears to the total participant account balance. Unless prohibited, withdrawal payments will be mailed within seven days after we receive a valid written request. The payment may be postponed as permitted by the 1940 Act.

There are charges associated with withdrawals of account value. See "Charges and Other Deductions."

The tax consequences of a withdrawal are discussed later in this booklet. See "Federal Tax Matters."

**Total Withdrawals.** Only participants with no outstanding loans can make a total withdrawal. A total withdrawal of a participant's account will occur when (a) the participant or contractowner requests the liquidation of the participant's entire account balance, or (b) the amount requested plus any surrender charge results in a remaining participant account balance of an amount less than or equal to the annual administration charge, in which case we treat the request as a request for liquidation of the participant's entire account balance.

Any active life certificate must be surrendered to us when a total withdrawal occurs. If the contractowner resumes contributions on behalf of a participant after a total withdrawal, the participant will receive a new participation date and active life certificate.

**Partial Withdrawals.** A partial withdrawal of a participant's account balance will occur when less than a total withdrawal is made from a participant's account.

**Systematic Withdrawal Option.** Participants who are at least age 59½, are separated from service from their employer, or are disabled, and certain spousal beneficiaries and alternate payees who are former spouses, may be eligible for a Systematic Withdrawal Option ("SWO") under the contract. Payments are made only from the fixed account. Under the SWO a participant may elect to withdraw either a monthly amount which is an approximation of the interest earned between each payment period based upon the interest rate in effect at the beginning of each respective payment period, or a flat dollar amount withdrawn on a periodic basis. A participant must have a vested pre-tax account balance of at least \$10,000 in the fixed account in order to select the SWO. A participant may transfer amounts from the VAA to the fixed account in order to support SWO payments. These transfers, however, are subject to the transfer restrictions imposed by any applicable plan. A one-time fee of up to \$30 will be charged to set up the SWO. This charge is waived for total vested pre-tax account balances of \$25,000 or more. More information about SWO, including applicable fees and charges, is available in the contracts and active life certificates and from us.

**Required Minimum Distribution Program.** Under certain contracts participants who are at least age 70½ may ask us to calculate and pay to them the minimum annual distribution required by Sections 401(a)(9), 403(b)(10) or 408 of the tax code. The participant must complete the forms we require to elect this option. We will base our calculation solely on the participant's account value with us. Participants who select this option are responsible for determining the minimum distributions amount applicable to their non-Lincoln Life contracts.

**Withdrawal Restrictions.** Withdrawals under Section 403(b) contracts are subject to the limitations under Section 403(b)(11) of the tax code and regulations thereof and in any applicable plan document. That section provides that withdrawals of salary reduction contributions deposited and earnings credited on any salary reduction contributions after December 31, 1988, can only be made if the participant has (1) died; (2) become disabled; (3) attained age 59½; (4) separated from service; or (5) incurred a hardship. If amounts accumulated in a Section 403(b)(7) custodial account are deposited in a contract, these amounts will be subject to the same withdrawal restrictions as are applicable to post-1988 salary reduction contributions under the contracts. For more information on these provisions see "Federal Tax Matters."

Withdrawal requests for a participant under Section 401(a) plans and plans subject to Title I of ERISA must be authorized by the contractowner on behalf of a participant. All withdrawal requests will require the contractowner's written authorization and written documentation specifying the portion of the participant's account balance which is available for distribution to the participant.

As required by Section 830.105 of the Texas Education Code, withdrawal requests by participants in the Texas Optional Retirement Program ("ORP") are only permitted in the event of (1) death; (2) retirement; (3) termination of employment in all Texas institutions of



higher education; or (4) attainment of age 70½. A participant in an ORP contract is required to obtain a certificate of termination from the participant's employer before a withdrawal request can be granted.

For withdrawal requests (other than transfers to other investment vehicles) by participants under plans not subject to Title I of ERISA and non-401(a) plans, the participant must certify to us that one of the permitted distribution events listed in the tax code has occurred (and provide supporting information, if requested) and that we may rely on this representation in granting the withdrawal request. See "Federal Tax Matters." A participant should consult his or her tax adviser as well as review the provisions of their plan before requesting a withdrawal. A plan and applicable law may contain additional withdrawal or transfer restrictions. Withdrawals may have Federal tax consequences. In addition, early withdrawals, as defined under Section 72(q) and 72(t) of the tax code, may be subject to a 10% excise tax.

As of January 17, 2012, we will no longer offer **SecureLine**® for withdrawals or surrenders. **SecureLine**® is an interest bearing account established from the proceeds payable on a policy or contract administered by us. We will, however, continue to offer **SecureLine**® for death benefit proceeds. Please see the General Death Benefit Information section in this prospectus for more information about **SecureLine**®.

## Loans

If the plan permits loans, then during the participant's accumulation period, the participant may apply for a loan by completing a loan application that we provide. The participant's account balance in the fixed account secures the loan. Loans are subject to restrictions imposed by the IRC, Title I of the Employee Retirement Income Security Act of 1974 (ERISA), and the participant's plan. For plans subject to the IRC and Title I of ERISA, the initial amount of a participant loan cannot exceed the lesser of 50% of the participant's vested account balance in the fixed account or \$50,000 and, pursuant to the terms of the contract, must be at least \$1,000. For plans subject to the IRC, but not subject to Title I of ERISA, a participant is subject to the same \$50,000 maximum, but may borrow up to \$10,000 of his or her vested account balance even if that would be greater than 50% of his or her vested account balance. A participant may have only one loan outstanding at a time and may not take more than one loan in any six-month period. Amounts serving as collateral for the loan are not subject to the minimum interest rate under the contract and will accrue interest at a rate below the loan interest rate provided in the contract. More information about loan and loan interest rates is provided in the contract, the active life certificates, and the annuity loan agreement, and is also available from us.

## Delay of Payments

Contract proceeds from the VAA will be paid within seven days, except:

- when the NYSE is closed (other than weekends and holidays);
- times when market trading is restricted or the SEC declares an emergency, and we cannot value units or the funds cannot redeem shares; or
- when the SEC so orders to protect contractowners.

We may delay payment from the fixed account for up to six months. During this period, we will continue to credit the current declared interest rate to a participant's account in the fixed account.

Due to federal laws designed to counter terrorism and prevent money laundering by criminals, we may be required to reject a purchase payment and/or deny payment of a request for transfers, withdrawals, surrenders, or death benefits, until instructions are received from the appropriate regulator. We also may be required to provide additional information about a contractowner's account to government regulators.

## Amendment of Contract

We reserve the right to amend the contract to meet the requirements of the 1940 Act or other applicable federal or state laws or regulations. You will be notified in writing of any changes, modifications or waivers. Any changes are subject to prior approval of your state's insurance department (if required).

## Ownership

Contractowners have all rights under the contract. According to Indiana law, the assets of the VAA are held for the exclusive benefit of all contractowners and their designated beneficiaries; and the assets of the VAA are not chargeable with liabilities arising from any other business that we may conduct. Qualified contracts may not be assigned or transferred except as permitted by applicable law and upon written notification to us. Qualified contracts and active life certificates may not be assigned or transferred except as permitted by ERISA and on written notification to us. In addition, a participant, beneficiary, or annuitant may not, unless permitted by law, assign or encumber any payment due under the contract.

## Contractowner Questions

The obligations to purchasers under the contracts are those of Lincoln Life. This prospectus provides a general description of the material features of the contract. Questions about your contract should be directed to us at 1-800-341-0441.

## Annuity Payouts

As permitted by the plan, the participant, or the beneficiary of a deceased participant, may elect to convert all or part of the participant's account balance or the death benefit to any annuity payout. The contract provides optional forms of payouts of annuities (annuity options), each of which is payable on a variable basis, a fixed basis or a combination of both as you specify. The contract provides that all or part of the contract value may be used to purchase an annuity payout option.

You may elect annuity payouts in monthly, quarterly, semiannual or annual installments. If the participant's account balance or the beneficiary's death benefit is less than \$2,000 or if the amount of the first payout is less than \$20, we have the right to cancel the annuity and pay the participant or beneficiary the entire amount in a lump sum.

We may maintain variable annuity payouts in the VAA, or in another separate account of Lincoln Life (variable payout division). We do not impose a charge when the annuity conversion amount is applied to a variable payout division to provide an annuity payout option. The contract benefits and charges for an annuity payout option, whether maintained in the VAA or in a variable payout division, are as described in this prospectus. The selection of funds available through a variable payout division may be different from the funds available through the VAA. If we will maintain a participant's variable annuity payout in a variable payout division, we will provide a prospectus for the variable payout division before the Annuity Commencement Date.

## Annuity Options

**Life Annuity.** This option offers a periodic payout during the lifetime of the annuitant and ends with the last payout before the death of the annuitant. This option offers the highest periodic payout since there is no guarantee of a minimum number of payouts or provision for a death benefit for beneficiaries. **However, there is the risk under this option that the recipient would receive no payouts if he or she dies before the date set for the first payout; only one payout if death occurs before the second scheduled payout, and so on.**

**Life Annuity with Guaranteed Period.** This option guarantees periodic payouts during a designated period, usually 10 or 20 years, and then continues throughout the lifetime of the annuitant. The designated period is selected by the contractowner (or participant in an allocated contract).

**Joint Life Annuity.** This option offers a periodic payout during the joint lifetime of the annuitant and a designated joint annuitant. The payouts continue during the lifetime of the survivor. **However, under a joint life annuity, if both annuitants die before the date set for the first payout, no payouts will be made. Only one payment would be made if both deaths occur before the second scheduled payout, and so on.**

**Non-Life Annuities.** Annuity payouts are guaranteed monthly for the selected number of years. While there is no right to make any total or partial withdrawals during the annuity period, an annuitant or beneficiary who has selected this annuity option as a variable annuity may request at any time during the payout period that the present value of any remaining installments be paid in one lump sum. This lump sum payout will be treated as a total withdrawal during the accumulation period and may be subject to a surrender charge. See — Charges and Other Deductions and Federal Tax Matters.

## General Information

Under the options listed above, you may not make withdrawals. Other options may be made available by us. Annuity payout options are only available if consistent with the contract, the plan, the tax code, and ERISA. The mortality and expense risk charge will be assessed on all variable annuity payments, including options that do not have a life contingency and therefore no mortality risk.

Under any option providing for guaranteed payouts, the number of payouts which remain unpaid at the date of the annuitant's death (or surviving annuitant's death in the case of a joint life annuity) will be paid to the beneficiary as payouts become due.

## Annuity Payout Calculation

Fixed annuity payouts are determined by dividing the participant's annuity conversion amount in the fixed account as of the initial annuity payout calculation date by the applicable annuity conversion factor (in the contract) for the annuity payout option selected.

## Variable Annuity Payouts

Variable annuity payouts will be determined using:

- The participant's annuity conversion amount in the VAA as of the initial annuity payout calculation date;
- The annuity conversion factor contained in the contract;
- The annuity option selected; and
- The investment performance of the fund(s) selected.

To determine the amount of payouts, we make this calculation:

1. Determine the dollar amount of the first periodic payout; then

2. Credit the retired life certificate with a specific number of annuity units equal to the first periodic payout divided by the annuity unit value; and
3. Calculate the value of the annuity units each period thereafter.

We assume an investment return of a specified percentage per year, as applied to the applicable mortality table. The amount of each annuity payout after the initial pay-out will depend upon how the underlying fund(s) perform, relative to the assumed rate. If the actual net investment rate (annualized) exceeds the assumed rate, the payment will increase at a rate proportional to the amount of such excess. Conversely, if the actual rate is less than the assumed rate, annuity payouts will decrease. There is a more complete explanation of this calculation in the SAI.

## Distribution of the Contracts

Lincoln Financial Distributors, Inc. ("LFD") serves as Principal Underwriter of this contract. LFD is affiliated with Lincoln Life and is registered as a broker-dealer with the SEC under the Securities Exchange Act of 1934 and is a member of FINRA. The Principal Underwriter has entered into selling agreements with Lincoln Financial Advisors Corporation and/or Lincoln Financial Securities Corporation (collectively, "LFN"), also affiliates of ours. The Principal Underwriter has also entered into selling agreements with broker-dealers that are unaffiliated with us ("Selling Firms"). While the Principal Underwriter has the legal authority to make payments to broker-dealers which have entered into selling agreements, we will make such payments on behalf of the Principal Underwriter in compliance with appropriate regulations. We also pay on behalf of LFD certain of its operating expenses related to the distribution of this and other of our contracts. The Principal Underwriter may also offer "non-cash compensation", as defined under FINRA's rules, which includes among other things, merchandise, gifts and prizes, office space and equipment, seminars and travel expenses. You may ask your registered representative how he/she will personally be compensated, in whole or in part, for the sale of the contract to you or for any alternative proposal that may have been presented to you. You may wish to take such compensation payments into account when considering and evaluating any recommendation made to you in connection with the purchase of a contract. The following paragraphs describe how payments are made by us and the Principal Underwriter to various parties.

**Compensation Paid to LFN.** The maximum commission the Principal Underwriter pays to LFN is 3.50% of purchase payments. LFN may elect to receive a lower commission when a purchase payment is made along with an earlier quarterly payment based on contract value for so long as the contract remains in effect. Upon annuitization, the maximum commission the Principal Underwriter pays to LFN is 1.18% of annuitized value and/or ongoing annual compensation of up to 0.00% of annuity value or statutory reserves.

Lincoln Life also pays for the operating and other expenses of LFN, including the following sales expenses: sales representative training allowances; compensation and bonuses for LFN's management team; advertising expenses; and all other expenses of distributing the contracts. LFN pays its sales representatives a portion of the commissions received for their sales of contracts. LFN sales representatives and their managers are also eligible for various cash benefits, such as bonuses, insurance benefits and financing arrangements. In addition, LFN sales representatives who meet certain productivity, persistency and length of service standards and/or their managers may be eligible for additional compensation. Sales of the contracts may help LFN sales representatives and/or their managers qualify for such benefits. LFN sales representatives and their managers may receive other payments from us for services that do not directly involve the sale of the contracts, including payments made for the recruitment and training of personnel, production of promotional literature and similar services.

**Compensation Paid to Unaffiliated Selling Firms.** The Principal Underwriter pays commissions to all Selling Firms. The maximum commission the Principal Underwriter pays to Selling Firms, other than LFN, is 3.50% of purchase payments. Some Selling Firms may elect to receive a lower commission when a purchase payment is made along with an earlier quarterly payment based on contract value for so long as the contract remains in effect. Upon annuitization, the maximum commission the Principal Underwriter pays to Selling Firms is 1.18% of annuitized value and/or ongoing annual compensation of up to 0.00% of annuity value or statutory reserves. LFD also acts as wholesaler of the contracts and performs certain marketing and other functions in support of the distribution and servicing of the contracts.

LFD may pay certain Selling Firms or their affiliates additional amounts for, among other things: (1) "preferred product" treatment of the contracts in their marketing programs, which may include marketing services and increased access to sales representatives; (2) sales promotions relating to the contracts; (3) costs associated with sales conferences and educational seminars for their sales representatives; (4) other sales expenses incurred by them; and (5) inclusion in the financial products the Selling Firm offers.

Lincoln Life may provide loans to broker-dealers or their affiliates to help finance marketing and distribution of the contracts, and those loans may be forgiven if aggregate sales goals are met. In addition, we may provide staffing or other administrative support and services to broker-dealers who distribute the contracts. LFD, as wholesaler, may make bonus payments to certain Selling Firms based on aggregate sales of our variable insurance contracts (including the contracts) or persistency standards. These additional payments are not offered to all Selling Firms, and the terms of any particular agreement governing the payments may vary among Selling Firms.

These additional types of compensation are not offered to all Selling Firms. The terms of any particular agreement governing compensation may vary among Selling Firms and the amounts may be significant. The prospect of receiving, or the receipt of, additional compensation may provide Selling Firms and/or their registered representatives with an incentive to favor sales of the contracts over other variable annuity contracts (or other investments) with respect to which a Selling Firm does not receive additional compensation, or lower levels of additional compensation. You may wish to take such payment arrangements into account when considering and evaluating any recommendation relating to the contracts. Additional information relating to compensation paid in 2011 is contained in the SAI.

**Compensation Paid to Other Parties.** Depending on the particular selling arrangements, there may be others whom LFD compensates for the distribution activities. For example, LFD may compensate certain "wholesalers", who control access to certain selling offices, for access to those offices or for referrals, and that compensation may be separate from the compensation paid for sales of the contracts. LFD may compensate marketing organizations, associations, brokers or consultants which provide marketing assistance and other services to broker-dealers who distribute the contracts, and which may be affiliated with those broker-dealers. A marketing expense allowance is paid to American Funds Distributors (AFD) in consideration of the marketing assistance AFD provides to LFD. This allowance, which ranges from 0.10% to 0.16% is based on the amount of purchase payments initially allocated to the American Funds Insurance Series underlying the variable annuity. Commissions and other incentives or payments described above are not charged directly to contract owners or the Separate Account. All compensation is paid from our resources, which include fees and charges imposed on your contract.

## Federal Tax Matters

### Introduction

The Federal income tax treatment of the contract 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 contract. This discussion also does not address other Federal tax consequences (including consequences of sales to foreign individuals or entities), or state or local tax consequences, associated with the contract. As a result, you should always consult a tax adviser about the application of tax rules found in the Internal Revenue Code ("Code"), Treasury Regulations and applicable IRS guidance to your individual situation.

### Qualified Retirement Plans

We designed the contracts for use in connection with certain types of retirement plans that receive favorable treatment under the tax code. Contracts issued to or in connection with a qualified retirement plan are called "qualified contracts." We issue contracts for use with various types of qualified plans. The Federal income tax rules applicable to those plans are complex and varied. As a result, this prospectus does not attempt to provide more than general information about the use of the contract with the various types of qualified plans. Persons planning to use the contract in connection with a qualified plan should obtain advice from a competent tax adviser.

#### Types of Qualified Contracts and Terms of Contracts

Qualified plans may include the following:

- Individual Retirement Accounts and Annuities ("Traditional IRAs")
- Roth IRAs
- Traditional IRA that is part of a Simplified Employee Pension Plan ("SEP")
- SIMPLE 401(k) plans (Savings Incentive Matched Plan for Employees)
- 401(a) plans (qualified corporate employee pension and profit-sharing plans)
- 403(a) plans (qualified annuity plans)
- 403(b) plans (public school system and tax-exempt organization annuity plans)
- H.R. 10 or Keogh Plans (self-employed individual plans)
- 457(b) plans (deferred compensation plans for state and local governments and tax-exempt organizations)
- Roth 403(b) plans

We will amend contracts to be used with a qualified plan as generally necessary to conform to the tax law requirements for the type of plan. However, the rights of a person to any qualified plan benefits may be subject to the plan's terms and conditions. In addition, we are not bound by the terms and conditions of qualified plans to the extent such terms and conditions contradict the contract, unless we consent.

If your contract was issued pursuant to a 403(b) plan, we now are generally required to confirm, with your 403(b) plan sponsor or otherwise, that contributions (purchase payments), as well as surrenders, loans or transfers you request, comply with applicable tax requirements and to decline purchase payments or requests that are not in compliance. We will defer crediting purchase payments we receive or processing payments you request until all information required under the tax law has been received. By directing purchase

payments to the contract or requesting a surrender, loan or transfer, you consent to the sharing of confidential information about you, the contract, and transactions under the contract and any other 403(b) contracts or accounts you have under the 403(b) plan among us, your employer or plan sponsor, any plan administrator or recordkeeper, and other product providers.

Also, for 403(b) contracts issued on or after January 1, 2009, amounts attributable to employer contributions are subject to restrictions on withdrawals specified in your employer's 403(b) plan, in order to comply with new tax regulations (previously, only amounts attributable to your salary-reduction contributions were subject to withdrawal restrictions). Amounts transferred to a 403(b) contract from other 403(b) contracts or accounts must generally be subject to the same restrictions on withdrawals applicable under the prior contract or account.

### **Tax Deferral on Earnings**

The Federal income tax law generally does not tax any increase in your contract value until you receive a contract distribution. However, for this general rule to apply, certain requirements must be satisfied:

- An individual must own the contract (or the tax law must treat the contract as owned by an individual).
- The investments of the VAA must be "adequately diversified" in accordance with IRS regulations.
- Your right to choose particular investments for a contract must be limited.
- The annuity commencement date must not occur near the end of the annuitant's life expectancy.

### **Investments in the VAA Must Be Diversified**

For a contract to be treated as an annuity for Federal income tax purposes, the investments of the VAA must be "adequately diversified." IRS regulations define standards for determining whether the investments of the VAA are adequately diversified. If the VAA fails to comply with these diversification standards, you could be required to pay tax currently on the excess of the contract value over the contract purchase payments. Although we do not control the investments of the underlying investment options, we expect that the underlying investment options will comply with the IRS regulations so that the VAA will be considered "adequately diversified."

### **Restrictions**

Federal income tax law limits your right to choose particular investments for the contract. Because the IRS has issued little guidance specifying those limits, the limits are uncertain and your right to allocate contract values among the subaccounts may exceed those limits. If so, you would be treated as the owner of the assets of the VAA and thus subject to current taxation on the income, bonus credits, persistency credits and gains, if applicable, 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 contracts. We reserve the right to modify the contract without your consent to try to prevent the tax law from considering you as the owner of the assets of the VAA.

### **Tax Treatment of Qualified Contracts**

The Federal income tax rules applicable to qualified plans and qualified contracts vary with the type of plan and contract. For example,

- Federal tax rules limit the amount of purchase payments that can be made, and the tax deduction or exclusion that may be allowed for the purchase payments. These limits vary depending on the type of qualified plan and the plan participant's specific circumstances, e.g., the participant's compensation.
- Minimum annual distributions are required under most qualified plans once you reach a certain age, typically age 70½, as described below.
- Under most qualified plans, such as a traditional IRA, the owner must begin receiving payments from the contract in certain minimum amounts by a certain age, typically age 70½. Other qualified plans may allow the participant to take required distributions upon the later of reaching age 70½ or retirement.

### **Tax Treatment of Payments**

The Federal income tax rules generally include distributions from a qualified contract in the participant's income as ordinary income. These taxable distributions will include purchase payments that were deductible or excludible from income. Thus, under many qualified contracts, the total amount received is included in income since a deduction or exclusion from income was taken for purchase payments. There are exceptions. For example, you do not include amounts received from a Roth IRA in income if certain conditions are satisfied.

### **Required Minimum Distributions (RMDs)**

Under most qualified plans, you must begin receiving payments from the contract in certain minimum amounts by the later of age 70½ or retirement. You are required to take distributions from your traditional IRAs beginning in the year you reach age 70½. If you own a Roth IRA, you are not required to receive minimum distributions from your Roth IRA during your life.

Failure to comply with the minimum distribution rules applicable to certain qualified plans, such as Traditional IRAs, will result in the imposition of an excise tax. This excise tax equals 50% of the amount by which a minimum required distribution exceeds the actual distribution from the qualified plan.



The IRS regulations applicable to required minimum distributions include a rule that may impact the distribution method you have chosen and the amount of your distributions. Under these regulations, the presence of an enhanced death benefit, *Lincoln SmartSecurity*® Advantage, or other benefit, if any, may require you to take additional distributions. An enhanced death benefit is any death benefit that has the potential to pay more than the contract value or a return of purchase payments. Please contact your tax adviser regarding any tax ramifications.

### **Federal Penalty Taxes Payable on Distributions**

The tax code may impose a 10% penalty tax on a distribution from a qualified contract that must be included in income. The tax code does not impose the penalty tax if one of several exceptions applies. The exceptions vary depending on the type of qualified contract you purchase. For example, in the case of an IRA, exceptions provide that the penalty tax does not apply to a withdrawal, surrender, or annuity payout:

- received on or after the annuitant reaches 59½,
- received on or after the annuitant's death or because of the annuitant's disability (as defined in the tax law),
- received as a series of substantially equal periodic payments based on the annuitant's life (or life expectancy), or
- received as reimbursement for certain amounts paid for medical care.

These exceptions, as well as certain others not described here, generally apply to taxable distributions from other qualified plans. However, the specific requirements of the exception may vary.

### **Unearned Income Medicare Contribution**

Congress enacted the "Unearned Income Medicare Contribution" as a part of the Health Care and Education Reconciliation Act of 2010. This new tax, which affects individuals whose modified adjusted gross income exceeds certain thresholds, is a 3.8% tax on the lesser of (i) the individual's "unearned income," or (ii) the dollar amount by which the individual's modified adjusted gross income exceeds the applicable threshold. Distributions that you take from your contract are not included in the calculation of unearned income because your contract is a qualified plan contract. However, the amount of any such distribution is included in determining whether you exceed the modified adjusted gross income threshold. The tax is effective for tax years after December 31, 2012. Please consult your tax advisor to determine whether your annuity distributions are subject to this tax.

### **Taxation of Death Benefits**

We may distribute amounts from your contract because of your death. Federal tax rules may limit the payment options available to your beneficiaries. If your spouse is your beneficiary, your surviving spouse will generally receive special treatment and will have more available payment options. Non-spouse beneficiaries do not receive the same special treatment. Payment options may be further limited depending upon whether you reached the date upon which you were required to begin minimum distributions. The Pension Protection Act of 2006 ("PPA") permits non-spouse beneficiary rollovers to an "inherited IRA" (effective January 1, 2007).

### **Transfers and Direct Rollovers**

As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), you may be able to move funds between different types of qualified plans, such as 403(b) and 457(b) governmental plans, by means of a rollover or transfer. You may be able to rollover or transfer amounts between qualified plans and traditional IRAs. These rules do not apply to Roth IRAs and 457(b) non-governmental tax-exempt plans. The PPA permits direct conversions from certain qualified, 403(b) or 457(b) plans to Roth IRAs (effective for distribution after 2007). There are special rules that apply to rollovers, direct rollovers and transfers (including rollovers or transfers or after-tax amounts). If the applicable rules are not followed, you may incur adverse Federal income tax consequences, including paying taxes which you might not otherwise have had to pay. Before we send a rollover distribution, we will provide a notice explaining tax withholding requirements (see Federal Income Tax Withholding). We are not required to send you such notice for your IRA. You should always consult your tax adviser before you move or attempt to move any funds.

### **Federal Income Tax Withholding**

We will withhold and remit to the IRS a part of the taxable portion of each distribution made under a contract unless you notify us prior to the distribution that tax is not to be withheld. In certain circumstances, Federal income tax rules may require us to withhold tax. At the time a withdrawal, surrender, or annuity payout is requested, we will give you an explanation of the withholding requirements.

Certain payments from your contract may be considered eligible rollover distributions (even if such payments are not being rolled over). Such distributions may be subject to special tax withholding requirements. The Federal income tax withholding rules require that we withhold 20% of the eligible rollover distribution from the payment amount, unless you elect to have the amount directly transferred to certain qualified plans or contracts. The IRS requires that tax be withheld, even if you have requested otherwise. Such tax withholding requirements are generally applicable to 401(a), 403(a) or (b), HR 10, and 457(b) governmental plans and contracts used in connection with these types of plans.

## Nonqualified Annuity Contracts

A nonqualified annuity is a contract not issued in connection with an IRA or a qualified retirement plan receiving special tax treatment under the tax code. These contracts are not intended for use with nonqualified annuity contracts. Different federal tax rules apply to nonqualified annuity contracts. Persons planning to use the contract in connection with a nonqualified annuity should obtain advice from a tax advisor.

## Our Tax Status

Under existing Federal income tax laws, we do not pay tax on investment income and realized capital gains of the VAA. We do not expect that we will incur any Federal income tax liability on the income and gains earned by the VAA. However, the Company does expect, to the extent permitted under Federal tax law, to claim the benefit of the foreign tax credit as the owner of the assets of the VAA. Therefore, we 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 VAA, we may impose a charge against the VAA to pay the taxes.

## Changes in the Law

The above discussion is based on the tax 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.

## Additional Information

### Voting Rights

As required by law, we will vote the fund shares held in the VAA at meetings of the shareholders of the funds. The voting will be done according to the instructions of contractowners who have interests in any subaccounts which invest in classes of the funds. If the 1940 Act or any regulation under it should be amended or if present interpretations should change, and if as a result we determine that we are permitted to vote the fund shares in our own right, we may elect to do so.

The number of votes which you have the right to cast will be determined by applying your percentage interest in a subaccount to the total number of votes attributable to the subaccount. In determining the number of votes, fractional shares will be recognized.

Each underlying fund is subject to the laws of the state in which it is organized concerning, among other things, the matters which are subject to a shareholder vote, the number of shares which must be present in person or by proxy at a meeting of shareholders (a "quorum"), and the percentage of such shares present in person or by proxy which must vote in favor of matters presented. Because shares of the underlying fund held in the VAA are owned by us, and because under the 1940 Act we will vote all such shares in the same proportion as the voting instruction which we receive, it is important that each contractowner provide their voting instructions to us. Even though contractowners may choose not to provide voting instruction, the shares of a fund to which such contractowners would have been entitled to provide voting instruction will, subject to fair representation requirements, be voted by us in the same proportion as the voting instruction which we actually receive. As a result, the instruction of a small number of contractowners could determine the outcome of matters subject to shareholder vote. All shares voted by us will be counted when the underlying fund determines whether any requirement for a minimum number of shares be present at such a meeting to satisfy a quorum requirement has been met. Voting instructions to abstain on any item to be voted on will be applied on a pro-rata basis to reduce the number of votes eligible to be cast.

Whenever a shareholders meeting is called, we will provide or make available to each person having a voting interest in a subaccount proxy voting material, reports and other materials relating to the funds. Since the funds engage in shared funding, other persons or entities besides Lincoln Life may vote fund shares. See Investments of the Variable Annuity Account — Fund Shares.

### Return Privilege

Participants under Sections 403(b), 408 and certain non-qualified plans will receive an active life certificate. Within the free-look period (ten days) after the participant receives the active life certificate, the participant may cancel it for any reason by giving us written notice. The postmark date of the notice is the date of notice for these purposes. An active life certificate canceled under this provision will be void. With respect to the fixed side of the contract, we will return the participant's contributions less withdrawals made on behalf of the participant. With respect to the VAA, we will return the greater of the participant's contributions less withdrawals made on behalf of the participant, or the participant's account balance in the VAA on the date we receive the written notice. No surrender charge applies.

### State Regulation

As a life insurance company organized and operated under Indiana law, we are subject to provisions governing life insurers and to regulation by the Indiana Commissioner of Insurance. Our books and accounts are subject to review and examination by the Indiana Department of Insurance at all times. A full examination of our operations is conducted by that Department at least every five years.

## Records and Reports

As presently required by the 1940 Act and applicable regulations, we are responsible for maintaining all records and accounts relating to the VAA. We have entered into an agreement with The Bank of New York Mellon, One Mellon Bank Center, 500 Grant Street, Pittsburgh, Pennsylvania, 15258, to provide accounting services to the VAA. We will mail to you, at your last known address of record at the Home Office, at least semi-annually after the first contract year, reports containing information required by that Act or any other applicable law or regulation.

## Other Information

**Contract Deactivation.** Under certain contracts, we may deactivate a contract by prohibiting new contributions and/or new participants after the date of deactivation. We will give the contractowner and participants at least ninety (90) days notice of the deactivation date.

## Legal Proceedings

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

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



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# Contents of the Statement of Additional Information (SAI) for Lincoln National Variable Annuity Account L

Item \_\_\_\_\_

**Special Terms** \_\_\_\_\_

**Services** \_\_\_\_\_

**Principal Underwriter** \_\_\_\_\_

**Purchase of Securities Being Offered** \_\_\_\_\_

**Annuity Payouts** \_\_\_\_\_

**Determination of Accumulation and Annuity Unit Value** \_\_\_\_\_

**Capital Markets** \_\_\_\_\_

**Advertising & Ratings** \_\_\_\_\_

**Additional Services** \_\_\_\_\_

**Other Information** \_\_\_\_\_

**Financial Statements** \_\_\_\_\_

For a free copy of the SAI complete the form below.

## Statement of Additional Information Request Card Group Variable Annuity Account Contracts I, II, & III

.....  
Please send me a free copy of the current Statement of Additional Information for Lincoln National Variable Annuity Account L (Group Variable Annuity Contracts I, II & III).

(Please Print)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Mail to: The Lincoln National Life Insurance Co., P.O. Box 2340, Fort Wayne, IN 46801-2340

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# Appendix A — Condensed Financial Information

## Accumulation Unit Values

The following information relates to accumulation unit values and accumulation units for funds available in the periods ended December 31. It should be read along with the VAA's financial statement and notes which are included in the SAI. The methodology of determining accumulation unit values may be found in the prospectus (see The Contracts - Valuation of Accumulation Units).

	Standard			Breakpoint		
	Accumulation unit value		Number of accumulation units	Accumulation unit value		Number of accumulation units
	Beginning of period	End of period		Beginning of period	End of period	
(Accumulation unit value in dollars and Number of accumulation units in thousands)						
AllianceBernstein VPS Global Thematic Growth						
2002.....	5.235	3.016	345	5.252	3.033	11
2003.....	3.016	4.294	622	3.033	4.329	13
2004.....	4.294	4.467	624	4.329	4.515	21
2005.....	4.467	4.584	528	4.515	4.645	16
2006.....	4.584	4.919	502	4.645	4.997	16
2007.....	4.919	5.839	572	4.997	5.946	41
2008.....	5.839	3.037	535	5.946	3.100	27
2009.....	3.037	4.604	533	3.100	4.712	28
2010.....	4.604	5.405	493	4.712	5.546	22
2011.....	5.405	4.099	435	5.546	4.216	19
AllianceBernstein VPS Growth and Income						
2004.....	10.249	11.133	15	10.467	11.149	1 <sup>(1)</sup>
2005.....	11.133	11.529	47	11.149	11.575	2
2006.....	11.529	13.353	72	11.575	13.439	2
2007.....	13.353	13.862	97	13.439	13.996	8
2008.....	13.862	8.144	91	13.996	8.238	4
2009.....	8.144	9.704	99	8.238	9.841	6
2010.....	9.704	10.837	78	9.841	11.017	5
2011.....	10.837	11.380	81	11.017	11.598	2
AllianceBernstein VPS Growth						
2002.....	6.609	4.693	70	6.629	4.720	7
2003.....	4.693	6.259	163	4.720	6.310	4
2004.....	6.259	7.097	196	6.310	7.173	5
2005.....	7.097	7.844	176	7.173	7.948	5
2006.....	7.844	7.670	178	7.948	7.791	6
2007.....	7.670	8.555	175	7.791	8.711	12
2008.....	8.555	4.862	171	8.711	4.963	10
2009.....	4.862	6.396	164	4.963	6.545	12
2010.....	6.396	7.269	152	6.545	7.457	10
2011.....	7.269	7.266	141	7.457	7.473	8
American Century VP Balanced Fund						
2002.....	21.327	19.096	1,006	21.460	19.263	80
2003.....	19.096	22.586	1,033	19.263	22.840	67
2004.....	22.586	24.547	1,034	22.840	24.886	70
2005.....	24.547	25.502	976	24.886	25.919	68
2006.....	25.502	27.677	914	25.919	28.200	65
2007.....	27.677	28.754	794	28.200	29.371	77
2008.....	28.754	22.680	700	29.371	23.224	61
2009.....	22.680	25.931	622	23.224	26.620	54
2010.....	25.931	28.660	566	26.620	29.495	41
2011.....	28.660	29.888	492	29.495	30.835	38
American Century VP Inflation Protection						
2009.....	10.063	10.611	42	10.487	10.626	1 <sup>(1)</sup>
2010.....	10.611	11.069	71	10.626	11.113	1 <sup>(1)</sup>
2011.....	11.069	12.285	92	11.113	12.365	1 <sup>(1)</sup>

	Standard			Breakpoint		
	Accumulation unit value		Number of accumulation units	Accumulation unit value		Number of accumulation units
	Beginning of period	End of period		Beginning of period	End of period	
(Accumulation unit value in dollars and Number of accumulation units in thousands)						
<b>American Funds Global Growth Fund</b>						
2004.....	10.188	11.310	16	11.347	11.327	1 <sup>(1)</sup>
2005.....	11.310	12.774	85	11.327	12.826	1 <sup>(1)</sup>
2006.....	12.774	15.230	217	12.826	15.331	3
2007.....	15.230	17.317	357	15.331	17.475	19
2008.....	17.317	10.563	348	17.475	10.686	28
2009.....	10.563	14.882	327	10.686	15.093	29
2010.....	14.882	16.465	312	15.093	16.740	26
2011.....	16.465	14.852	274	16.740	15.139	29
<b>American Funds Growth Fund</b>						
2002.....	7.285	5.449	900	7.309	5.480	21
2003.....	5.449	7.380	1474	5.480	7.441	16
2004.....	7.380	8.220	1,976	7.441	8.309	52
2005.....	8.220	9.456	2,520	8.309	9.582	78
2006.....	9.456	10.319	2,836	9.582	10.482	104
2007.....	10.319	11.477	2,652	10.482	11.688	314
2008.....	11.477	6.367	2,498	11.688	6.500	280
2009.....	6.367	8.788	2,400	6.500	8.994	319
2010.....	8.788	10.325	2,209	8.994	10.594	182
2011.....	10.325	9.785	2,030	10.594	10.065	174
<b>American Funds Growth-Income Fund</b>						
2004.....	10.240	10.978	159	10.180	10.994	3
2005.....	10.978	11.502	443	10.994	11.549	9
2006.....	11.502	13.119	655	11.549	13.205	15
2007.....	13.119	13.644	757	13.205	13.767	44
2008.....	13.644	8.395	705	13.767	8.493	44
2009.....	8.395	10.908	675	8.493	11.062	46
2010.....	10.908	12.034	642	11.062	12.234	36
2011.....	12.034	11.696	571	12.234	11.921	36
<b>American Funds International Fund</b>						
2002.....	6.807	5.739	163	6.828	5.771	8
2003.....	5.739	7.662	383	5.771	7.724	9
2004.....	7.662	9.051	687	7.724	9.148	12
2005.....	9.051	10.888	1,078	9.148	11.032	15
2006.....	10.888	12.825	1,393	11.032	13.027	26
2007.....	12.825	15.240	1,522	13.027	15.519	82
2008.....	15.240	8.733	1,478	15.519	8.915	63
2009.....	8.733	12.370	1,415	8.915	12.659	67
2010.....	12.370	13.132	1,245	12.659	13.473	39
2011.....	13.132	11.186	998	13.473	11.505	37
<b>Blackrock Global Allocation VI</b>						
2009.....	10.224	11.400	33	11.340	11.415	1 <sup>(1)</sup>
2010.....	11.400	12.421	71	11.415	12.471	1 <sup>(1)</sup>
2011.....	12.421	11.868	98	12.471	11.945	1 <sup>(1)</sup>
<b>Delaware VIP® Diversified Income Series</b>						
2004.....	10.044	10.935	36	10.563	10.951	1 <sup>(1)</sup>
2005.....	10.935	10.778	118	10.951	10.820	1 <sup>(1)</sup>
2006.....	10.778	11.516	153	10.820	11.590	5
2007.....	11.516	12.271	314	11.590	12.381	18
2008.....	12.271	11.597	468	12.381	11.730	33
2009.....	11.597	14.577	467	11.730	14.781	38
2010.....	14.577	15.595	452	14.781	15.853	20
2011.....	15.595	16.427	393	15.853	16.740	17
<b>Delaware VIP® High Yield Series</b>						
2005.....	10.182	10.273	34	10.234	10.289	1 <sup>(1)</sup>
2006.....	10.273	11.437	115	10.289	11.483	2
2007.....	11.437	11.640	149	11.483	11.716	15
2008.....	11.640	8.738	133	11.716	8.817	16
2009.....	8.738	12.888	185	8.817	13.037	21
2010.....	12.888	14.715	198	13.037	14.922	10
2011.....	14.715	14.915	180	14.922	15.163	10

	Standard			Breakpoint		
	Accumulation unit value		Number of accumulation units	Accumulation unit value		Number of accumulation units
	Beginning of period	End of period		Beginning of period	End of period	
(Accumulation unit value in dollars and Number of accumulation units in thousands)						
Delaware VIP® REIT Series						
2002.....	11.371	11.751	495	11.406	11.817	17
2003.....	11.751	15.558	600	11.817	15.684	15
2004.....	15.558	20.192	827	15.684	20.406	28
2005.....	20.192	21.362	787	20.406	21.643	29
2006.....	21.362	27.986	879	21.643	28.425	31
2007.....	27.986	23.779	612	28.425	24.212	32
2008.....	23.779	15.235	536	24.212	15.552	28
2009.....	15.235	18.589	458	15.552	19.023	25
2010.....	18.589	23.301	445	19.023	23.904	20
2011.....	23.301	25.519	411	23.904	26.245	18
Delaware VIP® Small Cap Value Series						
2004.....	10.307	12.116	128	10.270	12.135	3
2005.....	12.116	13.093	400	12.135	13.146	8
2006.....	13.093	15.022	625	13.146	15.121	12
2007.....	15.022	13.856	544	15.121	13.982	39
2008.....	13.856	9.593	534	13.982	9.704	36
2009.....	9.593	12.495	515	9.704	12.672	40
2010.....	12.495	16.319	510	12.672	16.592	30
2011.....	16.319	15.900	452	16.592	16.206	28
Delaware VIP® Smid Cap Growth <sup>(4)</sup>						
2002.....	6.513	5.155	123	6.533	5.183	7
2003.....	5.155	6.879	220	5.183	6.934	3
2004.....	6.879	7.649	326	6.934	7.730	5
2005.....	7.649	7.998	339	7.730	8.103	10
2006.....	7.998	8.500	345	8.103	8.633	11
2007.....	8.500	9.295	280	8.633	9.464	49
2008.....	9.295	4.890	236	9.464	4.992	37
2009.....	4.890	7.474	234	4.992	7.648	49
2010.....	8.929	10.115	241	9.155	10.376	26
2011.....	10.115	10.805	320	10.376	11.113	31
Dreyfus Index Fund*						
2002.....	35.304	27.136	2,922	35.525	27.375	161
2003.....	27.136	34.486	2,883	27.375	34.877	131
2004.....	34.486	37.776	2,766	34.877	38.299	144
2005.....	37.776	39.155	2,412	38.299	39.796	130
2006.....	39.155	44.773	2,198	39.796	45.621	119
2007.....	44.773	46.657	1,912	45.621	47.659	151
2008.....	46.657	29.036	1,620	47.659	29.734	135
2009.....	29.036	36.317	1,433	29.734	37.283	120
2010.....	36.317	41.291	1,280	37.283	42.496	98
2011.....	41.291	41.648	1,041	42.496	42.970	96
Dreyfus Opportunistic Small Cap						
2002.....	21.430	17.159	3,153	21.564	17.310	91
2003.....	17.159	22.372	3,135	17.310	22.625	74
2004.....	22.372	24.662	2,969	22.625	25.003	106
2005.....	24.662	25.833	2,596	25.003	26.256	99
2006.....	25.833	26.540	2,241	26.256	27.042	93
2007.....	26.540	23.370	1,752	27.042	23.871	142
2008.....	23.370	14.439	1,548	23.871	14.786	111
2009.....	14.439	18.018	1,363	14.786	18.497	100
2010.....	18.018	23.395	1,217	18.497	24.077	84
2011.....	23.395	19.955	1,063	24.077	20.589	75
DWS VIP Alternative Asset Allocation Plus						
2009.....	11.349	11.247	1 <sup>(1)</sup>	N/A	N/A	N/A
2010.....	11.247	12.524	7	N/A	N/A	N/A
2011.....	12.524	12.043	8	12.958	12.118	1 <sup>(1)</sup>

	Standard			Breakpoint		
	Accumulation unit value		Number of accumulation units	Accumulation unit value		Number of accumulation units
	Beginning of period	End of period		Beginning of period	End of period	
(Accumulation unit value in dollars and Number of accumulation units in thousands)						
<b>DWS VIP Equity 500 Index</b>						
2004.....	10.278	11.100	69	10.068	11.116	1 <sup>(1)</sup>
2005.....	11.100	11.503	133	11.116	11.548	2
2006.....	11.503	13.156	166	11.548	13.241	5
2007.....	13.156	13.715	189	13.241	13.838	8
2008.....	13.715	8.534	226	13.838	8.632	5
2009.....	8.534	10.673	226	8.632	10.823	7
2010.....	10.673	12.121	195	10.823	12.321	5
2011.....	12.121	12.220	186	12.321	12.453	7
<b>DWS VIP Small Cap Index</b>						
2004.....	10.286	11.788	36	10.188	11.806	1 <sup>(1)</sup>
2005.....	11.788	12.168	87	11.806	12.217	2
2006.....	12.168	14.155	164	12.217	14.247	6
2007.....	14.155	13.748	170	14.247	13.872	16
2008.....	13.748	8.966	161	13.872	9.070	13
2009.....	8.966	11.236	147	9.070	11.394	15
2010.....	11.236	14.060	135	11.394	14.294	13
2011.....	14.060	13.306	119	14.294	13.561	14
<b>Fidelity® VIP Asset Manager Portfolio</b>						
2002.....	23.290	21.046	3,052	23.436	21.231	80
2003.....	21.046	24.582	2,804	21.231	24.860	71
2004.....	24.582	25.668	2,579	24.860	26.023	91
2005.....	25.668	26.441	2,308	26.023	26.874	83
2006.....	26.441	28.093	2,070	26.874	28.624	74
2007.....	28.093	32.126	1,790	28.624	32.815	88
2008.....	32.126	22.672	1,616	32.815	23.216	79
2009.....	22.672	28.981	1,451	23.216	29.751	73
2010.....	28.981	32.785	1,282	29.751	33.741	62
2011.....	32.785	31.628	1,158	33.741	32.632	56
<b>Fidelity® VIP Contrafund® Portfolio</b>						
2002.....	8.157	7.300	167	8.183	7.342	7
2003.....	7.300	9.265	259	7.342	9.342	3
2004.....	9.265	10.563	475	9.342	10.677	20
2005.....	10.563	12.199	975	10.677	12.362	34
2006.....	12.199	13.459	1,382	12.362	13.672	42
2007.....	13.459	15.630	1,405	13.672	15.918	101
2008.....	15.630	8.868	1,394	15.918	9.054	93
2009.....	8.868	11.894	1,397	9.054	12.174	89
2010.....	11.894	13.769	1,335	12.174	14.128	68
2011.....	13.769	13.253	1,178	14.128	13.632	60
<b>Fidelity® VIP Equity-Income Portfolio</b>						
2002.....	23.486	19.312	2,830	23.633	19.481	70
2003.....	19.312	24.918	2,772	19.481	25.200	59
2004.....	24.918	27.515	2,736	25.200	27.896	88
2005.....	27.515	28.839	2,551	27.896	29.311	85
2006.....	28.839	34.318	2,482	29.311	34.967	88
2007.....	34.318	34.496	2,121	34.967	35.237	191
2008.....	34.496	19.585	1,759	35.237	20.056	158
2009.....	19.585	25.248	1,543	20.056	25.919	157
2010.....	25.248	28.783	1,383	25.919	29.623	121
2011.....	28.783	28.774	1,167	29.623	29.687	116
<b>Fidelity® VIP Growth Portfolio</b>						
2002.....	38.252	26.469	4,445	38.492	26.703	99
2003.....	26.469	34.815	4,189	26.703	35.209	82
2004.....	34.815	35.633	3,748	35.209	36.127	132
2005.....	35.633	37.324	3,151	36.127	37.936	119
2006.....	37.324	39.484	2,795	37.936	40.232	105
2007.....	39.484	49.632	2,448	40.232	50.698	155
2008.....	49.632	25.960	2,130	50.698	26.585	129
2009.....	25.960	32.972	1,891	26.585	33.850	121
2010.....	32.972	40.536	1,679	33.850	41.719	96
2011.....	40.536	40.213	1,444	41.719	41.491	87



	Standard			Breakpoint		
	Accumulation unit value		Number of accumulation units	Accumulation unit value		Number of accumulation units
	Beginning of period	End of period		Beginning of period	End of period	
(Accumulation unit value in dollars and Number of accumulation units in thousands)						
Fidelity® VIP Money Market Portfolio (Pending Allocation Account)						
2002.....	14.610	14.859	5	14.633	14.871	1 <sup>(1)</sup>
2003.....	14.859	15.007	3	14.871	15.020	0
2004.....	15.007	15.189	3	15.021	15.214	1 <sup>(1)</sup>
2005.....	15.189	15.649	3	15.214	15.673	1 <sup>(1)</sup>
2006.....	15.649	16.412	3	15.673	16.438	1 <sup>(1)</sup>
2007.....	16.412	17.267	20	16.438	17.295	1 <sup>(1)</sup>
2008.....	17.267	17.788	3	17.295	17.818	1 <sup>(1)</sup>
2009.....	17.788	17.916	1 <sup>(1)</sup>	N/A	N/A	N/A
2010.....	17.916	17.960	1 <sup>(1)</sup>	17.946	17.991	1 <sup>(1)</sup>
2011.....	17.960	17.979	2	17.991	18.008	1 <sup>(1)</sup>
Janus Aspen Series Worldwide						
2002.....	13.069	9.639	2,090	13.152	9.724	112
2003.....	9.639	11.833	1,917	9.724	11.967	81
2004.....	11.833	12.275	1,683	11.967	12.446	100
2005.....	12.275	12.866	1,363	12.446	13.077	89
2006.....	12.866	15.057	1,168	13.077	15.342	83
2007.....	15.057	16.342	1,054	15.342	16.694	101
2008.....	16.342	8.953	914	16.694	9.169	90
2009.....	8.953	12.206	836	9.169	12.531	83
2010.....	12.206	13.998	759	12.531	14.407	60
2011.....	13.998	11.954	625	14.407	12.334	58
LVIP Baron Growth Opportunities <sup>(2)</sup>						
2002.....	19.054	16.186	911	19.176	16.330	28
2003.....	16.186	20.835	931	16.330	21.073	20
2004.....	20.835	25.916	1,017	21.073	26.278	35
2005.....	25.916	26.522	902	26.278	26.959	43
2006.....	26.522	30.334	760	26.959	30.911	49
2007.....	30.334	31.059	666	30.911	31.730	82
2008.....	31.059	18.716	572	31.730	19.168	60
2009.....	18.716	25.631	524	19.168	26.316	58
2010.....	25.631	32.071	468	26.316	33.010	42
2011.....	32.071	33.029	385	33.010	34.082	35
LVIP Cohen & Steers Global Real Estate						
2007.....	10.091	8.265	5	8.946	8.278	1 <sup>(1)</sup>
2008.....	8.265	4.743	18	8.278	4.762	1 <sup>(1)</sup>
2009.....	4.743	6.472	54	4.762	6.515	2
2010.....	6.472	7.560	80	6.515	7.628	4
2011.....	7.560	6.835	69	7.628	6.915	5
LVIP Delaware Bond						
2004.....	10.052	10.551	60	10.542	10.567	3
2005.....	10.551	10.722	221	10.567	10.765	6
2006.....	10.722	11.115	321	10.765	11.188	8
2007.....	11.115	11.604	376	11.188	11.709	24
2008.....	11.604	11.153	489	11.709	11.281	37
2009.....	11.153	13.129	534	11.281	13.313	33
2010.....	13.129	14.101	542	13.313	14.336	28
2011.....	14.101	15.027	503	14.336	15.315	29
LVIP Delaware Diversified Floating Rate						
2011.....	9.976	9.762	1 <sup>(1)</sup>	N/A	N/A	N/A
LVIP Delaware Foundation Aggressive Allocation						
2009.....	9.861	11.988	1 <sup>(1)</sup>	10.539	12.004	1 <sup>(1)</sup>
2010.....	11.988	13.350	5	12.004	13.401	1 <sup>(1)</sup>
2011.....	13.350	12.950	8	13.401	13.031	1 <sup>(1)</sup>

	Standard			Breakpoint		
	Accumulation unit value		Number of accumulation units	Accumulation unit value		Number of accumulation units
	Beginning of period	End of period		Beginning of period	End of period	
(Accumulation unit value in dollars and Number of accumulation units in thousands)						
LVIP Delaware Foundation Conservative Allocation <sup>(3)</sup>						
2004.....	10.231	11.013	29	11.035	11.029	1 <sup>(1)</sup>
2005.....	11.013	11.397	68	11.029	11.444	1 <sup>(1)</sup>
2006.....	11.397	12.476	79	11.444	12.559	1 <sup>(1)</sup>
2007.....	12.476	12.918	76	12.559	13.038	25
2008.....	12.918	9.342	68	13.038	9.452	18
2009.....	9.342	11.362	70	9.452	11.524	15
2010.....	11.362	12.422	66	11.524	12.631	16
2011.....	12.422	12.573	62	12.631	12.817	17
LVIP Delaware Foundation Moderate Allocation						
2009.....	10.910	11.800	1 <sup>(1)</sup>	N/A	N/A	N/A
2010.....	11.800	12.970	12	N/A	N/A	N/A
2011.....	12.970	12.875	18	13.216	12.952	1 <sup>(1)</sup>
LVIP Delaware Growth and Income						
2002.....	7.954	6.139	193	7.980	6.174	26
2003.....	6.139	7.884	376	6.174	7.948	10
2004.....	7.884	8.741	554	7.948	8.835	28
2005.....	8.741	9.134	632	8.835	9.255	32
2006.....	9.134	10.161	630	9.255	10.321	33
2007.....	10.161	10.675	596	10.321	10.871	49
2008.....	10.675	6.789	553	10.871	6.930	37
2009.....	6.789	8.380	486	6.930	8.576	34
2010.....	8.380	9.370	424	8.576	9.613	29
2011.....	9.370	9.388	362	9.613	9.656	28
LVIP Delaware Social Awareness						
2002.....	11.885	9.164	1,213	11.959	9.244	96
2003.....	9.164	11.963	1,279	9.244	12.099	77
2004.....	11.963	13.349	1,292	12.099	13.534	83
2005.....	13.349	14.805	1,255	13.534	15.048	81
2006.....	14.805	16.462	1,228	15.048	16.774	81
2007.....	16.462	16.782	1,119	16.774	17.143	98
2008.....	16.782	10.897	1,017	17.143	11.160	85
2009.....	10.897	14.026	920	11.160	14.399	77
2010.....	14.026	15.493	841	14.399	15.945	64
2011.....	15.493	15.437	702	15.945	15.927	59
LVIP Global Income						
2009.....	10.256	10.805	6	N/A	N/A	N/A
2010.....	10.805	11.733	13	10.819	11.778	1 <sup>(1)</sup>
2011.....	11.733	11.742	20	11.778	11.817	1 <sup>(1)</sup>
LVIP Janus Capital Appreciation						
2002.....	6.048	4.374	165	6.068	4.399	13
2003.....	4.374	5.736	245	4.399	5.783	11
2004.....	5.736	5.979	276	5.783	6.043	19
2005.....	5.979	6.168	256	6.043	6.250	21
2006.....	6.168	6.697	274	6.250	6.803	20
2007.....	6.697	7.984	269	6.803	8.131	25
2008.....	7.984	4.678	257	8.131	4.776	23
2009.....	4.678	6.416	226	4.776	6.566	21
2010.....	6.416	7.073	209	6.566	7.257	16
2011.....	7.073	6.604	195	7.257	6.793	15
LVIP Mondrian International Value						
2004.....	10.000	12.255	21	10.343	12.274	1 <sup>(1)</sup>
2005.....	12.255	13.655	113	12.274	13.710	5
2006.....	13.655	17.576	419	13.710	17.691	11
2007.....	17.576	19.400	571	17.691	19.576	62
2008.....	19.400	12.166	450	19.576	12.307	54
2009.....	12.166	14.603	370	12.307	14.809	56
2010.....	14.603	14.814	308	14.809	15.061	34
2011.....	14.814	14.048	256	15.061	14.318	32

	Standard			Breakpoint		
	Accumulation unit value		Number of accumulation units	Accumulation unit value		Number of accumulation units
	Beginning of period	End of period		Beginning of period	End of period	
(Accumulation unit value in dollars and Number of accumulation units in thousands)						
LVIP Protected Profile 2010						
2007.....	9.998	10.493	5	10.460	10.509	1 <sup>(1)</sup>
2008.....	10.493	7.904	47	10.509	7.936	8
2009.....	7.904	9.735	65	7.936	9.799	9
2010.....	9.735	10.744	68	9.799	10.841	9
2011.....	10.744	10.770	56	10.841	10.895	10
LVIP Protected Profile 2020						
2007.....	10.001	10.337	10	9.924	10.353	1 <sup>(1)</sup>
2008.....	10.337	7.482	122	10.353	7.512	1 <sup>(1)</sup>
2009.....	7.482	9.309	141	7.512	9.369	4
2010.....	9.309	10.325	212	9.369	10.418	4
2011.....	10.325	10.242	189	10.418	10.360	7
LVIP Protected Profile 2030						
2007.....	10.045	10.444	8	10.342	10.461	1 <sup>(1)</sup>
2008.....	10.444	7.157	70	10.461	7.187	1 <sup>(1)</sup>
2009.....	7.157	9.067	176	7.187	9.127	2
2010.....	9.067	10.103	224	9.127	10.195	2
2011.....	10.103	9.946	246	10.195	10.062	3
LVIP Protected Profile 2040						
2007.....	10.072	10.269	3	9.914	10.285	2
2008.....	10.269	6.553	36	10.285	6.579	2
2009.....	6.553	8.496	59	6.579	8.551	2
2010.....	8.496	9.560	81	8.551	9.647	2
2011.....	9.560	9.327	100	9.647	9.435	2
LVIP Protected Profile 2050						
2011.....	9.925	9.213	29	N/A	N/A	N/A
LVIP Protected Profile Conservative						
2005.....	10.000	10.304	12	10.148	10.319	1 <sup>(1)</sup>
2006.....	10.304	11.155	178	10.319	11.198	2
2007.....	11.155	11.902	250	11.198	11.979	5
2008.....	11.902	9.611	260	11.979	9.697	5
2009.....	9.611	11.880	262	9.697	12.016	6
2010.....	11.880	12.997	283	12.016	13.179	3
2011.....	12.997	13.341	154	13.179	13.562	3
LVIP Protected Profile Growth						
2005.....	10.049	10.701	39	10.306	10.715	1 <sup>(1)</sup>
2006.....	10.701	12.093	126	10.715	12.139	4
2007.....	12.093	13.147	292	12.139	13.230	13
2008.....	13.147	8.666	357	13.230	8.743	16
2009.....	8.666	11.071	394	8.743	11.196	16
2010.....	11.071	12.355	408	11.196	12.526	13
2011.....	12.355	12.231	405	12.526	12.432	13
LVIP Protected Profile Moderate						
2005.....	10.006	10.524	32	10.415	10.540	1 <sup>(1)</sup>
2006.....	10.524	11.674	206	10.540	11.721	10
2007.....	11.674	12.629	319	11.721	12.711	29
2008.....	12.629	9.175	412	12.711	9.258	25
2009.....	9.175	11.631	353	9.258	11.765	23
2010.....	11.631	12.892	356	11.765	13.074	22
2011.....	12.892	12.913	347	13.074	13.128	23
LVIP SSgA Bond Index						
2009.....	10.121	10.385	7	10.454	10.399	3
2010.....	10.385	10.895	39	10.399	10.937	5
2011.....	10.895	11.584	49	10.937	11.658	1 <sup>(1)</sup>
LVIP SSgA Emerging Markets 100						
2009.....	10.051	13.640	41	11.245	13.659	1 <sup>(1)</sup>
2010.....	13.640	17.255	77	13.659	17.322	1 <sup>(1)</sup>
2011.....	17.255	14.531	76	17.322	14.624	3

	Standard			Breakpoint		
	Accumulation unit value		Number of accumulation units	Accumulation unit value		Number of accumulation units
	Beginning of period	End of period		Beginning of period	End of period	
(Accumulation unit value in dollars and Number of accumulation units in thousands)						
LVIP SSgA Global Tactical Allocation <sup>(5)</sup>						
2005.....	10.006	10.939	18	10.134	10.955	1 <sup>(1)</sup>
2006.....	10.939	12.622	84	10.955	12.672	1 <sup>(1)</sup>
2007.....	12.622	13.873	151	12.672	13.962	5
2008.....	13.873	8.178	195	13.962	8.251	6
2009.....	8.178	10.590	157	8.251	10.712	8
2010.....	10.590	11.400	162	10.712	11.560	8
2011.....	11.400	11.312	152	11.560	11.499	5
LVIP SSgA International Index						
2009.....	10.140	12.116	5	N/A	N/A	N/A
2010.....	12.116	12.841	9	N/A	N/A	N/A
2011.....	12.841	11.139	6	13.266	11.211	1 <sup>(1)</sup>
LVIP T. Rowe Price Structured Mid-Cap Growth						
2002.....	11.175	7.720	2,202	11.246	7.788	118
2003.....	7.720	10.137	2,246	7.788	10.252	91
2004.....	10.137	11.407	2,107	10.252	11.565	114
2005.....	11.407	12.402	1,884	11.565	12.605	112
2006.....	12.402	13.417	1,652	12.605	13.672	103
2007.....	13.417	15.089	1,451	13.672	15.413	127
2008.....	15.089	8.548	1,309	15.413	8.754	115
2009.....	8.548	12.385	1,203	8.754	12.715	106
2010.....	12.385	15.741	1,087	12.715	16.200	81
2011.....	15.741	14.981	931	16.200	15.457	75
Neuberger Berman AMT Mid-Cap Growth Portfolio						
2002.....	5.725	4.005	154	5.743	4.027	6
2003.....	4.005	5.078	234	4.027	5.119	3
2004.....	5.078	5.847	312	5.119	5.910	9
2005.....	5.847	6.585	508	5.910	6.672	12
2006.....	6.585	7.477	600	6.672	7.595	19
2007.....	7.477	9.070	1,084	7.595	9.236	60
2008.....	9.070	5.085	974	9.236	5.192	53
2009.....	5.085	6.626	905	5.192	6.781	70
2010.....	6.626	8.469	833	6.781	8.689	40
2011.....	8.469	8.424	720	8.689	8.664	38
Neuberger Berman AMT Partners Portfolio						
2002.....	12.094	9.083	405	12.170	9.163	46
2003.....	9.083	12.148	507	9.163	12.286	38
2004.....	12.148	14.309	583	12.286	14.508	42
2005.....	14.309	16.723	683	14.508	16.998	46
2006.....	16.723	18.584	602	16.998	18.936	37
2007.....	18.584	20.116	475	18.936	20.549	51
2008.....	20.116	9.481	409	20.549	9.709	40
2009.....	9.481	14.651	369	9.709	15.041	39
2010.....	14.651	16.777	336	15.041	17.267	24
2011.....	16.777	14.724	269	17.267	15.191	22
T. Rowe Price International Stock Portfolio						
2002.....	11.859	9.593	1,438	11.934	9.678	53
2003.....	9.593	12.397	1,435	9.678	12.538	40
2004.....	12.397	13.965	1,377	12.538	14.158	51
2005.....	13.965	16.043	1,284	14.158	16.305	51
2006.....	16.043	18.915	1,190	16.305	19.273	48
2007.....	18.915	21.167	1,038	19.273	21.622	70
2008.....	21.167	10.750	914	21.622	11.008	59
2009.....	10.750	16.219	844	11.008	16.650	57
2010.....	16.219	18.379	747	16.650	18.915	41
2011.....	18.379	15.860	645	18.915	16.364	34

(1) All numbers less than 500 were rounded up to one.

(2) Effective June 5, 2007, the Baron Capital Asset Fund, a series of Baron Capital Funds Trust, was reorganized into the LVIP Baron Growth Opportunities Fund, a series of Lincoln Variable Insurance Products Trust. The values in the table for periods prior to the date of the reorganization reflect investments in the Baron Capital Asset Fund.

- (3) Effective June 15, 2009, the LVIP Delaware Managed Fund was reorganized into the LVIP Delaware Foundation Conservative Allocation Fund. The values in the table for periods prior to the date of the reorganization reflect investments in the LVIP Delaware Managed Fund.
- (4) Effective October 9, 2010, the Delaware VIP Trend Series was reorganized into the Delaware VIP Smid Cap Growth Series. The values in the table for periods prior to the date of the reorganization reflect investments in the Delaware VIP Trend Series.
- (5) Effective July 30, 2010, the LVIP Wilshire Aggressive Profile Fund was restructured into the LVIP SSgA Global Tactical Allocation Fund. The values in the table for periods prior to the date of the restructuring reflect investments in the LVIP Wilshire Aggressive Profile Fund.

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Lincoln Financial Group  
Attn: Enterprise Services Compliance-Privacy, 7C-01  
1300 S. Clinton St.  
Fort Wayne, IN 46802

**Please include all policy/contract/account numbers with your correspondence.**

\*This information applies to the following Lincoln Financial Group companies:

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Lincoln Financial Investment Services Corporation	Lincoln Variable Insurance Products Trust
Lincoln Investment Advisors Corporation	The Lincoln National Life Insurance Company

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We want to make sure we have accurate information about you. Upon written request we will tell you, within 30 business days, what personal information we have about you. You may see a copy of your personal information in person or receive a copy by mail, whichever you prefer. We will share with you who provided the information. In some cases we may provide your medical information to your personal physician. We will not provide you with information we have collected in connection with, or in anticipation of, a claim or legal proceeding. If you believe that any of our records are not correct, you may write and tell us of any changes you believe should be made. We will respond to your request within 30 business days. A copy of your request will be kept on file with your personal information so anyone reviewing your information in the future will be aware of your request. If we make changes to your records as a result of your request, we will notify you in writing and we will send the updated information, at your request, to any person who may have received the information within the prior two years. We will also send the updated information to any insurance support organization that gave us the information, and any service provider that received the information within the prior 7 years.

Questions about your personal medical information should be directed to:

Lincoln Financial Group  
Attn: Medical Underwriting  
P.O. Box 21008  
Greensboro, NC 27420-1008

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First Penn-Pacific Life Insurance Company  
Lincoln Life & Annuity Company of New York  
The Lincoln National Life Insurance Company

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