



Lincoln
Financial GroupSM

FOR RETIREMENT

Product Prospectus

Multi-Fund[®] Group Account Q

variable annuity

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 Life Variable Annuity Account Q Multi-Fund[®] Group Variable Annuity Contracts

Home Office:
The Lincoln National Life Insurance Company
1300 South Clinton
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

This prospectus describes a group variable 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 or a combination of both. If a participant dies before the annuity commencement date, we pay the beneficiary or the plan a death benefit.

Participants choose whether account value accumulates on a variable or a fixed (guaranteed) basis or both. If participants allocate contributions to the fixed account, we guarantee principal and a minimum interest rate. We limit withdrawals and transfers from the fixed side of the contract.

Allocated and unallocated contracts are available. In an allocated contract, we maintain an account value on behalf of each individual participant, and the employer if requested; each participant receives a certificate. Under an unallocated contract, the employer or an administrator performs participant accounting. Allocated and unallocated contracts have different features.

All purchase payments for benefits on a variable basis will be placed in Lincoln Life Variable Annuity Account Q (variable annuity account (VAA)). The VAA is a segregated investment account of Lincoln Life.

The participants take all the investment risk on the contract value and the retirement income for amounts placed into one or more of the contracts variable options. If the subaccounts you select make money, your contract value goes up; if they lose money, it goes down. How much it goes up or down depends on the performance of the subaccounts you select. **We do not guarantee how any of the variable options or their funds will perform. Also, neither the U.S. Government nor any federal agency insures or guarantees your 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 and Income Portfolio**
American Century Investments Variable Products (Class I):
American Century VP 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 (Standard Class):
Delaware VIP[®] Diversified Income Series
Delaware VIP[®] High Yield Series
Delaware VIP[®] REIT Series
Delaware VIP[®] Smid Cap Growth Series
Delaware VIP[®] Value Series
Delaware VIP[®] Trust (Service Class):
Delaware VIP[®] Small Cap Value Series

DWS Investments VIT Funds (Class A):
 DWS Equity 500 Index VIP Portfolio**
 DWS Small Cap Index VIP Portfolio**
 DWS Variable Series II (Class A):
 DWS Alternative Asset Allocation VIP Portfolio
 (formerly DWS Alternative Asset Allocation Plus VIP Portfolio)
 Fidelity® Variable Insurance Products (Service Class):
 Fidelity® Contrafund® Portfolio
 Fidelity® Growth Portfolio
 Lincoln Variable Insurance Products Trust (Service Class):
 LVIP Baron Growth Opportunities Fund
 LVIP Delaware Diversified Floating Rate Fund
 LVIP Vanguard Domestic Equity ETF Fund
 LVIP Vanguard International Equity ETF Fund
 Lincoln Variable Insurance Products Trust (Standard Class):
 LVIP BlackRock Inflation Protected 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 Delaware Special Opportunities Fund
 LVIP Global Income Fund
 LVIP Janus Capital Appreciation Fund
 LVIP Mondrian International Value Fund
 LVIP Money Market 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 Wells Fargo Intrinsic Value 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)

MFS® Variable Insurance TrustSM (Initial Class):
 MFS® Utilities Series
 Neuberger Berman Advisers Management Trust (I Class):
 Mid-Cap Growth Portfolio**
 PIMCO Variable Insurance Trust (Administrative Class):
 PIMCO VIT Total Return 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 in the VAA – Description of the Funds for further information.

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This prospectus gives you information about the contracts 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

Table of Contents

| Item | Page |
|--|------|
| Special Terms | 4 |
| Expense Tables | 5 |
| Summary of Common Questions | 6 |
| The Lincoln National Life Insurance Company | 8 |
| Variable Annuity Account (VAA) | 8 |
| Fixed Side of the Contract | 9 |
| Investments of the VAA | 9 |
| Charges and Other Deductions | 13 |
| Surrender Charges | 14 |
| Additional Information | 14 |
| The Contracts | 15 |
| Purchase of the Contracts | 15 |
| Transfers On or Before the Annuity Commencement Date | 17 |
| Death Benefit Before the Annuity Commencement Date | 19 |
| Loans | 23 |
| Annuity Payouts | 24 |
| Distribution of the Contracts | 25 |
| Federal Tax Matters | 26 |
| Additional Information | 29 |
| Voting Rights | 29 |
| Return Privilege | 30 |
| Other Information | 30 |
| Legal Proceedings | 30 |
| Contents of the Statement of Additional Information (SAI) for Lincoln Life Variable Annuity Account Q | 31 |
| Appendix A — Condensed Financial Information | A-1 |

Special Terms

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

Account or variable annuity account (VAA)—The segregated investment account, Account Q, 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 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 a non-ERISA 403(b) plan participant or an annuitant to receive any death benefit paid if the participant or annuitant 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).

Contract year — Each one-year period starting with the effective date of the contract and starting with each contract anniversary after that.

Death benefit—Before the annuity commencement date, the amount payable to a designated beneficiary if a participant under a 403(b) plan not subject to ERISA 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.

Net Contributions — The sum of all contributions credited to the participant's account value less any amounts paid when a withdrawal occurs and less any outstanding loan balance.

Participant — A person defined as a participant in the plan, who has enrolled under a contract, and under an allocated group contract, on whose behalf Lincoln Life maintains an account.

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.

Annual account fee: \$25

(allocated contract, per contractowner/participant)

Loan establishment fee per loan (where allowed by law): \$35

We may reduce or waive these charges in certain situations. See Charges and Other Deductions.

Contractowner or Participant Transaction Expenses:

- Surrender charge (as a percentage of account value surrendered/withdrawn): 6.0% *

* 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 Charge.

Deductions from the VAA

Separate Account Q expenses (as a percentage of average daily net assets in the subaccounts):

| | |
|--|--------|
| “standard” mortality and expense risk charge | 1.002% |
| “1 st breakpoint” mortality and expense charge* | .75% |
| “2 nd breakpoint” mortality and expense charge* | .55% |

* Only certain contracts or plans are eligible for a breakpoint charge.

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): | 0.28% | 5.30% |
| Total Annual Fund Operating Expenses (after contractual waivers/reimbursements*): | 0.28% | 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

The following 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 has been calculated using the fees and expenses of the funds prior to the application of any contractual waivers and/or reimbursements.

The Example assumes that contractowners or participants 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 |
|------------|---------|---------|---------|----------|
| Standard | \$1,222 | \$2,440 | \$3,533 | \$5,931 |
| Breakpoint | \$1,199 | \$2,378 | \$3,436 | \$5,768 |

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

| | 1 year | 3 years | 5 years | 10 years |
|------------|--------|---------|---------|----------|
| Standard | \$640 | \$1,864 | \$3,065 | \$5,931 |
| Breakpoint | \$606 | \$1,797 | \$2,963 | \$5,768 |

The expense tables reflect expenses of the VAA as well as the maximum expense of any of the underlying funds. For more information — See Charges and Other Deductions in this 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 expenses. 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 does the contract work? If we approve your application, we will send you a contract. When you make purchase payments during the accumulation phase, you buy accumulation units. If you decide to receive an annuity payout, your accumulation units are converted to annuity units. Your annuity payouts will be based on the number of annuity units you receive and the value of each annuity unit on payout days. See The Contracts.

What charges do I pay under the contract? If you withdraw account value, you pay a surrender charge from 0% to 6.0%, depending upon how many contract years have elapsed since the effective date of the contract. We may reduce or waive surrender charges in certain situations. See Charges and Other Deductions – Surrender Charges.

We will deduct any applicable premium tax from purchase payments or contract value, unless the governmental entity dictates otherwise, at the time the tax is incurred or at another time we choose, or a time as required by law.

Under allocated contracts, we charge an annual contract fee of \$25 per participant or contractowner account. We apply a charge to the daily net asset value of the VAA and those charges are:

Separate Account Q expenses (as a percentage of average daily net assets in the subaccounts):

| | |
|--|--------|
| “standard” mortality and expense risk charge | 1.002% |
| “1 st breakpoint” mortality and expense charge* | .75% |
| “2 nd breakpoint” mortality and expense charge* | .55% |

* Only certain contracts or plans are eligible for a breakpoint charge.

Each fund pays a management fee based on its average daily net asset value. See — Investments of the Variable Annuity Account – Investment Adviser. Each fund also has additional operating expenses. These are 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. There are limits on the total amount of contributions in any one year. 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 contract value between variable options and between the variable and fixed side of the contract? Yes, subject to currently effective restrictions. For example, transfers made before the annuity commencement date are generally restricted to no more than twelve (12) per contract year. If permitted by your contract, we may discontinue accepting transfers into the fixed side of the contract at any time. See — The Contracts — Transfers On or Before the Annuity Commencement Date and Transfers After the Annuity Commencement Date.

May a contractowner or participant withdraw account value? Yes, subject to contract requirements and to the restrictions of any qualified retirement plan for which the contract was purchased. (Participants may only withdraw account value during their accumulation period.) See — Withdrawals. The contractowner must also approve certain participant withdrawals. Certain charges may apply. See — Charges and Other Deductions. A portion of withdrawal proceeds may be taxable. In addition, if you decide to take a distribution before age 59½, a 10% Internal Revenue Service (IRS) tax penalty may apply. A surrender or withdrawal also may be subject to 20% withholding. See — Federal Tax Matters.

Do participants get a free look at their certificate? A participant under a Section 403(b) plan and certain nonqualified plans can cancel a certificate within twenty days (in some states longer) of the date the participant receives the certificate. The participant must 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 money market subaccount’s yield is based upon investment performance over a 7-day period, which is then annualized. During extended periods of low interest rates, the yields of any subaccount investing in a money market fund may also become extremely low and possibly negative. **The money market yield figure and annual performance of the subaccounts are based on past performance and do not indicate or represent future 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.

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.

Variable Annuity Account (VAA)

On November 3, 1997, 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.

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 3.0%. 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 3.0% WILL BE DECLARED IN ADVANCE AT LINCOLN LIFE'S SOLE DISCRETION. CONTRACTOWNERS AND PARTICIPANTS BEAR THE RISK THAT NO INTEREST IN EXCESS OF 3.0% WILL BE DECLARED.

Investments of the VAA

Contractowners of unallocated contracts and participants under allocated contracts decide the subaccount(s) to which contributions are allocated. There is a separate subaccount which corresponds to each class of each fund. Contractowners or participants, as applicable, may change allocations 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.

AllianceBernstein, American Funds, Delaware, Fidelity, Lincoln and PIMCO 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.

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.**

Some plans limit the funds available under the plan. Please contact your investment dealer for current information.

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

- Alliance Bernstein VPS Growth and Income Portfolio with LVIP SSgA S&P 500 Index Fund
- American Century VP Inflation Protection Fund with LVIP BlackRock Inflation Protected Bond Fund
- DWS Equity 500 Index VIP Portfolio with LVIP SSgA S&P 500 Index Fund
- DWS Small Cap Index VIP Portfolio with LVIP SSgA Small-Cap Index Fund
- Neuberger Berman AMT Mid-Cap Growth Portfolio with LVIP SSgA S&P 500 Index Fund

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

- AllianceBernstein VPS Global Thematic 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 Investments Variable Products, advised by American Century Investment Management, Inc.

- American Century VP 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 SeriesSM, 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[®] 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.
- Value Series: Long-term capital appreciation.

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

- DWS Equity 500 Index VIP Portfolio: Replicate S&P 500[®] Index before deduction of expenses.
It is currently anticipated that during the fourth quarter of 2012, we will close and replace this investment option.
- DWS Small Cap Index VIP Portfolio: Replicate Russell 2000[®] Index before deduction of expenses.
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.
(formerly DWS Alternative Asset Allocation Plus VIP Portfolio)

Fidelity[®] Variable Insurance Products, advised by Fidelity Management and Research Company and subadvised by FMR Co., Inc.

- Contrafund[®] Portfolio: Long-term capital appreciation.
- Growth Portfolio: Capital appreciation.

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

- LVIP Baron Growth Opportunities Fund: Capital appreciation.
(Subadvised by BAMCO, Inc.)
- LVIP BlackRock Inflation Protected Bond Fund: Maximize real return.
This fund will be available on or about May 14, 2012. Consult your financial advisor.
- LVIP Cohen & Steers Global Real Estate Fund: Total Return.
(Subadvised by Cohen & Steers Capital Management)
- LVIP Delaware Bond Fund: Maximize current income.
(Subadvised by Delaware Management Company)*
- LVIP Delaware Diversified Floating Rate Fund: Total return.
- LVIP Delaware Foundation[®] Aggressive Allocation Fund: Long-term capital growth.
(Subadvised by Delaware Management Company)*
- LVIP Delaware Foundation[®] Conservative Allocation Fund: Current income and preservation of capital with capital appreciation.
(Subadvised by Delaware Management Company)*
- LVIP Delaware Foundation[®] Moderate Allocation Fund: Capital appreciation with current income.
(Subadvised by Delaware Management Company)*
- LVIP Delaware Growth and Income Fund: Capital appreciation.
(Subadvised by Delaware Management Company)*
- LVIP Delaware Social Awareness Fund: Capital appreciation.
(Subadvised by Delaware Management Company)*
- LVIP Delaware Special Opportunities Fund: Capital appreciation.
(Subadvised by Delaware Management Company)*
- LVIP Global Income Fund: Current income consistent with preservation of capital.
(Subadvised by Mondrian Investment Partners Limited and Franklin Advisors, Inc.)

- LVIP Janus Capital Appreciation Fund: Long-term growth of capital.
(Subadvised by Janus Capital Management LLC)
- LVIP Mondrian International Value Fund: Long-term capital appreciation.
(Subadvised by Mondrian Investment Partners Limited)
- LVIP Money Market Fund: Current Income/Preservation of capital.
(Subadvised by Delaware Management Company)
- LVIP SSgA Bond Index Fund: Replicate Barclays Capital U.S. Aggregate Bond Index.
(Subadvised by SSgA Funds Management, Inc.)
- LVIP SSgA Emerging Markets 100 Fund: Long-term capital appreciation.
(Subadvised by SSgA Funds Management, Inc.)
- LVIP SSgA Global Tactical Allocation: Long-term growth of capital; a fund of funds.
(Subadvised by SSgA Funds Management, Inc.)
- LVIP SSgA International Index Fund: Replicate broad market index of non-U.S. foreign securities.
(Subadvised by SSgA Funds Management, Inc.)
- LVIP SSgA S&P 500 Index Fund: Replicate S&P 500 Index.
(Subadvised by SSgA Funds Management, Inc.)
- LVIP SSgA Small-Cap Index Fund: Replicate Russell 2000 Index.
(Subadvised by SSgA Funds Management, Inc.)
- LVIP T. Rowe Price Structured Mid-Cap Growth Fund: Maximum capital appreciation.
(Subadvised by T. Rowe Price Associates, Inc.)
- LVIP Vanguard Domestic Equity ETF Fund: Capital appreciation; a fund of funds.
- LVIP Vanguard International Equity ETF Fund: Capital appreciation; a fund of funds.
- LVIP Wells Fargo Intrinsic Value Fund: Reasonable income by investing in income-producing equity securities.
(Subadvised by Metropolitan West Capital Management)
- LVIP Protected Profile 2010 Fund: Total 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)

MFS® Variable Insurance TrustSM, advised by Massachusetts Financial Services Company

- Utilities Series: Total return.

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.

PIMCO Variable Insurance Trust, advised by PIMCO

- PIMCO VIT Total Return Portfolio: Total Return.

* 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.

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, automatic withdrawal/systematic withdrawal, systematic transfer, cross-reinvestment/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 surrender 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

We will deduct \$25 per account maintained on behalf of a participant or contractowner from account value on the last valuation date of each participant year to compensate us for the administrative services provided; this \$25 annual contract fee will also be deducted from account value upon total or partial withdrawals of all account value by a contractowner or participant.

Surrender Charges

A surrender charge is imposed in the event of a total or partial withdrawal of account value before the annuity commencement date. Charges are the same for all withdrawals except that, partial withdrawals of up to a cumulative percentage limit of 20% of the account value attributable to an unallocated group contract or; the account value attributable to a participant or the contractowner in an allocated group contract, as applicable, made in any 365-day period are not subject to a surrender charge. (To determine the 20% limit; add together all partial withdrawals during the 365-day period, including the withdrawal amount being requested, and then divide the sum by the account value at the time of the requested withdrawal.)

Restrictions apply to the extent a withdrawal is required from the fixed side of the contract. See — The Contracts — Discontinuance and Withdrawals. Partial withdrawals in excess of the cumulative percentage limit in any contract year are subject to the surrender charge. In addition, if a total withdrawal of all account value in the VAA is requested, then the entire amount of withdrawal is subject to the surrender charge.

| | Contract year in which surrender/withdrawal occurs | | | | | | | |
|--|--|-----|----|----|----|----|----|-----|
| | 0 | 1-4 | 5 | 6 | 7 | 8 | 9 | 10+ |
| Surrender charge as a percentage of the contract value | 6% | 6% | 5% | 4% | 3% | 2% | 1% | 0% |

A surrender charge will not apply to:

- A surrender or withdrawal after a group contract’s 10th contract anniversary.
- To make a payment due to the participant’s death, disability, retirement or termination of employment, excluding termination of employment due to plan termination, plant shutdown, or any other program instituted by the participant’s employer which would reduce the work force by more than 20%.
- To make a payment for a participant hardship situation as allowed by the plan.
- To make a payment pursuant to a qualified domestic relations order.
- To purchase an annuity option as permitted under the contract.

Additional Information

Participants in the Texas Optional Retirement Program should refer to Restrictions Under the Texas Optional Retirement Program, later in this prospectus booklet.

The charges associated with total and partial withdrawals are paid to us to compensate us for the cost of distributing the contracts.

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 distribution of the contracts.

Deductions from the VAA for Assumption of Mortality and Expense Risks

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 | 1.002% |
| “1 st breakpoint” mortality and expense charge* | .75% |
| “2 nd breakpoint” mortality and expense charge* | .55% |

* Only certain contract or plans are eligible for a breakpoint charge.

Lincoln contracts which, at the time of issue or at the end of a calendar quarter after the time of issue, have account value equal to or in excess of \$5 million will be eligible for the “1st breakpoint” mortality and expense risk charge. For contracts qualifying after the time of issue, the lower mortality and expense risk 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.

Contracts eligible for the “2nd breakpoint” mortality and expense risk charge are those contracts which, at the time of issue or at the end of a calendar quarter after the time of issue, have account value equal to or in excess of \$100 million, either individually or in combination with other Lincoln contracts under the same employer group or association, and under which annual contributions are, or are anticipated to be, at least \$15 million, as determined in our sole discretion. For contracts qualifying after the time of 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.

Certain contracts which are purchased with the surrender proceeds of an existing group variable annuity contract are not eligible for either the 1st breakpoint or the 2nd breakpoint mortality and expense risk charge.

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

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. 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 1.002% 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 403(b) 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 LVIP Money Market Fund. We do not impose the mortality and expense risk charge or the annual administration charge on 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.

Who Can Invest

In order to purchase a group contract, the plan on whose behalf the contract will be held must be one of the qualified plans for which the contracts are designed. Also, depending on state law requirements, a minimum of ten participants may be required to be participating in the plan. Lincoln Life may impose additional eligibility requirements; any such additional eligibility requirements will be applied in a nondiscriminatory manner.

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

In accordance with money laundering laws and federal economic sanction policy, the Company may be required in a given instance to reject a purchase payment and/or freeze a contractowner's account. This means we could refuse to honor requests for transfers, withdrawals, surrenders or death benefits. Once frozen, monies would be moved from the VAA to a segregated interest-bearing account maintained for the contractowner, and held in that account until instructions are received from the appropriate regulator.

Do not purchase this contract if you plan to use it, or any of its riders, for speculation, arbitrage, viatical arrangement, or other collective investment scheme. The contract may not be traded on any stock exchange or sold on any secondary market.

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.

Contributions

Contributions are payable to us at a frequency and may be made in any amount unless the contractowner or the plan has a minimum amount. Contributions in any one contract year which exceed twice the amount of contributions made in the first contract year may be made only with our permission. If contributions stop, the contract will remain in force as a paid-up contract. Payments may be resumed at any time until the group contract or certificate, as applicable, terminates.

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

Contributions are placed into the VAA's subaccounts, each of which invests in shares of its corresponding fund, according to contractowners or participants instructions.

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.

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

The contractowner (under an unallocated group contract) or participant or contractowner (under an allocated group contract) may transfer all or a portion of account value from one subaccount to another.

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. Transfers (within the VAA and between the variable and fixed accounts) are restricted to once every 30 days. We reserve the right to further limit the number of transfers.

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.

The contractowner (under an unallocated group contract) or participant or contractowner (under an allocated group contract) may also transfer all or any part of the account value from the subaccount(s) to the fixed account. Under an allocated contract, a participant may transfer account value from the fixed side to the various subaccount(s), provided that the sum of the transfers and withdrawals of account value in the fixed side transferred is limited to 20% of the account value in the fixed side in any 365 day period. Under an unallocated contract, a group contractowner may transfer account value from the fixed side to the various subaccount(s), provided that the sum of the transfers and withdrawals of account value in the fixed side transferred is limited to 20% of account value in the fixed side in any 365 day period. In the alternative, full liquidation of the fixed account may be requested over a 5-year period. If the 5-year payout period is chosen, the following schedule shows the percentage of the fixed account that will be transferred (or withdrawn) each year based on the value in the fixed account on each date:

| | |
|-------------------------|------|
| Initial date..... | 20% |
| First anniversary..... | 20% |
| Second anniversary..... | 25% |
| Third anniversary..... | 33% |
| Fourth anniversary..... | 50% |
| Fifth anniversary..... | 100% |

There is no charge for a transfer. However, we reserve the right to impose a charge in the future for any transfers.

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

Contractowners or participants may transfer all or a portion of the investment in one subaccount to another subaccount or to the fixed side of the contract. Those transfers will be limited to three times per contract year. **However, after the annuity commencement date, no transfers are allowed from the fixed side of the contract to the subaccounts.**

Additional Services

There may be additional services available to you: dollar-cost averaging, automatic withdrawal service/systematic withdrawal option, systematic transfer option, cross-reinvestment service/account sweep and portfolio rebalancing. In order to take advantage of one of these services, you will need to complete the election form for the service that is available from us.

Dollar-cost averaging allows you to transfer a designated amount from certain subaccounts, the fixed side of the contract or money market account into other subaccounts on a monthly basis.

The automatic withdrawal service/systematic withdrawal option provides for an automatic periodic withdrawal of your account value.

The systematic transfer service allows you to fully liquidate your fixed account balance over 5 years and transfer the amounts into one or more of the subaccounts.

The cross-reinvestment service/account sweep 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.

Portfolio rebalancing is an option that restores to a predetermined level the percentage of account value allocated to each subaccount or the fixed account.

Death Benefit Before the Annuity Commencement Date

If a participant under an allocated contract issued in connection with a Section 403(b) plan that is not subject to ERISA dies before the annuity commencement date, we will pay the beneficiary, if one is living, a death benefit equal to the greater of the following amounts:

- a. the net contributions, or
- b. the participant's account value less any outstanding loan balance.

No surrender charge or account charge is deducted from the death benefit. The death benefit will be determined at the end of the valuation period during which we approve the death claim, and are in receipt of both the proof of death and the election form of benefit.

The participant may designate a beneficiary during the life of the participant and change the beneficiary by filing a written request with the home office. Each change of beneficiary revokes any previous designation. Unless otherwise provided in the beneficiary designation, if no beneficiary survives the participant, the death benefit will be paid in one sum to the participant's estate.

All death benefit payments will be subject to the employers plan (if applicable) and to the laws and regulations governing death benefits. In addition, no payment of death benefit 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. Death benefits are taxable. See — Federal Tax Matters-Taxation of Death Benefits.

The death benefit may be paid in a lump sum or under settlement options then available. If a lump sum settlement is elected, the proceeds will generally be paid within seven days of approval by us of the claim. This payment may be postponed as permitted by the 1940 Act.

If the recipient of the death benefit has elected a lump sum settlement and the contract value is \$10,000 or more (\$25,000 for certain contracts, subject to regulatory restrictions as described above), the proceeds will be placed into a **SecureLine**® account in the recipient's name as the owner of the account. If the recipient requests a lump sum surrender and the death benefit is over \$10,000 (\$25,000 for certain contracts, subject to regulatory restrictions as described above), the money will be placed into a **SecureLine**® account in the recipient's name. **SecureLine**® is a service we offer to help the recipient manage the death benefit proceeds. With **SecureLine**®, 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 simply 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**® 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**® account. The recipient may request that surrender proceeds be paid directly to him or her instead of deposited in a **SecureLine**® account.

Interest credited in the **SecureLine**® 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**® account.

The balance in the recipient's **SecureLine**® 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 minimum rate credited is equal to the national average for interest-bearing checking accounts as published by Bloomberg, plus 1%. The interest rate will be updated monthly and we may increase that minimum rate at its discretion. The interest rate credited to the recipient's **SecureLine**® account may be more or less than the rate earned on funds held in Lincoln's general account. The recipient should consider comparing this interest rate to a bank account interest rate or consult a financial professional to compare interest rates on comparable bank or mutual fund accounts.

Should the recipient's account balance drop below \$1,000, the account will be automatically closed and a check for the remaining funds plus the interest earned will be mailed to the recipient. There are no monthly fees for checks and no fee for monthly checking account service. The recipient will be charged a fee of \$15 if for a stop a payment and \$10 if a check is returned for insufficient funds. Additional checks may be ordered at no cost.

Discontinuance and Withdrawals

Discontinuance. A group contractowner may discontinue a group contract at any time by giving written notice to Lincoln Life. The contract will be deemed discontinued on the later of the valuation date the contractowner specifies or the valuation date on which we receive the written notice. Lincoln Life may also give a group contractowner written notice that the group contract will be discontinued by Lincoln Life if the plan does not qualify for special tax treatment under Section 401, 403, 408, 414 or 457 of the tax code. Lincoln Life will give the group contractowner at least 15 days advance written notice in which to cure any remediable defaults before discontinuing the group contract.

With respect to an allocated group contract, if the contract is discontinued due to the contractowner's request, participants will be given written notice. As of the date the contract is discontinued, no additional contributions will be accepted. However, transfers, withdrawals, and loans will continue to be permitted, in accordance with the terms of the contract.

Subject to applicable regulatory requirements, if an allocated group contract is discontinued due to not qualifying for special tax treatment under Section 401, 403, 408, 414 or 457 of the tax code, the account value will be paid to the contractowner or participant, subject to the charges and restrictions applicable to a withdrawal of the entire account value. Participants will be given written notice.

Subject to applicable regulatory requirements, if an unallocated group contract is discontinued, the account value will be paid to the contractowner, subject to the charges and restrictions applicable to a withdrawal of the entire account value.

In the event that Lincoln Life ceases to offer the contracts to new purchasers, we may also determine to deactivate a group contract by prohibiting additional contributions and/or the addition of new participants under the contract. Contractowners will be given at least 90 days' notice of deactivation of the contract.

Some contracts provide that the account value in the fixed side of the contract may be paid in a lump sum subject to a market value adjustment. This option is available under allocated group contracts if the contract is discontinued and the contract is subject to ERISA. It is also available within unallocated group contracts if 100% of the account value is requested. If this option is selected, the account value in the fixed side of the contract will be paid in a lump sum equal to the market value factor times the account value in the fixed side reduced by the sum of the surrender charges and the account charge times the number of participants. The market value factor is the lesser of 1.00 or the ratio of:

$$\frac{\text{Current Bond Price}}{\text{Par Value of that Bond}}$$

The Current Bond Price will be calculated at the time of contract discontinuance and will be equal to the price of a bond:

- issued with a maturity date of 6.5 years;
- bearing interest at the weighted average of the declared interest rates in effect as of the discontinuance date; and
- calculated to yield the Merrill Lynch Baa Intermediate Industrial Average for the week in which the notice of discontinuance is received.

The amount payable will never be less than the principal in the fixed side of contract accumulated at an effective annual interest rate of 3.00%

Withdrawals. Withdrawals of account value under the contract for any one of the following reasons (benefit responsive withdrawals) may be made at any time and in any amount, and are not subject to a surrender charge:

- to make a payment due to the participant's death, disability, retirement, or termination of employment, excluding termination of employment due to plan termination, plant shutdown, or any other program instituted by the participant's employer which would reduce the work force by more than 20%;
- to make a payment for a participant hardship situation as permitted by the plan;
- to make a payment pursuant to a Qualified Domestic Relations Order (QDRO); or
- to purchase an annuity option under the contract.

Upon receipt of request for payment due to a participant's death, we will make a payment equal to the greater of the following amounts:

- the net contributions, or
- the participant's account value less any outstanding loan balance.

If a withdrawal for the entire account value is requested and there is an outstanding loan balance, the account value will be reduced by the amount of the outstanding loan balance. The remaining account value will be calculated at the end of the valuation period following the deduction of the loan balance.

Withdrawals of account value that are not benefit responsive withdrawals are generally subject to a surrender charge in accordance with the terms of the contract. See — Charges and Other Deductions. Such withdrawals are also subject to certain additional conditions as follows:

- Partial withdrawals of up to a cumulative percentage limit of 20% of the account value attributable to an unallocated group contract, or a participant or contractowner under an allocated group contract, may be made in each contract year without imposition of a surrender charge. (To determine the 20% limit, all partial withdrawals during the contract year, including the withdrawal amount being requested, are added together, and the sum is divided by the account value at the time of the requested withdrawal). Partial withdrawals in excess of the cumulative percentage limit in any contract year are subject to the surrender charge. In addition, if a complete withdrawal of all account value in the VAA is requested, then the entire amount of such withdrawal is subject to the surrender charge. In the event that a withdrawal of the entire account value allocated to both the VAA and the fixed side is requested, then the account charge will also be deducted from account value prior to payment.
- Withdrawals of account value from the fixed side of the contract may be requested as either periodic elective withdrawals or systematic withdrawals.

- In any 365-day period, a periodic elective withdrawal of up to 20% of account value per contractowner or per participant, as applicable, from the fixed side may be made. The cumulative percentage limit of 20% is the sum of all periodic elective transfers and withdrawals from the fixed side during the preceding 364-day period plus the amount of the requested withdrawal, divided by the then-current account value in the fixed side. Periodic elective withdrawals (or transfers) from the fixed side in excess of this cumulative percentage limit will not be permitted.

In addition, full liquidation of the fixed account may be requested over a 5-year period. If the 5-year payout period is chosen the following schedule shows the percentage of the fixed account that will be transferred (or withdrawn) each year based on the value in the fixed account on each date:

| | |
|--------------------------|------|
| Initial date | 20% |
| First anniversary | 20% |
| Second anniversary | 25% |
| Third anniversary | 33% |
| Fourth anniversary | 50% |
| Fifth anniversary | 100% |

- The initial payment of a systematic withdrawal will be reduced by the amount of any periodic elective withdrawals (or transfers) from the fixed side during the immediately preceding 365-day period. Neither a contractowner nor a participant can make periodic elective withdrawals (or transfers) from the fixed side while a systematic withdrawal (or transfer) is effective, or for one calendar year after the systematic withdrawal (or transfer) election has been rescinded. In addition, while systematic withdrawal (or transfer) election is in effect, a participant cannot allocate contributions to the fixed side.

General. All withdrawal requests must be submitted to us on an approved Lincoln Life form, and, unless the contract has been issued in connection with a Section 403(b) plan not subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), must be authorized by the group contractowner. In a 403(b) plan that is not subject to ERISA the participant must submit the withdrawal request.

Special restrictions on withdrawals apply if the contract is purchased as part of a retirement plan of a public school system or Section 501(c)(3) organization under Section 403(b) of the tax code. In order for a contract to retain its tax-qualified status, Section 403(b) prohibits a withdrawal from a Section 403(b) contract of post-1988 contributions (and earnings on those contributions) pursuant to a salary reduction agreement. However, this restriction does not apply if the annuitant:

- attains age 59½
- separates from service
- dies
- becomes totally and permanently disabled and/or
- experiences financial hardship (in which event the income attributable to those contributions may not be withdrawn).

Pre-1989 contributions and earnings through December 31, 1988, are not subject to the previously stated restriction.

Any withdrawal after an annuity commencement date depends upon the annuity option selected.

The account value available upon withdrawal is determined at the end of the valuation period during which the written request for withdrawal is received at the home office. Withdrawal payments from the VAA will be mailed within seven days after we receive a valid written request at the home office. The payment may be postponed as permitted by the 1940 Act.

Unless a request for withdrawal specifies otherwise, withdrawals will be made from all subaccounts within the VAA and from the fixed side in the same proportion that the amount withdrawn bears to the total account value.

As discussed above, there are charges associated with withdrawal of account value during the first ten contract years. See — Charges and Other Deductions-Surrender Charge. You may specify that the charges be deducted from the amount you request withdrawn or from the remaining account value. If you specify that the charges be deducted from the remaining account value, the amount of the total withdrawal will be increased according to a formula for calculating the impact of the applicable surrender charge percentage; consequently, the amount of the charge associated with that withdrawal will also increase. In other words, the amount deducted to cover the surrender charge is also subject to a surrender charge.

The tax consequences of withdrawals are discussed later in this booklet. See — Federal Tax Matters.

The contract will terminate when there is no account value remaining. See the contract for more information.

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

With respect to an allocated group contract, a participant under a plan that permits loans may apply for a loan under the contract prior to such participant's annuity commencement date. A participant must complete a loan application and assign account value in the fixed side equal to the loan amount as security for the loan. If the account value in the fixed side is less than the loan amount, we will transfer account value from the VAA to the fixed side, from either the subaccounts specified by the participant or on a pro-rata basis from all subaccounts. For purposes of applying transfer and withdrawal restrictions from the fixed side of the contract, any amount allocated to the fixed side of the contract as security for a loan will be included in the calculation of account value in the fixed side of the contract. However, neither withdrawals nor transfers from the fixed side of the contract are allowed to the extent that such a withdrawal or transfer would cause the value in the fixed side to be less than any outstanding loan. The minimum loan amount is \$1,000. A participant may borrow up to the lesser of 50% of the account value or \$50,000 on all outstanding loans to the participant under all plans. However, for plans not subject to ERISA, if 50% of the total account value is less than \$10,000, the participant may borrow the lesser of \$10,000 or 100% of the account value. A participant may have only one contract loan with us at any one time. Also, if the participant had an outstanding loan during the preceding twelve month period, the \$50,000 maximum loan limit is reduced by the excess of the highest outstanding balance of loans during the preceding twelve month period over the outstanding current loan balance.

The loan interest rate is adjustable, which means it may change from time to time. The initial annual loan rate of interest, which we declare quarterly, will generally be the Moody's Corporate Bond Yield monthly average for the calendar month two months prior to the first day of each calendar quarter, rounded down to the next .25%. At the beginning of each calendar quarter, we will compare each loan's interest rate to the then current declared interest rate. If the then current declared interest rate is less than the loan's interest rate by .50% or more, the loan's interest rate will be decreased to equal the then current declared interest rate. The loan's interest rate will remain unchanged if the then current declared interest rate differs from the loan's interest rate by less than .50%. The loan rate for an existing loan may decrease, but it will never increase. During the time that the loan is outstanding, the amount of the loan principal pledged as security for the loan will earn interest at an annual rate of at least 3.00%, as specified in the contract. Loan payments of principal and interest must be paid in level amortized payments, either monthly or quarterly. The loan must be repaid within 5 years unless it is being used to purchase a principal residence for the participant in which case the loan must be repaid within 20 years or less.

The amounts and terms of a participant loan may be subject to the restrictions imposed under Section 72(p) of the tax code, Title I of ERISA, and any applicable plan. Under certain contracts, a one-time fee of up to \$35 may be charged to set up a loan. Please see your contract for more information about loans, including interest rates and applicable fees and charges. This provision is not available in an unallocated group contract.

Please note: certain contracts do not have all of the loan provisions outlined above. Therefore, your contract may contain loan provisions with the following differences:

- the loan interest for new loans is determined monthly (not quarterly);
- the loan interest rate for existing loans is adjusted on the anniversary of the loan (not at the beginning of each quarter); and
- the loan interest rate for existing loans may increase or decrease (not just decrease).

See your contract for more information.

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 defer payments from the fixed side of the contract for up to six months.

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.

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.

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.**

Joint Life Annuity with Guaranteed Period. This option guarantees periodic payouts during a designated period, usually 10 or 20 years, and continues during the joint lifetime of the annuitant and a designated joint annuitant. The payouts continue during the lifetime of the survivor. The designated period is selected by the contractowner or participant, as applicable.

Joint Life and Two Thirds to Survivor Annuity. This option provides a periodic payout during the joint lifetime of the annuitant and a designated joint annuitant. When one of the joint annuitants dies, the survivor receives two thirds of the periodic payout made when both were alive.

Joint Life and Two-Thirds Survivor Annuity with Guaranteed Period. This option provides a periodic payout during the joint lifetime of the annuitant and a joint annuitant. When one of the joint annuitants dies, the survivor receives two-thirds of the periodic payout made when both were alive. This option further provides that should one or both of the annuitants die during the elected guaranteed period, usually 10 or 20 years, full benefit payment will continue for the rest of the guaranteed period.

Unit Refund Life Annuity. This option offers a periodic payout during the lifetime of the annuitant with the guarantee that upon death a payout will be made of the value of the number of annuity units (see Variable Annuity Payouts) equal to the excess, if any, of:

- the total amount applied under this option divided by the annuity unit value for the date payouts begin, minus
- the annuity units represented by each payout to the annuitant multiplied by the number of payouts paid before death.

The value of the number of annuity units is computed on the date the death claim is approved for payment by the appropriate office.

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 payouts, 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.

Variable Annuity Payouts

Variable annuity payouts will be determined using:

- The contract value on the annuity commencement date;
- The annuity tables 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 contract with a fixed 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 5% per year, as applied to the applicable mortality table. The amount of each payout after the initial payout will depend upon how the underlying fund(s) and series perform, relative to the 5% assumed rate. If the actual net investment rate (annualized) exceeds 5%, the annuity payout will increase at a rate proportional to the amount of such excess. Conversely, if the actual rate is less than 5% annuity payments 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 4.50% 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 1.25% 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 4.50% 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 1.25% 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

With respect to a participant under an allocated group contract, within the free-look period after you first receive the certificate, you may cancel it for any reason by delivering or mailing it postage prepaid, to the servicing office at P.O. Box 2340 Fort Wayne, IN 46801-2340. A certificate canceled under this provision will be void. With respect to the fixed side of a contract, we will return contributions. With respect to the VAA, except as explained in the following paragraph, we will return the account value as of the date of receipt of the cancellation, plus any account charge and any premium taxes which had been deducted. No surrender charge will be assessed. **A participant who allocates contributions to the VAA is subject to the risk of a market loss during the free-look period.**

For contracts written in those states whose laws require that we assume this market risk during the free-look period, a contract may be canceled, subject to the conditions explained before, except that we will return only the contribution(s).

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.

Restrictions Under the Texas Optional Retirement Program

Title 8, Section 830.105 of the Texas Government Code, consistent with prior interpretations of the Attorney General of the State of Texas, permits participants in the Texas Optional Retirement Program (ORP) to redeem their interest in a variable annuity contract issued under the ORP only upon:

- Termination of employment in all institutions of higher education as defined in Texas law;
- Retirement; or
- Death.

Accordingly, a participant in the ORP will be required to obtain a certificate of termination from their employer before accounts can be redeemed.

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

You may elect to receive your prospectus, prospectus supplements, quarterly statements, and annual and semiannual reports electronically over the Internet, if you have an e-mail account and access to an Internet browser. Once you select eDelivery, via the Internet Service Center, all documents available in electronic format will no longer be sent to you in hard copy. You will receive an e-mail notification when the documents become available online. It is your responsibility to provide us with your current e-mail address. You can resume paper mailings at any time without cost, by updating your profile at the Internet Service Center, or contacting us. To learn more about this service, please log on to www.LincolnFinancial.com, select service centers and continue on through the Internet Service Center.

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.

Contents of the Statement of Additional Information (SAI) for Lincoln Life Variable Annuity Account Q

Item _____

Special Terms _____

Services _____

Principal Underwriter _____

Purchase of Securities Being Offered _____

Annuity payouts _____

**Determination of Accumulation and Annuity Unit
Value** _____

Capital Markets _____

Advertising & Ratings _____

Other Information _____

Financial Statements _____

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

Statement of Additional Information Request Card Group Variable Annuity Contracts Lincoln Life Variable Annuity Account Q

.....
Please send me a free copy of the current Statement of Additional Information for Lincoln Life Variable Annuity Account Account Q.

(Please Print)

Name: _____

Address: _____

City _____ State _____ Zip _____

Mail to: The Lincoln Life National Insurance Co., P. O. Box 2340, Fort Wayne, IN 46808

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.

| | Standard | | | 1st Breakpoint | | | 2nd Breakpoint | | |
|--|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|
| | Accumulation unit value | | Number of accumulation units | 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 | | Beginning of period | End of period | |
| (Accumulation unit value in dollars and Number of accumulation units in thousands) | | | | | | | | | |
| AllianceBernstein VPS Global Thematic Growth | | | | | | | | | |
| 2002..... | 5.440 | 3.134 | 32 | 5.463 | 3.155 | 19 | N/A | N/A | N/A |
| 2003..... | 3.134 | 4.462 | 55 | 3.155 | 4.503 | 31 | N/A | N/A | N/A |
| 2004..... | 4.462 | 4.642 | 70 | 4.503 | 4.696 | 78 | N/A | N/A | N/A |
| 2005..... | 4.642 | 4.764 | 81 | 4.696 | 4.831 | 91 | N/A | N/A | N/A |
| 2006..... | 4.764 | 5.111 | 89 | 4.831 | 5.197 | 114 | 4.748 | 5.201 | 1** |
| 2007..... | 5.111 | 6.067 | 121 | 5.197 | 6.184 | 124 | 5.201 | 6.201 | 1** |
| 2008..... | 6.067 | 3.155 | 136 | 6.184 | 3.225 | 116 | 6.201 | 3.240 | 8 |
| 2009..... | 3.155 | 4.784 | 170 | 3.225 | 4.901 | 130 | 3.240 | 4.934 | 15 |
| 2010..... | 4.784 | 5.617 | 179 | 4.901 | 5.769 | 117 | 4.934 | 5.819 | 16 |
| 2011..... | 5.617 | 4.259 | 166 | 5.769 | 4.385 | 125 | 5.819 | 4.432 | 18 |
| AllianceBernstein VPS Growth and Income | | | | | | | | | |
| 2004..... | 10.342* | 11.133* | 1** | 10.350* | 11.150* | 2 | N/A | N/A | N/A |
| 2005..... | 11.133 | 11.528 | 11 | 11.150 | 11.575 | 68 | N/A | N/A | N/A |
| 2006..... | 11.528 | 13.351 | 77 | 11.575 | 13.440 | 74 | 12.228 | 13.449 | 78 |
| 2007..... | 13.351 | 13.861 | 82 | 13.440 | 13.987 | 108 | 13.449 | 14.025 | 71 |
| 2008..... | 13.861 | 8.138 | 100 | 13.987 | 8.233 | 58 | 14.025 | 8.272 | 56 |
| 2009..... | 8.138 | 9.697 | 117 | 8.233 | 9.835 | 61 | 8.272 | 9.901 | 35 |
| 2010..... | 9.697 | 10.829 | 123 | 9.835 | 11.011 | 54 | 9.901 | 11.106 | 14 |
| 2011..... | 10.829 | 11.371 | 124 | 11.011 | 11.592 | 51 | 11.106 | 11.716 | 12 |
| American Century VP Inflation Protection | | | | | | | | | |
| 2009..... | 10.140 | 10.614 | 10 | 10.061 | 10.630 | 2 | N/A | N/A | N/A |
| 2010..... | 10.614 | 11.072 | 13 | 10.630 | 11.116 | 9 | N/A | N/A | N/A |
| 2011..... | 11.072 | 12.288 | 36 | 11.116 | 12.368 | 22 | N/A | N/A | N/A |
| American Funds Global Growth Fund | | | | | | | | | |
| 2004..... | 10.291* | 11.309* | 1** | 10.245* | 11.327* | 31 | N/A | N/A | N/A |
| 2005..... | 11.309 | 12.772 | 11 | 11.327 | 12.825 | 90 | N/A | N/A | N/A |
| 2006..... | 12.772 | 15.227 | 35 | 12.825 | 15.329 | 42 | 14.022 | 15.340 | 126 |
| 2007..... | 15.227 | 17.314 | 62 | 15.329 | 17.474 | 120 | 15.340 | 17.521 | 130 |
| 2008..... | 17.314 | 10.561 | 98 | 17.474 | 10.685 | 108 | 17.521 | 10.735 | 146 |
| 2009..... | 10.561 | 14.878 | 125 | 10.685 | 15.092 | 117 | 10.735 | 15.193 | 167 |
| 2010..... | 14.878 | 16.460 | 142 | 15.092 | 16.739 | 119 | 15.193 | 16.885 | 141 |
| 2011..... | 16.460 | 14.848 | 143 | 16.739 | 15.137 | 118 | 16.885 | 15.300 | 116 |
| American Funds Growth Fund | | | | | | | | | |
| 2002..... | 7.746 | 5.794 | 293 | 7.778 | 5.832 | 984 | N/A | N/A | N/A |
| 2003..... | 5.794 | 7.847 | 419 | 5.832 | 7.919 | 1,346 | N/A | N/A | N/A |
| 2004..... | 7.847 | 8.740 | 578 | 7.919 | 8.842 | 1,908 | N/A | N/A | N/A |
| 2005..... | 8.740 | 10.054 | 723 | 8.842 | 10.197 | 2,469 | N/A | N/A | N/A |
| 2006..... | 10.054 | 10.971 | 886 | 10.197 | 11.155 | 1,043 | 10.428 | 11.163 | 1,694 |
| 2007..... | 10.971 | 12.202 | 914 | 11.155 | 12.439 | 1,357 | 11.163 | 12.472 | 1,565 |
| 2008..... | 12.202 | 6.769 | 946 | 12.439 | 6.917 | 848 | 12.472 | 6.950 | 1,267 |
| 2009..... | 6.769 | 9.342 | 1,035 | 6.917 | 9.572 | 888 | 6.950 | 9.636 | 1,142 |
| 2010..... | 9.342 | 10.977 | 1,044 | 9.572 | 11.275 | 833 | 9.636 | 11.373 | 1,001 |
| 2011..... | 10.977 | 10.403 | 931 | 11.275 | 10.712 | 775 | 11.373 | 10.827 | 786 |
| American Funds Growth-Income Fund | | | | | | | | | |
| 2004..... | 10.316* | 10.977* | 12 | 10.149* | 10.994* | 431 | N/A | N/A | N/A |
| 2005..... | 10.977 | 11.502 | 58 | 10.994 | 11.548 | 822 | N/A | N/A | N/A |
| 2006..... | 11.502 | 13.118 | 115 | 11.548 | 13.205 | 284 | 12.216 | 13.214 | 836 |
| 2007..... | 13.118 | 13.643 | 169 | 13.205 | 13.767 | 603 | 13.214 | 13.804 | 918 |
| 2008..... | 13.643 | 8.394 | 241 | 13.767 | 8.492 | 360 | 13.804 | 8.532 | 848 |
| 2009..... | 8.394 | 10.907 | 302 | 8.492 | 11.062 | 375 | 8.532 | 11.136 | 770 |
| 2010..... | 10.907 | 12.032 | 329 | 11.062 | 12.234 | 382 | 11.136 | 12.341 | 726 |
| 2011..... | 12.032 | 11.694 | 299 | 12.234 | 11.921 | 371 | 12.341 | 12.048 | 587 |

| | Standard | | | 1st Breakpoint | | | 2nd Breakpoint | | |
|--|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|
| | Accumulation unit value | | Number of accumulation units | 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 | | Beginning of period | End of period | |
| (Accumulation unit value in dollars and Number of accumulation units in thousands) | | | | | | | | | |
| American Funds International Fund | | | | | | | | | |
| 2002..... | 6.412 | 5.406 | 60 | 6.439 | 5.442 | 145 | N/A | N/A | N/A |
| 2003..... | 5.406 | 7.218 | 84 | 5.442 | 7.284 | 219 | N/A | N/A | N/A |
| 2004..... | 7.218 | 8.526 | 122 | 7.284 | 8.627 | 441 | N/A | N/A | N/A |
| 2005..... | 8.526 | 10.256 | 185 | 8.627 | 10.404 | 685 | N/A | N/A | N/A |
| 2006..... | 10.256 | 12.081 | 270 | 10.404 | 12.285 | 370 | 11.471 | 12.294 | 487 |
| 2007..... | 12.081 | 14.355 | 330 | 12.285 | 14.635 | 536 | 12.294 | 14.674 | 512 |
| 2008..... | 14.355 | 8.225 | 371 | 14.635 | 8.407 | 348 | 14.674 | 8.446 | 384 |
| 2009..... | 8.225 | 11.651 | 441 | 8.407 | 11.938 | 374 | 8.446 | 12.018 | 338 |
| 2010..... | 11.651 | 12.369 | 448 | 11.938 | 12.706 | 375 | 12.018 | 12.817 | 282 |
| 2011..... | 12.369 | 10.536 | 424 | 12.706 | 10.850 | 342 | 12.817 | 10.966 | 202 |
| Blackrock Global Allocation VI | | | | | | | | | |
| 2009..... | 10.254 | 11.400 | 5 | 10.246 | 11.655 | 2 | N/A | N/A | N/A |
| 2010..... | 11.400 | 12.421 | 28 | 11.655 | 12.731 | 36 | N/A | N/A | N/A |
| 2011..... | 12.421 | 11.868 | 44 | 12.731 | 12.195 | 45 | N/A | N/A | N/A |
| Delaware VIP® Diversified Income Series | | | | | | | | | |
| 2004..... | 10.095* | 10.936* | 3 | 10.190* | 10.952* | 10 | N/A | N/A | N/A |
| 2005..... | 10.936 | 10.778 | 28 | 10.952 | 10.821 | 75 | N/A | N/A | N/A |
| 2006..... | 10.778 | 11.516 | 103 | 10.821 | 11.591 | 174 | 11.206 | 11.599 | 34 |
| 2007..... | 11.516 | 12.271 | 146 | 11.591 | 12.382 | 339 | 11.599 | 12.415 | 117 |
| 2008..... | 12.271 | 11.597 | 185 | 12.382 | 11.732 | 259 | 12.415 | 11.786 | 140 |
| 2009..... | 11.597 | 14.577 | 216 | 11.732 | 14.783 | 244 | 11.786 | 14.882 | 106 |
| 2010..... | 14.577 | 15.594 | 221 | 14.783 | 15.855 | 237 | 14.882 | 15.993 | 82 |
| 2011..... | 15.594 | 16.426 | 216 | 15.855 | 16.742 | 235 | 15.993 | 16.922 | 75 |
| Delaware VIP® High Yield Series | | | | | | | | | |
| 2005..... | 10.182 | 10.273 | 1** | 10.298 | 10.289 | 1** | N/A | N/A | N/A |
| 2006..... | 10.273 | 11.437 | 19 | 10.289 | 11.484 | 6 | 10.936 | 11.492 | 10 |
| 2007..... | 11.437 | 11.639 | 53 | 11.484 | 11.717 | 37 | 11.492 | 11.749 | 37 |
| 2008..... | 11.639 | 8.738 | 62 | 11.717 | 8.818 | 35 | 11.749 | 8.860 | 42 |
| 2009..... | 8.738 | 12.887 | 73 | 8.818 | 13.038 | 45 | 8.860 | 13.126 | 79 |
| 2010..... | 12.887 | 14.713 | 74 | 13.038 | 14.923 | 48 | 13.126 | 15.054 | 101 |
| 2011..... | 14.713 | 14.913 | 62 | 14.923 | 15.164 | 50 | 15.054 | 15.328 | 44 |
| Delaware VIP® REIT Series | | | | | | | | | |
| 2002..... | 12.560 | 12.998 | 30 | 12.615 | 13.086 | 44 | N/A | N/A | N/A |
| 2003..... | 12.998 | 17.246 | 47 | 13.086 | 17.408 | 80 | N/A | N/A | N/A |
| 2004..... | 17.246 | 22.432 | 77 | 17.408 | 22.700 | 126 | N/A | N/A | N/A |
| 2005..... | 22.432 | 23.801 | 116 | 22.700 | 24.145 | 145 | N/A | N/A | N/A |
| 2006..... | 23.801 | 31.252 | 151 | 24.145 | 31.785 | 112 | 28.421 | 31.806 | 56 |
| 2007..... | 31.252 | 26.628 | 141 | 31.785 | 27.150 | 111 | 31.806 | 27.222 | 35 |
| 2008..... | 26.628 | 17.119 | 134 | 27.150 | 17.499 | 83 | 27.222 | 17.581 | 23 |
| 2009..... | 17.119 | 20.899 | 146 | 17.499 | 21.417 | 92 | 17.581 | 21.561 | 20 |
| 2010..... | 20.899 | 26.275 | 152 | 21.417 | 26.994 | 87 | 21.561 | 27.229 | 18 |
| 2011..... | 26.275 | 28.864 | 134 | 26.994 | 29.728 | 89 | 27.229 | 30.047 | 13 |
| Delaware VIP® Small Cap Value Series | | | | | | | | | |
| 2002..... | 1.023 | 0.955 | 286 | 1.024 | 0.959 | 142 | N/A | N/A | N/A |
| 2003..... | 0.955 | 1.339 | 493 | 0.959 | 1.348 | 274 | N/A | N/A | N/A |
| 2004..... | 1.339 | 1.606 | 857 | 1.348 | 1.621 | 895 | N/A | N/A | N/A |
| 2005..... | 1.606 | 1.735 | 1,300 | 1.621 | 1.756 | 1,722 | N/A | N/A | N/A |
| 2006..... | 1.735 | 1.991 | 1,746 | 1.756 | 2.020 | 1,936 | 1.900 | 2.021 | 201 |
| 2007..... | 1.991 | 1.836 | 1,662 | 2.020 | 1.867 | 2,499 | 2.021 | 1.872 | 272 |
| 2008..... | 1.836 | 1.271 | 1,773 | 1.867 | 1.296 | 1,615 | 1.872 | 1.302 | 190 |
| 2009..... | 1.271 | 1.656 | 1,945 | 1.296 | 1.693 | 1,753 | 1.302 | 1.704 | 159 |
| 2010..... | 1.656 | 2.163 | 2,063 | 1.692 | 2.216 | 1,614 | 1.704 | 2.235 | 250 |
| 2011..... | 2.163 | 2.107 | 2,008 | 2.216 | 2.164 | 1,486 | 2.235 | 2.188 | 153 |

| | Standard | | Number of accumulation units | 1st Breakpoint | | | 2nd Breakpoint | | |
|--|-------------------------|------------------|------------------------------------|-------------------------|------------------|------------------------------------|-------------------------|------------------|------------------------------------|
| | Accumulation unit value | | | 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 | | Beginning of period | End of period | |
| (Accumulation unit value in dollars and Number of accumulation units in thousands) | | | | | | | | | |
| Delaware VIP® Smid Cap Growth Series ⁽³⁾ | | | | | | | | | |
| 2002..... | 1.784 | 1.414 | 553 | 1.800 | 1.431 | 2,347 | N/A | N/A | N/A |
| 2003..... | 1.414 | 1.892 | 677 | 1.431 | 1.918 | 2,031 | N/A | N/A | N/A |
| 2004..... | 1.892 | 2.109 | 850 | 1.918 | 2.144 | 2,121 | N/A | N/A | N/A |
| 2005..... | 2.109 | 2.210 | 926 | 2.144 | 2.253 | 1,948 | N/A | N/A | N/A |
| 2006..... | 2.210 | 2.354 | 950 | 2.253 | 2.406 | 1,559 | 2.171 | 2.407 | 595 |
| 2007..... | 2.354 | 2.581 | 926 | 2.406 | 2.644 | 1,692 | 2.407 | 2.651 | 515 |
| 2008..... | 2.581 | 1.361 | 880 | 2.644 | 1.398 | 897 | 2.651 | 1.404 | 444 |
| 2009..... | 1.361 | 2.085 | 959 | 1.398 | 2.147 | 841 | 1.404 | 2.161 | 403 |
| 2010..... | 2.493 | 2.830 | 1,024 | 2.572 | 2.921 | 759 | 2.593 | 2.946 | 409 |
| 2011..... | 2.830 | 3.030 | 908 | 2.921 | 3.135 | 767 | 2.946 | 3.169 | 355 |
| Delaware VIP® Value Series | | | | | | | | | |
| 2002..... | 1.623 | 1.307 | 196 | 1.637 | 1.321 | 2,036 | N/A | N/A | N/A |
| 2003..... | 1.307 | 1.660 | 350 | 1.321 | 1.682 | 2,031 | N/A | N/A | N/A |
| 2004..... | 1.660 | 1.888 | 467 | 1.682 | 1.919 | 1,798 | N/A | N/A | N/A |
| 2005..... | 1.888 | 1.982 | 598 | 1.919 | 2.020 | 2,129 | N/A | N/A | N/A |
| 2006..... | 1.982 | 2.435 | 853 | 2.020 | 2.488 | 1,045 | 2.246 | 2.489 | 1,555 |
| 2007..... | 2.435 | 2.346 | 848 | 2.488 | 2.402 | 1,276 | 2.489 | 2.408 | 1,752 |
| 2008..... | 2.346 | 1.546 | 866 | 2.402 | 1.587 | 1,212 | 2.408 | 1.595 | 1,322 |
| 2009..... | 1.546 | 1.806 | 996 | 1.587 | 1.858 | 1,203 | 1.595 | 1.871 | 1,187 |
| 2010..... | 1.806 | 2.067 | 1,040 | 1.858 | 2.133 | 1,155 | 1.871 | 2.151 | 910 |
| 2011..... | 2.067 | 2.241 | 1,001 | 2.133 | 2.318 | 1,212 | 2.151 | 2.343 | 1,258 |
| DWS VIP Alternative Asset Allocation Plus | | | | | | | | | |
| 2009..... | 9.770 | 11.246 | 5 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2010..... | 11.246 | 12.522 | 4 | 11.565 | 12.910 | 1** | N/A | N/A | N/A |
| 2011..... | 12.522 | 12.042 | 13 | 12.910 | 12.446 | 2 | N/A | N/A | N/A |
| DWS VIP Equity 500 Index | | | | | | | | | |
| 2002..... | 8.593 | 6.609 | 96 | 8.651 | 6.670 | 979 | N/A | N/A | N/A |
| 2003..... | 6.609 | 8.385 | 157 | 6.670 | 8.485 | 740 | N/A | N/A | N/A |
| 2004..... | 8.385 | 9.181 | 202 | 8.485 | 9.313 | 664 | N/A | N/A | N/A |
| 2005..... | 9.181 | 9.515 | 248 | 9.313 | 9.676 | 589 | N/A | N/A | N/A |
| 2006..... | 9.515 | 10.882 | 377 | 9.676 | 11.094 | 359 | 10.171 | 11.102 | 387 |
| 2007..... | 10.882 | 11.344 | 358 | 11.094 | 11.594 | 391 | 11.102 | 11.625 | 251 |
| 2008..... | 11.344 | 7.058 | 346 | 11.594 | 7.232 | 236 | 11.625 | 7.266 | 211 |
| 2009..... | 7.058 | 8.827 | 350 | 7.232 | 9.068 | 215 | 7.266 | 9.129 | 170 |
| 2010..... | 8.827 | 10.024 | 352 | 9.068 | 10.324 | 196 | 9.129 | 10.414 | 173 |
| 2011..... | 10.024 | 10.107 | 302 | 10.324 | 10.435 | 220 | 10.414 | 10.546 | 162 |
| DWS VIP Small Cap Index | | | | | | | | | |
| 2002..... | 11.223 | 8.824 | 14 | 11.303 | 8.910 | 118 | N/A | N/A | N/A |
| 2003..... | 8.824 | 12.792 | 24 | 8.910 | 12.949 | 86 | N/A | N/A | N/A |
| 2004..... | 12.792 | 14.914 | 36 | 12.949 | 15.134 | 103 | N/A | N/A | N/A |
| 2005..... | 14.914 | 15.394 | 48 | 15.134 | 15.661 | 108 | N/A | N/A | N/A |
| 2006..... | 15.394 | 17.906 | 63 | 15.661 | 18.263 | 67 | 16.718 | 18.275 | 59 |
| 2007..... | 17.906 | 17.391 | 67 | 18.263 | 17.782 | 72 | 18.275 | 17.830 | 48 |
| 2008..... | 17.391 | 11.342 | 64 | 17.782 | 11.627 | 63 | 17.830 | 11.681 | 44 |
| 2009..... | 11.342 | 14.213 | 69 | 11.627 | 14.606 | 67 | 11.681 | 14.704 | 44 |
| 2010..... | 14.213 | 17.786 | 77 | 14.606 | 18.323 | 64 | 14.704 | 18.483 | 48 |
| 2011..... | 17.786 | 16.831 | 66 | 18.323 | 17.384 | 69 | 18.483 | 17.570 | 46 |
| Fidelity® VIP Contrafund® Portfolio | | | | | | | | | |
| 2002..... | 9.080 | 8.142 | 42 | 9.140 | 8.217 | 287 | N/A | N/A | N/A |
| 2003..... | 8.142 | 10.346 | 74 | 8.217 | 10.468 | 334 | N/A | N/A | N/A |
| 2004..... | 10.346 | 11.815 | 99 | 10.468 | 11.984 | 442 | N/A | N/A | N/A |
| 2005..... | 11.815 | 13.667 | 163 | 11.984 | 13.898 | 574 | N/A | N/A | N/A |
| 2006..... | 13.667 | 15.099 | 227 | 13.898 | 15.393 | 155 | 14.333 | 15.403 | 519 |
| 2007..... | 15.099 | 17.566 | 281 | 15.393 | 17.953 | 219 | 15.403 | 18.001 | 484 |
| 2008..... | 17.566 | 9.980 | 325 | 17.953 | 10.225 | 193 | 18.001 | 10.273 | 408 |
| 2009..... | 9.980 | 13.404 | 351 | 10.225 | 13.769 | 218 | 10.273 | 13.861 | 317 |
| 2010..... | 13.404 | 15.541 | 366 | 13.769 | 16.004 | 222 | 13.861 | 16.143 | 274 |
| 2011..... | 15.541 | 14.980 | 332 | 16.004 | 15.465 | 239 | 16.143 | 15.631 | 209 |

| | Standard | | | 1st Breakpoint | | | 2nd Breakpoint | | |
|--|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|
| | Accumulation unit value | | Number of accumulation units | 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 | | Beginning of period | End of period | |
| (Accumulation unit value in dollars and Number of accumulation units in thousands) | | | | | | | | | |
| Fidelity® VIP Growth Portfolio | | | | | | | | | |
| 2002..... | 8.878 | 6.135 | 58 | 8.940 | 6.194 | 427 | N/A | N/A | N/A |
| 2003..... | 6.135 | 8.065 | 81 | 6.194 | 8.163 | 353 | N/A | N/A | N/A |
| 2004..... | 8.065 | 8.245 | 99 | 8.163 | 8.366 | 281 | N/A | N/A | N/A |
| 2005..... | 8.245 | 8.626 | 110 | 8.366 | 8.775 | 202 | N/A | N/A | N/A |
| 2006..... | 8.626 | 9.115 | 117 | 8.775 | 9.295 | 139 | 8.800 | 9.302 | 46 |
| 2007..... | 9.115 | 11.449 | 146 | 9.295 | 11.705 | 150 | 9.302 | 11.736 | 40 |
| 2008..... | 11.449 | 5.981 | 162 | 11.705 | 6.130 | 104 | 11.736 | 6.159 | 36 |
| 2009..... | 5.981 | 7.588 | 202 | 6.130 | 7.797 | 103 | 6.159 | 7.849 | 39 |
| 2010..... | 7.588 | 9.320 | 219 | 7.797 | 9.600 | 102 | 7.849 | 9.684 | 38 |
| 2011..... | 9.320 | 9.240 | 199 | 9.600 | 9.542 | 100 | 9.684 | 9.644 | 39 |
| LVIP Baron Growth Opportunities*** | | | | | | | | | |
| 2002..... | 12.292 | 10.442 | 28 | 12.377 | 10.540 | 18 | N/A | N/A | N/A |
| 2003..... | 10.442 | 13.441 | 43 | 10.540 | 13.601 | 21 | N/A | N/A | N/A |
| 2004..... | 13.441 | 16.718 | 67 | 13.601 | 16.961 | 42 | N/A | N/A | N/A |
| 2005..... | 16.718 | 17.109 | 106 | 16.961 | 17.400 | 74 | N/A | N/A | N/A |
| 2006..... | 17.109 | 19.567 | 135 | 17.400 | 19.951 | 98 | 17.871 | 19.964 | 5 |
| 2007..... | 19.567 | 20.035 | 153 | 19.951 | 20.479 | 135 | 19.964 | 20.534 | 6 |
| 2008..... | 20.035 | 12.072 | 163 | 20.479 | 12.371 | 108 | 20.534 | 12.429 | 7 |
| 2009..... | 12.072 | 16.533 | 170 | 12.371 | 16.985 | 124 | 12.429 | 17.099 | 6 |
| 2010..... | 16.533 | 20.686 | 173 | 16.985 | 21.306 | 128 | 17.099 | 21.491 | 7 |
| 2011..... | 20.686 | 21.304 | 152 | 21.306 | 21.997 | 117 | 21.491 | 22.233 | 6 |
| LVIP Cohen & Steers Global Real Estate | | | | | | | | | |
| 2007..... | 9.460 | 8.265 | 4 | 9.430 | 8.278 | 1** | 8.672 | 8.288 | 1** |
| 2008..... | 8.265 | 4.743 | 15 | 8.278 | 4.762 | 4 | 8.288 | 4.778 | 1** |
| 2009..... | 4.743 | 6.472 | 24 | 4.762 | 6.515 | 7 | 4.778 | 6.549 | 1** |
| 2010..... | 6.472 | 7.559 | 27 | 6.515 | 7.629 | 16 | 6.549 | 7.684 | 2 |
| 2011..... | 7.559 | 6.835 | 29 | 7.629 | 6.915 | 12 | 7.684 | 6.979 | 2 |
| LVIP Delaware Bond | | | | | | | | | |
| 2002..... | 5.707 | 6.224 | 198 | 5.760 | 6.298 | 536 | N/A | N/A | N/A |
| 2003..... | 6.224 | 6.611 | 292 | 6.298 | 6.706 | 586 | N/A | N/A | N/A |
| 2004..... | 6.611 | 6.892 | 373 | 6.706 | 7.009 | 646 | N/A | N/A | N/A |
| 2005..... | 6.892 | 7.003 | 498 | 7.009 | 7.140 | 858 | N/A | N/A | N/A |
| 2006..... | 7.003 | 7.260 | 581 | 7.140 | 7.421 | 721 | 7.252 | 7.426 | 432 |
| 2007..... | 7.260 | 7.579 | 639 | 7.421 | 7.767 | 889 | 7.426 | 7.787 | 438 |
| 2008..... | 7.579 | 7.284 | 639 | 7.767 | 7.483 | 513 | 7.787 | 7.518 | 429 |
| 2009..... | 7.284 | 8.575 | 647 | 7.483 | 8.831 | 563 | 7.518 | 8.890 | 494 |
| 2010..... | 8.575 | 9.210 | 657 | 8.831 | 9.509 | 513 | 8.890 | 9.592 | 498 |
| 2011..... | 9.210 | 9.815 | 640 | 9.509 | 10.159 | 504 | 9.592 | 10.268 | 497 |
| LVIP Delaware Diversified Floating Rate | | | | | | | | | |
| 2011..... | 9.998 | 9.762 | 1** | 9.766 | 9.779 | 1** | N/A | N/A | N/A |
| LVIP Delaware Foundation Aggressive Allocation ⁽¹⁾ | | | | | | | | | |
| 2002..... | 2.879 | 2.509 | 61 | 2.906 | 2.538 | 213 | N/A | N/A | N/A |
| 2003..... | 2.509 | 2.991 | 120 | 2.538 | 3.034 | 234 | N/A | N/A | N/A |
| 2004..... | 2.991 | 3.362 | 166 | 3.034 | 3.419 | 286 | N/A | N/A | N/A |
| 2005..... | 3.362 | 3.555 | 219 | 3.419 | 3.624 | 292 | N/A | N/A | N/A |
| 2006..... | 3.555 | 4.030 | 276 | 3.624 | 4.119 | 308 | 3.837 | 4.121 | 9 |
| 2007..... | 4.030 | 4.244 | 267 | 4.119 | 4.348 | 406 | 4.121 | 4.360 | 13 |
| 2008..... | 4.244 | 2.806 | 258 | 4.348 | 2.882 | 265 | 4.360 | 2.896 | 16 |
| 2009..... | 2.806 | 3.666 | 288 | 2.882 | 3.776 | 247 | 2.896 | 3.801 | 13 |
| 2010..... | 3.666 | 4.083 | 282 | 3.776 | 4.215 | 233 | 3.801 | 4.252 | 8 |
| 2011..... | 4.083 | 3.960 | 271 | 4.215 | 4.099 | 247 | 4.252 | 4.143 | 9 |

| | Standard | | | 1st Breakpoint | | | 2nd Breakpoint | | |
|--|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|
| | Accumulation unit value | | Number of accumulation units | 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 | | Beginning of period | End of period | |
| (Accumulation unit value in dollars and Number of accumulation units in thousands) | | | | | | | | | |
| LVIP Delaware Foundation Conservative Allocation ⁽²⁾ | | | | | | | | | |
| 2002..... | 5.334 | 4.697 | 63 | 5.383 | 4.752 | 589 | N/A | N/A | N/A |
| 2003..... | 4.697 | 5.715 | 109 | 4.752 | 5.797 | 724 | N/A | N/A | N/A |
| 2004..... | 5.715 | 6.224 | 143 | 5.797 | 6.329 | 1,211 | N/A | N/A | N/A |
| 2005..... | 6.224 | 6.441 | 188 | 6.329 | 6.566 | 1,526 | N/A | N/A | N/A |
| 2006..... | 6.441 | 7.051 | 226 | 6.566 | 7.205 | 303 | 6.773 | 7.210 | 1,303 |
| 2007..... | 7.051 | 7.300 | 226 | 7.205 | 7.479 | 441 | 7.210 | 7.499 | 1,322 |
| 2008..... | 7.300 | 5.279 | 231 | 7.479 | 5.422 | 227 | 7.499 | 5.448 | 899 |
| 2009..... | 5.279 | 6.421 | 220 | 5.422 | 6.611 | 210 | 5.448 | 6.655 | 656 |
| 2010..... | 6.421 | 7.020 | 212 | 6.611 | 7.246 | 176 | 6.655 | 7.309 | 555 |
| 2011..... | 7.020 | 7.105 | 160 | 7.246 | 7.353 | 180 | 7.309 | 7.431 | 506 |
| LVIP Delaware Foundation Moderate Allocation | | | | | | | | | |
| 2009..... | 10.886 | 11.801 | 1** | 11.592 | 11.816 | 4 | N/A | N/A | N/A |
| 2010..... | 11.801 | 12.970 | 1** | 11.816 | 13.019 | 1** | N/A | N/A | N/A |
| 2011..... | 12.970 | 12.875 | 5 | 13.019 | 12.956 | 5 | 13.059 | 13.022 | 1** |
| LVIP Delaware Growth and Income | | | | | | | | | |
| 2002..... | 10.520 | 8.118 | 119 | 10.616 | 8.213 | 1,684 | N/A | N/A | N/A |
| 2003..... | 8.118 | 10.426 | 153 | 8.213 | 10.574 | 1,658 | N/A | N/A | N/A |
| 2004..... | 10.426 | 11.559 | 193 | 10.574 | 11.754 | 1,479 | N/A | N/A | N/A |
| 2005..... | 11.559 | 12.078 | 224 | 11.754 | 12.313 | 1,405 | N/A | N/A | N/A |
| 2006..... | 12.078 | 13.436 | 224 | 12.313 | 13.731 | 492 | 12.663 | 13.740 | 574 |
| 2007..... | 13.436 | 14.116 | 217 | 13.731 | 14.463 | 573 | 13.740 | 14.501 | 443 |
| 2008..... | 14.116 | 8.977 | 213 | 14.463 | 9.220 | 417 | 14.501 | 9.263 | 368 |
| 2009..... | 8.977 | 11.080 | 217 | 9.220 | 11.410 | 344 | 9.263 | 11.486 | 313 |
| 2010..... | 11.080 | 12.389 | 205 | 11.410 | 12.789 | 307 | 11.486 | 12.901 | 303 |
| 2011..... | 12.389 | 12.412 | 164 | 12.789 | 12.846 | 283 | 12.901 | 12.984 | 217 |
| LVIP Delaware Social Awareness | | | | | | | | | |
| 2002..... | 5.459 | 4.209 | 149 | 5.508 | 4.257 | 1,493 | N/A | N/A | N/A |
| 2003..... | 4.209 | 5.495 | 200 | 4.257 | 5.572 | 1,488 | N/A | N/A | N/A |
| 2004..... | 5.495 | 6.131 | 244 | 5.572 | 6.233 | 1,369 | N/A | N/A | N/A |
| 2005..... | 6.131 | 6.800 | 295 | 6.233 | 6.930 | 1,359 | N/A | N/A | N/A |
| 2006..... | 6.800 | 7.561 | 329 | 6.930 | 7.725 | 319 | 7.132 | 7.730 | 984 |
| 2007..... | 7.561 | 7.707 | 360 | 7.725 | 7.895 | 337 | 7.730 | 7.916 | 870 |
| 2008..... | 7.707 | 5.005 | 365 | 7.895 | 5.139 | 281 | 7.916 | 5.163 | 800 |
| 2009..... | 5.005 | 6.441 | 411 | 5.139 | 6.631 | 265 | 5.163 | 6.676 | 778 |
| 2010..... | 6.441 | 7.115 | 410 | 6.631 | 7.343 | 235 | 6.676 | 7.407 | 791 |
| 2011..... | 7.115 | 7.089 | 388 | 7.343 | 7.335 | 245 | 7.407 | 7.413 | 604 |
| LVIP Delaware Special Opportunities | | | | | | | | | |
| 2002..... | 9.581 | 8.374 | 33 | 9.666 | 8.469 | 161 | N/A | N/A | N/A |
| 2003..... | 8.374 | 11.108 | 56 | 8.469 | 11.264 | 183 | N/A | N/A | N/A |
| 2004..... | 11.108 | 13.501 | 84 | 11.264 | 13.725 | 233 | N/A | N/A | N/A |
| 2005..... | 13.501 | 15.457 | 133 | 13.725 | 15.754 | 343 | N/A | N/A | N/A |
| 2006..... | 15.457 | 17.760 | 177 | 15.754 | 18.146 | 152 | 16.717 | 18.158 | 252 |
| 2007..... | 17.760 | 18.252 | 186 | 18.146 | 18.696 | 206 | 18.158 | 18.746 | 216 |
| 2008..... | 18.252 | 11.450 | 184 | 18.696 | 11.758 | 173 | 18.746 | 11.813 | 176 |
| 2009..... | 11.450 | 14.787 | 196 | 11.758 | 15.223 | 182 | 11.813 | 15.325 | 146 |
| 2010..... | 14.787 | 19.125 | 209 | 15.223 | 19.739 | 175 | 15.325 | 19.911 | 142 |
| 2011..... | 19.125 | 17.950 | 192 | 19.739 | 18.572 | 159 | 19.911 | 18.772 | 126 |
| LVIP Global Income | | | | | | | | | |
| 2009..... | 10.048 | 10.823 | 3 | 10.049 | 10.736 | 1** | N/A | N/A | N/A |
| 2010..... | 10.823 | 11.752 | 8 | 10.736 | 11.687 | 4 | N/A | N/A | N/A |
| 2011..... | 11.752 | 11.762 | 18 | 11.687 | 11.726 | 12 | N/A | N/A | N/A |

| | Standard | | | 1st Breakpoint | | | 2nd Breakpoint | | |
|--|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|
| | Accumulation unit value | | Number of accumulation units | 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 | | Beginning of period | End of period | |
| (Accumulation unit value in dollars and Number of accumulation units in thousands) | | | | | | | | | |
| LVIP Janus Capital Appreciation | | | | | | | | | |
| 2002..... | 2.266 | 1.638 | 655 | 2.286 | 1.657 | 3,784 | N/A | N/A | N/A |
| 2003..... | 1.638 | 2.148 | 812 | 1.657 | 2.179 | 2,969 | N/A | N/A | N/A |
| 2004..... | 2.148 | 2.239 | 823 | 2.179 | 2.277 | 2,286 | N/A | N/A | N/A |
| 2005..... | 2.239 | 2.310 | 796 | 2.277 | 2.355 | 1,752 | N/A | N/A | N/A |
| 2006..... | 2.310 | 2.508 | 735 | 2.355 | 2.563 | 1,158 | 2.352 | 2.565 | 578 |
| 2007..... | 2.508 | 2.990 | 710 | 2.563 | 3.063 | 1,159 | 2.565 | 3.071 | 547 |
| 2008..... | 2.990 | 1.752 | 670 | 3.063 | 1.799 | 805 | 3.071 | 1.808 | 488 |
| 2009..... | 1.752 | 2.403 | 707 | 1.799 | 2.474 | 704 | 1.808 | 2.490 | 440 |
| 2010..... | 2.403 | 2.649 | 694 | 2.474 | 2.734 | 605 | 2.490 | 2.758 | 443 |
| 2011..... | 2.649 | 2.473 | 578 | 2.734 | 2.559 | 537 | 2.758 | 2.587 | 402 |
| LVIP Mondrian International Value | | | | | | | | | |
| 2002..... | 1.818 | 1.606 | 73 | 1.834 | 1.624 | 712 | N/A | N/A | N/A |
| 2003..... | 1.606 | 2.251 | 117 | 1.624 | 2.283 | 711 | N/A | N/A | N/A |
| 2004..... | 2.251 | 2.695 | 181 | 2.283 | 2.740 | 945 | N/A | N/A | N/A |
| 2005..... | 2.695 | 3.003 | 388 | 2.740 | 3.061 | 1,669 | N/A | N/A | N/A |
| 2006..... | 3.003 | 3.865 | 674 | 3.061 | 3.949 | 677 | 3.573 | 3.952 | 1,289 |
| 2007..... | 3.865 | 4.267 | 711 | 3.949 | 4.370 | 980 | 3.952 | 4.382 | 1,438 |
| 2008..... | 4.267 | 2.676 | 759 | 4.370 | 2.748 | 782 | 4.382 | 2.760 | 1,255 |
| 2009..... | 2.676 | 3.211 | 840 | 2.748 | 3.306 | 776 | 2.760 | 3.328 | 974 |
| 2010..... | 3.211 | 3.258 | 862 | 3.306 | 3.362 | 744 | 3.328 | 3.392 | 845 |
| 2011..... | 3.258 | 3.089 | 812 | 3.362 | 3.196 | 764 | 3.392 | 3.231 | 675 |
| LVIP Money Market Fund | | | | | | | | | |
| 2002..... | 2.820 | 2.831 | 411 | 2.848 | 2.867 | 1,056 | N/A | N/A | N/A |
| 2003..... | 2.831 | 2.822 | 531 | 2.867 | 2.865 | 694 | N/A | N/A | N/A |
| 2004..... | 2.822 | 2.818 | 573 | 2.865 | 2.868 | 807 | N/A | N/A | N/A |
| 2005..... | 2.818 | 2.868 | 633 | 2.868 | 2.926 | 998 | N/A | N/A | N/A |
| 2006..... | 2.868 | 2.972 | 803 | 2.926 | 3.040 | 421 | 2.998 | 3.042 | 791 |
| 2007..... | 2.972 | 3.089 | 1,516 | 3.040 | 3.167 | 975 | 3.042 | 3.176 | 658 |
| 2008..... | 3.089 | 3.130 | 1,799 | 3.167 | 3.217 | 1,038 | 3.176 | 3.232 | 607 |
| 2009..... | 3.130 | 3.108 | 1,660 | 3.217 | 3.203 | 807 | 3.232 | 3.224 | 516 |
| 2010..... | 3.108 | 3.078 | 1,564 | 3.203 | 3.181 | 664 | 3.224 | 3.208 | 412 |
| 2011..... | 3.078 | 3.048 | 1,068 | 3.181 | 3.158 | 1,367 | 3.208 | 3.192 | 324 |
| LVIP Protected Profile 2010 | | | | | | | | | |
| 2007..... | 10.471 | 10.493 | 1** | 10.474 | 10.509 | 3 | N/A | N/A | N/A |
| 2008..... | 10.493 | 7.904 | 1** | 10.509 | 7.936 | 1** | N/A | N/A | N/A |
| 2009..... | 7.904 | 9.735 | 27 | 7.936 | 9.799 | 3 | N/A | N/A | N/A |
| 2010..... | 9.735 | 10.744 | 33 | 9.799 | 10.841 | 20 | N/A | N/A | N/A |
| 2011..... | 10.744 | 10.769 | 26 | 10.841 | 10.894 | 6 | N/A | N/A | N/A |
| LVIP Protected Profile 2020 | | | | | | | | | |
| 2007..... | 9.943 | 10.337 | 3 | 10.227 | 10.353 | 1** | N/A | N/A | N/A |
| 2008..... | 10.337 | 7.482 | 36 | 10.353 | 7.512 | 4 | N/A | N/A | N/A |
| 2009..... | 7.482 | 9.308 | 60 | 7.512 | 9.370 | 21 | N/A | N/A | N/A |
| 2010..... | 9.308 | 10.324 | 91 | 9.370 | 10.418 | 36 | N/A | N/A | N/A |
| 2011..... | 10.324 | 10.241 | 117 | 10.418 | 10.361 | 54 | N/A | N/A | N/A |
| LVIP Protected Profile 2030 | | | | | | | | | |
| 2007..... | 10.129 | 10.445 | 1** | 10.193 | 10.460 | 3 | N/A | N/A | N/A |
| 2008..... | 10.445 | 7.158 | 29 | 10.460 | 7.187 | 28 | N/A | N/A | N/A |
| 2009..... | 7.158 | 9.067 | 68 | 7.187 | 9.126 | 66 | N/A | N/A | N/A |
| 2010..... | 9.067 | 10.103 | 92 | 9.126 | 10.195 | 90 | N/A | N/A | N/A |
| 2011..... | 10.103 | 9.945 | 98 | 10.195 | 10.061 | 153 | N/A | N/A | N/A |
| LVIP Protected Profile 2040 | | | | | | | | | |
| 2007..... | 9.924 | 10.269 | 2 | 9.615 | 10.285 | 1** | N/A | N/A | N/A |
| 2008..... | 10.269 | 6.553 | 25 | 10.285 | 6.580 | 10 | N/A | N/A | N/A |
| 2009..... | 6.553 | 8.495 | 39 | 6.580 | 8.552 | 45 | N/A | N/A | N/A |
| 2010..... | 8.495 | 9.560 | 66 | 8.552 | 9.648 | 78 | N/A | N/A | N/A |
| 2011..... | 9.560 | 9.326 | 75 | 9.648 | 9.436 | 125 | N/A | N/A | N/A |
| LVIP Protected Profile 2050 | | | | | | | | | |
| 2011..... | 9.264 | 9.212 | 1** | 9.278 | 9.227 | 1** | N/A | N/A | N/A |

| | Standard | | | 1st Breakpoint | | | 2nd Breakpoint | | |
|--|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|
| | Accumulation unit value | | Number of accumulation units | 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 | | Beginning of period | End of period | |
| (Accumulation unit value in dollars and Number of accumulation units in thousands) | | | | | | | | | |
| LVIP Protected Profile Conservative | | | | | | | | | |
| 2005..... | 10.036 | 10.303 | 5 | 10.029 | 10.319 | 1** | N/A | N/A | N/A |
| 2006..... | 10.303 | 11.154 | 26 | 10.319 | 11.199 | 20 | 11.093 | 11.206 | 4 |
| 2007..... | 11.154 | 11.901 | 58 | 11.199 | 11.979 | 72 | 11.206 | 12.011 | 5 |
| 2008..... | 11.901 | 9.610 | 101 | 11.979 | 9.697 | 73 | 12.011 | 9.743 | 3 |
| 2009..... | 9.610 | 11.878 | 96 | 9.697 | 12.016 | 81 | 9.743 | 12.097 | 3 |
| 2010..... | 11.878 | 12.994 | 103 | 12.016 | 13.179 | 72 | 12.097 | 13.294 | 3 |
| 2011..... | 12.994 | 13.339 | 97 | 13.179 | 13.562 | 90 | 13.294 | 13.708 | 3 |
| LVIP Protected Profile Growth | | | | | | | | | |
| 2005..... | 10.038 | 10.701 | 16 | 10.197 | 10.716 | 11 | N/A | N/A | N/A |
| 2006..... | 10.701 | 12.092 | 102 | 10.716 | 12.140 | 74 | 11.616 | 12.148 | 9 |
| 2007..... | 12.092 | 13.146 | 193 | 12.140 | 13.232 | 152 | 12.148 | 13.267 | 12 |
| 2008..... | 13.146 | 8.666 | 276 | 13.232 | 8.744 | 206 | 13.267 | 8.785 | 14 |
| 2009..... | 8.666 | 11.070 | 337 | 8.744 | 11.198 | 363 | 8.785 | 11.273 | 16 |
| 2010..... | 11.070 | 12.353 | 396 | 11.198 | 12.528 | 394 | 11.273 | 12.637 | 17 |
| 2011..... | 12.353 | 12.230 | 323 | 12.528 | 12.434 | 562 | 12.637 | 12.567 | 5 |
| LVIP Protected Profile Moderate | | | | | | | | | |
| 2005..... | 10.023 | 10.525 | 22 | 10.155 | 10.540 | 18 | N/A | N/A | N/A |
| 2006..... | 10.525 | 11.674 | 101 | 10.540 | 11.720 | 102 | 11.301 | 11.728 | 1** |
| 2007..... | 11.674 | 12.629 | 159 | 11.720 | 12.711 | 222 | 11.728 | 12.745 | 2 |
| 2008..... | 12.629 | 9.175 | 242 | 12.711 | 9.258 | 221 | 12.745 | 9.301 | 1** |
| 2009..... | 9.175 | 11.630 | 291 | 9.258 | 11.765 | 270 | 9.301 | 11.844 | 1** |
| 2010..... | 11.630 | 12.891 | 345 | 11.765 | 13.074 | 315 | 11.844 | 13.188 | 1** |
| 2011..... | 12.891 | 12.912 | 239 | 13.074 | 13.127 | 418 | 13.188 | 13.268 | 1** |
| LVIP SSgA Bond Index | | | | | | | | | |
| 2009..... | 10.195 | 10.385 | 4 | 10.126 | 10.326 | 1** | N/A | N/A | N/A |
| 2010..... | 10.385 | 10.895 | 12 | 10.326 | 10.861 | 3 | N/A | N/A | N/A |
| 2011..... | 10.895 | 11.584 | 27 | 10.861 | 11.577 | 5 | N/A | N/A | N/A |
| LVIP SSgA Emerging Markets 100 | | | | | | | | | |
| 2009..... | 10.028 | 13.640 | 20 | 11.762 | 14.287 | 4 | N/A | N/A | N/A |
| 2010..... | 13.640 | 17.245 | 38 | 14.287 | 18.118 | 12 | N/A | N/A | N/A |
| 2011..... | 17.245 | 14.523 | 34 | 18.118 | 15.296 | 21 | 18.177 | 15.377 | 1** |
| LVIP SSgA Global Tactical Allocation ⁽⁴⁾ | | | | | | | | | |
| 2005..... | 10.300 | 10.938 | 6 | 10.056 | 10.955 | 2 | N/A | N/A | N/A |
| 2006..... | 10.938 | 12.621 | 127 | 10.955 | 12.672 | 28 | 11.371 | 12.681 | 1** |
| 2007..... | 12.621 | 13.871 | 190 | 12.672 | 13.963 | 55 | 12.681 | 14.001 | 1** |
| 2008..... | 13.871 | 8.176 | 257 | 13.963 | 8.252 | 69 | 14.001 | 8.290 | 8 |
| 2009..... | 8.176 | 10.588 | 317 | 8.252 | 10.712 | 127 | 8.290 | 10.784 | 8 |
| 2010..... | 10.588 | 11.398 | 372 | 10.712 | 11.561 | 162 | 10.784 | 11.662 | 1** |
| 2011..... | 11.398 | 11.310 | 353 | 11.561 | 11.500 | 195 | 11.662 | 11.624 | 2 |
| LVIP SSgA International Index | | | | | | | | | |
| 2009..... | 10.164 | 12.116 | 1** | 10.062 | 12.481 | 1** | N/A | N/A | N/A |
| 2010..... | 12.116 | 12.841 | 8 | 12.481 | 13.261 | 2 | N/A | N/A | N/A |
| 2011..... | 12.841 | 11.139 | 6 | 13.261 | 11.533 | 2 | N/A | N/A | N/A |
| LVIP SSgA S&P 500 Index | | | | | | | | | |
| 2007..... | 10.056 | 9.667 | 1** | 9.544 | 9.682 | 3 | N/A | N/A | N/A |
| 2008..... | 9.667 | 6.011 | 28 | 9.682 | 6.035 | 11 | N/A | N/A | N/A |
| 2009..... | 6.011 | 7.504 | 63 | 6.035 | 7.554 | 12 | N/A | N/A | N/A |
| 2010..... | 7.504 | 8.524 | 79 | 7.554 | 8.602 | 14 | N/A | N/A | N/A |
| 2011..... | 8.524 | 8.595 | 95 | 8.602 | 8.695 | 21 | N/A | N/A | N/A |
| LVIP SSgA Small-Cap Index | | | | | | | | | |
| 2007..... | 9.161 | 9.196 | 1** | 10.283 | 9.209 | 1** | N/A | N/A | N/A |
| 2008..... | 9.196 | 6.011 | 5 | 9.209 | 6.035 | 3 | N/A | N/A | N/A |
| 2009..... | 6.011 | 7.500 | 8 | 6.035 | 7.549 | 2 | N/A | N/A | N/A |
| 2010..... | 7.500 | 9.369 | 16 | 7.549 | 9.454 | 5 | N/A | N/A | N/A |
| 2011..... | 9.369 | 8.852 | 18 | 9.454 | 8.956 | 7 | N/A | N/A | N/A |

| | Standard | | | 1st Breakpoint | | | 2nd Breakpoint | | |
|--|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|-------------------------|---------------|------------------------------|
| | Accumulation unit value | | Number of accumulation units | 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 | | Beginning of period | End of period | |
| (Accumulation unit value in dollars and Number of accumulation units in thousands) | | | | | | | | | |
| LVIP T. Rowe Price Structured Mid-Cap Growth | | | | | | | | | |
| 2002..... | 1.406 | 0.971 | 455 | 1.419 | 0.982 | 1,104 | N/A | N/A | N/A |
| 2003..... | 0.971 | 1.275 | 629 | 0.982 | 1.293 | 1,214 | N/A | N/A | N/A |
| 2004..... | 1.275 | 1.435 | 701 | 1.293 | 1.459 | 1,108 | N/A | N/A | N/A |
| 2005..... | 1.435 | 1.560 | 804 | 1.459 | 1.590 | 1,143 | N/A | N/A | N/A |
| 2006..... | 1.560 | 1.688 | 881 | 1.590 | 1.725 | 965 | 1.586 | 1.726 | 210 |
| 2007..... | 1.688 | 1.898 | 936 | 1.725 | 1.944 | 1,064 | 1.726 | 1.949 | 223 |
| 2008..... | 1.898 | 1.075 | 941 | 1.944 | 1.104 | 799 | 1.949 | 1.109 | 180 |
| 2009..... | 1.075 | 1.558 | 1,126 | 1.104 | 1.604 | 830 | 1.109 | 1.615 | 185 |
| 2010..... | 1.558 | 1.980 | 1,216 | 1.604 | 2.043 | 742 | 1.615 | 2.061 | 191 |
| 2011..... | 1.980 | 1.884 | 1,178 | 2.043 | 1.950 | 727 | 2.061 | 1.971 | 185 |
| LVIP Vanguard Domestic Equity ETF | | | | | | | | | |
| 2011..... | 8.780 | 9.385 | 1** | N/A | N/A | N/A | N/A | N/A | N/A |
| LVIP Vanguard International Equity ETF | | | | | | | | | |
| 2011..... | 8.886 | 8.374 | 1** | 9.140 | 8.387 | 1* | N/A | N/A | N/A |
| LVIP Wells Fargo Intrinsic Value Fund | | | | | | | | | |
| 2002..... | 2.536 | 2.117 | 565 | 2.559 | 2.142 | 2,005 | N/A | N/A | N/A |
| 2003..... | 2.117 | 2.774 | 812 | 2.142 | 2.813 | 2,589 | N/A | N/A | N/A |
| 2004..... | 2.774 | 3.015 | 1,021 | 2.813 | 3.065 | 3,162 | N/A | N/A | N/A |
| 2005..... | 3.015 | 3.119 | 1,085 | 3.065 | 3.179 | 3,416 | N/A | N/A | N/A |
| 2006..... | 3.119 | 3.436 | 1,139 | 3.179 | 3.510 | 1,224 | 3.273 | 3.513 | 2,172 |
| 2007..... | 3.436 | 3.550 | 995 | 3.510 | 3.636 | 1,483 | 3.513 | 3.646 | 1,993 |
| 2008..... | 3.550 | 2.167 | 925 | 3.636 | 2.226 | 889 | 3.646 | 2.236 | 1,164 |
| 2009..... | 2.167 | 2.646 | 990 | 2.226 | 2.724 | 831 | 2.236 | 2.742 | 1,042 |
| 2010..... | 2.646 | 3.089 | 1,003 | 2.724 | 3.188 | 697 | 2.742 | 3.216 | 763 |
| 2011..... | 3.089 | 2.979 | 921 | 3.188 | 3.083 | 711 | 3.216 | 3.116 | 655 |
| MFS® VIT Utilities Series | | | | | | | | | |
| 2002..... | 0.786 | 0.601 | 68 | 0.788 | 0.604 | 10 | N/A | N/A | N/A |
| 2003..... | 0.601 | 0.809 | 158 | 0.604 | 0.814 | 50 | N/A | N/A | N/A |
| 2004..... | 0.809 | 1.043 | 291 | 0.814 | 1.053 | 206 | N/A | N/A | N/A |
| 2005..... | 1.043 | 1.206 | 703 | 1.053 | 1.221 | 687 | N/A | N/A | N/A |
| 2006..... | 1.206 | 1.568 | 1,102 | 1.221 | 1.590 | 808 | 1.406 | 1.591 | 119 |
| 2007..... | 1.568 | 1.985 | 1,984 | 1.590 | 2.019 | 1,392 | 1.591 | 2.024 | 139 |
| 2008..... | 1.985 | 1.225 | 2,379 | 2.019 | 1.249 | 1,285 | 2.024 | 1.255 | 228 |
| 2009..... | 1.225 | 1.616 | 2,499 | 1.249 | 1.651 | 1,395 | 1.255 | 1.662 | 184 |
| 2010..... | 1.616 | 1.820 | 2,474 | 1.651 | 1.865 | 1,211 | 1.662 | 1.881 | 214 |
| 2011..... | 1.820 | 1.925 | 2,275 | 1.865 | 1.977 | 1,320 | 1.881 | 1.998 | 134 |
| Neuberger Berman AMT Mid-Cap Growth Portfolio | | | | | | | | | |
| 2002..... | 10.464 | 7.320 | 52 | 10.537 | 7.390 | 40 | N/A | N/A | N/A |
| 2003..... | 7.320 | 9.281 | 77 | 7.390 | 9.394 | 54 | N/A | N/A | N/A |
| 2004..... | 9.281 | 10.687 | 88 | 9.394 | 10.844 | 81 | N/A | N/A | N/A |
| 2005..... | 10.687 | 12.035 | 100 | 10.844 | 12.242 | 106 | N/A | N/A | N/A |
| 2006..... | 12.035 | 13.665 | 109 | 12.242 | 13.936 | 119 | 12.649 | 13.945 | 2 |
| 2007..... | 13.665 | 16.577 | 148 | 13.936 | 16.948 | 161 | 13.945 | 16.993 | 7 |
| 2008..... | 16.577 | 9.294 | 153 | 16.948 | 9.526 | 129 | 16.993 | 9.571 | 7 |
| 2009..... | 9.294 | 12.109 | 168 | 9.526 | 12.442 | 143 | 9.571 | 12.526 | 8 |
| 2010..... | 12.109 | 15.476 | 173 | 12.442 | 15.943 | 133 | 12.526 | 16.082 | 9 |
| 2011..... | 15.476 | 15.395 | 162 | 15.943 | 15.899 | 139 | 16.082 | 16.069 | 7 |
| PIMCO Total Return | | | | | | | | | |
| 2011..... | 10.001 | 10.028 | 15 | 10.067 | 10.043 | 1** | N/A | N/A | N/A |

* These values do not reflect a full year's experience because they are calculated for the period from the beginning of investment activity in the subaccounts through December 31.

** All numbers less than 500 were rounded up to one.

*** 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.

- (1) Effective June 15, 2009, the LVIP UBS Global Asset Allocation Fund was reorganized into the LVIP Delaware Foundation Aggressive Allocation Fund. The values in the table for periods prior to the date of the reorganization reflect investments in the LVIP UBS Global Asset Allocation Fund.
- (2) 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.

- (3) 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.
- (4) 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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When you apply for one of our products, we may share information about your application with credit bureaus. We also may provide information to group policy owners, regulatory authorities and law enforcement officials and to others when we believe in good faith that the law requires disclosure. In the event of a sale of all or part of our businesses, we may share customer information as part of the sale. **We do not sell or share your information with outside marketers who may want to offer you their own products and services; nor do we share information we receive about you from a consumer reporting agency. You do not need to take any action for this benefit.**

SECURITY OF INFORMATION

We have an important responsibility to keep your information safe. We use safeguards to protect your information from unauthorized disclosure. Our employees are authorized to access your information only when they need it to provide you with products, services, or to maintain your accounts. Employees who have access to your personal information are required to keep it confidential. Employees are trained on the importance of data privacy.

Questions about your personal information should be directed to:

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:

| | |
|---|---|
| First Penn-Pacific Life Insurance Company | Lincoln Life & Annuity Company of New York |
| Lincoln Financial Investment Services Corporation | Lincoln Variable Insurance Products Trust |
| Lincoln Investment Advisors Corporation | The Lincoln National Life Insurance Company |

ADDITIONAL PRIVACY INFORMATION FOR INSURANCE PRODUCT CUSTOMERS

CONFIDENTIALITY OF MEDICAL INFORMATION

We understand that you may be especially concerned about the privacy of your medical information. We do not sell or rent your medical information to anyone; nor do we share it with others for marketing purposes. We only use and share your medical information for the purpose of underwriting insurance, administering your policy or claim and other purposes permitted by law, such as disclosure to regulatory authorities or in response to a legal proceeding.

MAKING SURE MEDICAL INFORMATION IS ACCURATE

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

The CONFIDENTIALITY OF MEDICAL INFORMATION and MAKING SURE INFORMATION IS ACCURATE sections of this Notice apply to the following Lincoln Financial Group companies:

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

**Lincoln Financial Group**

Customer Service Center
1300 South Clinton Street
Fort Wayne, IN 46802

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

Important

Part 1 –Product Prospectus enclosed

Part 2 –Funds Prospectus under separate cover

Both prospectuses must be presented. Please read them carefully.

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150 N. Radnor-Chester Road
Radnor, PA 19087

www.LincolnFinancial.com
Login: Employer Retirement Plans

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

DC-GEN-12-0027
DC-PRQ-CVR001_Z01
MC 5/12 **Z01**
Order code: 29273

Lincoln variable annuity products are issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., Radnor, PA, a broker/dealer.