

purchase payment declines 1% each year until it is 0% beginning after the seventh year after the payment was made.

9. The MultiFund® 2, 3 and 4 Contracts also impose the following charges: (a) A daily mortality and expense risk charge for contracts with the contract value death benefit at an annual rate of 1.002% of the daily net asset value of Account C; (b) an annual contract maintenance charge of \$25 (for MultiFund® 2 only); (c) a charge corresponding to any applicable state premium tax or other tax levied by any governmental entity; and (d) fees and charges paid out of the assets of the underlying funds.

10. The minimum purchase payment for the MultiFund® 5 Contract is \$25,000. This minimum payment restriction will be waived for participants in the exchange offer. The MultiFund® 5 Contract also imposes a surrender charge of up to 7% of any amount by which purchase payments withdrawn in any year exceed 15% of purchase payments. (However, this 15% withdrawal exception does not apply to a surrender of a contract.) The surrender charge associated with each purchase payment declines 1% each year until it is 0% beginning after the seventh year after the payment was made.

11. MultiFund® 5 has four contract options with various death benefits. Only the contract value death benefit option is part of the exchange offer. In addition to the surrender charge, the MultiFund® 5 Contract option that is part of the exchange offer imposes the following charges: (a) A daily mortality and expense risk and administrative charge at an annual rate of 1.00% of the daily net asset value of Account C; (b) a charge corresponding to any applicable state premium tax or other tax levied by any governmental entity; and (c) fees and charges paid out of the assets of the underlying funds.

12. Under both the MultiFund® 2, 3, and 4 Contracts and the MultiFund® 5 Contract, if the contract value death benefit option is in effect, the death benefit is equal to the current value of the contract as of the day Lincoln Life approves the claim for payment. However under the MultiFund® 5 Contract, the death benefit would be payable on the death of the owner, joint owner, or, in certain circumstances, the annuitant, and not just on the death of the annuitant as under the MultiFund® 2, 3, and 4 Contracts.

13. Under the MultiFund® 2, 3, and 4 Contracts, Lincoln Life limits transfers to no more than six per contract year although Lincoln Life reserves the right to waive this restriction and current

practice is to allow up to 12 transfers per contract year. Transfers between subaccounts are restricted to once every 30 days, although Lincoln Life may waive this requirement. The minimum amount which may be transferred is \$500 (or the entire subaccount amount if less than \$500). The MultiFund® 5 Contract has the same transfer provisions as the MultiFund® 2, 3, and 4 Contracts except that the MultiFund® 5 Contract contractually allows up to twelve transfers per year during the accumulation phase, and these transfers are not limited to once every thirty days.

14. The MultiFund® 5 Contract has a lower guaranteed minimum interest rate payable on the fixed account than the MultiFund® 2, 3, and 4 Contracts. The MultiFund® 2 and 3 Contracts provide that for contract years 6–10, the guaranteed minimum interest rate is 4% and for years 10 and later, the guaranteed minimum interest rate is 3.5%. The MultiFund® 4 Contract provides for a guaranteed minimum interest rate of 3% in all years. After June 2, 2003, the MultiFund® 5 Contract provides for a guaranteed minimum interest rate of 1.5% for the contract life in some states and 3% for the contract life in the remaining states.

15. Lincoln Life now proposes to make an exchange offer to MultiFund® 2, 3, and 4 contract owners with the contract value death benefit option whose contracts have a contract value of at least \$5000 and who have remaining surrender charges equal to 2% or less of their current contract value. Under the exchange offer, eligible contract owners can elect to exchange their existing MultiFund® 2, 3, or 4 Contracts for a MultiFund® 5 Contract. An immediate bonus credit of 2% of the contract value will be credited to the contract owner's contract on the issue date of the MultiFund® 5 Contract.

16. Contract owners who elect the 2% Bonus Exchange Offer will be issued a new MultiFund® 5 Contract with the Contract Value Death Benefit. The current contract value will be withdrawn from the old contract and re-deposited into a MultiFund® 5 Contract based on the then current allocation of contract value. Contract owners will hold the same share class in MultiFund® 5 as in their original contract. Four of the existing underlying funds for MultiFund® 2, 3, and 4 Contracts are not available under the MultiFund® 5 Contract. However, ten new fund choices are available under the MultiFund® 5 Contract that are not available under the MultiFund® 2, 3, and 4 Contracts. If a contract owner has allocated payments to one of the four subaccounts not available under the

MultiFund® 5 Contract, the contract owner will be required to establish a new allocation among subaccounts available under the MultiFund® 5 Contract. All contract owners who have accepted the exchange offer will be given the opportunity to change their allocations at the time of the exchange to any of the subaccounts available under the MultiFund® 5 Contract. These changes in allocations do not count as transfers.

17. The entire contract value of the new MultiFund® 5 Contract (excluding the 2% bonus credit) will be subject to surrender charges under the New Contract as of the date the contract becomes effective. For purposes of calculating surrender charges, the contract value of the Old Contract (excluding the bonus credit) will be treated as a purchase payment. Any remaining surrender charges on the contract owner's MultiFund® 2, 3, or 4 Contract existing prior to the time of the election of the exchange will be waived. All other charges of the new MultiFund® 5 Contract will also apply.

18. As of the effective date of the exchange offer, contract owners who have accepted the exchange offer will pay the MultiFund® 5 Contract charges. After the exchange, the contract owner will be governed by the terms of the New Contract, effective on the date the exchange offer is processed.

19. The exchange offer is only available to nonqualified, IRA and Roth IRA annuity contracts, with at least \$5000 in contract value, in which the named contract owner, joint owner, and annuitant are under age 76, and the remaining surrender charge, as a percent of the current contract value, is 2% or less. The exchange offer will not be made to contract owners who are not eligible to participate.

20. Contract owners may cancel the new MultiFund® 5 Contract for any reason within ten days (in some states longer) of the date of receipt of the new contract in accordance with the terms of the Right to Examine provision of the contract. No surrender charges will be assessed upon exercise of the Right to Examine provision or upon cancellation. Upon cancellation, Lincoln Life will return the contract value to the applicable MultiFund® 2, 3, or 4 Contract. Any surrender charges previously waived on the MultiFund® 2, 3, or 4 Contract will be reinstated as of the date the MultiFund® 2, 3, or 4 Contract was surrendered. Lincoln Life will revoke any bonus credits credited to the contract value. However, Lincoln Life will assume the risk of investment loss on the bonus credits. In other words, the contract owner will be put