

5. AFD is the distributor and primary underwriter of the contracts issued by Lincoln Life through the Annuity Accounts. AFD is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers.

6. The Application relates to two Legacy Contracts. The Legacy I contracts issued through Account E have been registered under the Securities Act of 1933 pursuant to a registration statement on Form N-4. The Legacy II contracts issued through Account H have been registered under the Securities Act of 1933 pursuant to a registration statement on Form N-4.

7. During the accumulation period under the Legacy Contracts, based upon the contract owner's instructions, purchase payments are allocated to the selected subaccounts of the Annuity Accounts and/or Lincoln Life's general account. To the extent that an owner selects one or more subaccounts, his or her investment in the contract will vary with the investment performance of the selected subaccount(s).

8. A contract owner can elect to receive annuity payments under his or her contract. Under a contract, annuity payments are based upon the life of an annuitant and in some cases the lives of two (or joint) annuitants. Annuity options are available on a variable basis (*i.e.*, funded by the Annuity Accounts) and/or on a fixed basis (*i.e.*, funded through Lincoln Life's general account).

9. The Legacy I contract has been offered and sold for a number of years. The minimum purchase payment for Legacy I is \$1500 for nonqualified contracts and \$300 for qualified contracts. Legacy I contracts impose a surrender charge of up to 6% of any amount by which purchase payments withdrawn in any year exceed 10% of purchase payments (however, this 10% withdrawal exception does not apply to a surrender of a contract). The surrender charge associated with each purchase payment after year 2 declines 1% each year until it is 0% at the end of the seventh year after the payment was made.

10. The Legacy I contracts also impose the following charges: (a) a daily mortality and expense risk charge at an annual rate of 1.25% of the daily net asset value of Account E; (b) for contracts that include the Enhanced Guaranteed Minimum Death Benefit ("EGMDB"), an additional daily charge at an annual rate of 0.15% of the net asset value of Account E; (c) an annual contract maintenance charge of \$35; and (d) a charge corresponding to any

applicable state premium tax or other tax levied by any governmental entity.

11. The Legacy II contracts impose a minimum purchase payment of \$1500 for nonqualified contracts and \$300 for qualified contracts. The Legacy II contracts also impose a surrender charge of up to 6% of any amount by which purchase payments withdrawn in any year exceed 10% of purchase payments (however, this 10% withdrawal exception does not apply to a surrender of a contract). The surrender charge associated with each purchase payment after year 2 declines 1% each year until it is 0% at the end of the seventh year after the payment was made.

12. The Legacy II contracts also impose the following charges: (a) a daily mortality and expense risk charge at an annual rate of 1.25% of the daily net asset value of Account H; (b) a daily administrative charge at an annual rate of 0.10% of the daily net asset value of Account H; (c) for those contracts that include the EGMDDB, a daily charge at an annual rate of 0.15% of the net asset value of Account H; (d) an annual contract maintenance charge of \$35; and (e) a charge corresponding to any applicable state premium tax or other tax levied by any governmental entity.

13. Under both the Legacy I and Legacy II contracts, the death benefit equals the greater of: (a) the Guaranteed Minimum Death Benefit ("GMDB"), or if elected, the EGMDDB, or (b) the current value of the contract as of the day Lincoln Life approves the claim for payment. For these contracts, the GMDB is equal to

- a. The sum of all purchase payments, plus
- b. any gain attributable to those purchase payments as of the seventh anniversary date of each payment, minus
- c. any withdrawals.

The attributable gain consists of the earnings on each contract years' net purchase payments (purchase payments minus any withdrawals) as of the valuation date just before the seventh anniversary of the purchase payment (*i.e.* once the surrender charge period for the purchase payment has expired). For the GMDB to apply, the annuitant, as of the seventh anniversary of each eligible contract year, must still be living and must be less than 81 years of age.

14. For Legacy I and Legacy II, the EGMDDB is an alternative to the GMDB for nonqualified contracts or contracts used under an IRA plan. Under the EGMDDB, the death benefit payable is the amount equal to the greatest of:

- a. Contract value as of the day on which Lincoln Life approves the payment of the claim; or

- b. the sum of all purchase payments less the sum of all withdrawals, partial annuitizations and premium taxes incurred; or

- c. the highest contract value determined as follows:

- (i) When the first of the annuitant, sole contract owner or, in the event the contract is owned by more than one person, the named contract owner or pre-designated joint owner dies, we determine the highest contract value;

- (ii) this highest contract value is as of any contract anniversary from the time the EGMDDB takes effect up to and including the decedent's age 80;

- (iii) this highest contract value is then increased by purchase payments and decreased by partial withdrawals, partial annuitizations and premium taxes made, effected or incurred subsequent to the anniversary date on which the highest contract value is attained.

15. If the Legacy I or Legacy II contract has more than one joint owner, the GMDB or EGMDDB death benefit will only be paid on the death of the named contract owner or pre-designated joint owner. If the contract owner does not make this pre-designation, the youngest joint owner will be the pre-designated joint owner. Only the cash surrender values will be paid upon the death of a non-pre-designated joint owner. If there are two or more joint owners, the surrender charge is waived only on the death of the named contract owner or pre-designated joint owner.

16. Lincoln Life now proposes to offer an enhancement option ("Enhancement Offer") to Legacy I and Legacy II contract owners whose contracts have surrender charges equal to 2% or less of their contract value. The Enhancement Offer consists of two options (collectively the "Offers"): (a) an immediate bonus credit equal to 2% of contract value ("Bonus Offer"); or (b) an EGMDDB at no additional cost ("EGMDDB Offer"). An owner can elect only one of the options.

17. The existing contract will remain in place. However, in exchange for the selected enhancement option the entire contract value (excluding any bonus credit, if that option was selected) will be subject to new surrender charges as of the date the option is accepted. For purposes of calculating surrender charges, the contract value (excluding the bonus credit) will be treated as a new purchase payment. Any remaining surrender charges existing prior to the time of the election of the option will be waived.

18. The offer is only available for contracts sold in the nonqualified and IRA markets (excluding SEP or SARSEP markets), and this offer is not available for those contracts in which the primary